

# Australian government touts carbon tax “free market” credentials

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Prime Minister Julia Gillard has seized on the release of a Productivity Commission report to again promote the pro-business bone fides of her government’s proposed carbon tax. Treasurer Wayne Swan, in a speech to the National Press Club last week, similarly appealed to the ruling elite to throw its weight behind the “free market” measure, advancing the Labor Party as a willing instrument of big business and finance capital.

With the full detail of the proposed carbon tax to be unveiled early next month, opposition leader Tony Abbott is under mounting pressure from the media to junk his so-called direct action plan, which involves subsidising coal-fired power generating companies and agribusiness interests.

The Productivity Commission’s research report, “Carbon emissions in key economies”, examined the cost of different policies aimed at reducing carbon emissions in China, Germany, India, Japan, New Zealand, South Korea, Britain and the United States, as well as Australia. It concluded that on policies to reduce emissions in the electricity generation sector, Australia spent about the same as a percentage of gross domestic product as the US and China, but considerably less than Britain and Germany.

Gillard immediately claimed that this finding contradicted the opposition’s claim that a carbon tax would involve Australia “going it alone” on reducing emissions. In his speech to the National Press Club on June 7, Treasurer Wayne Swan warned: “It’s already clear that with the highest level of carbon pollution per capita in the developed world, Australian exports will become a prime target for trade measures if we fall too far behind. We don’t have to worry about going early; we need to focus on staying competitive.”

This is the first time the Labor government has directly raised the prospect of “green” tariffs, which have been discussed for some time by European policymakers, being

imposed on Australian exports. Swan declared that trade sanctions would represent a significantly “greater economic shock on our economy down the track” than the costs of adjusting to a carbon tax.

The Productivity Commission concluded that subsidising renewable energy projects, especially solar photovoltaic systems, were relatively costly and instead endorsed emissions trading schemes (ETS). The research report concluded: “With the European Union ETS now well established and its coverage growing, New Zealand’s fledgling ETS, some regional schemes in North America, and other countries such as South Korea, Japan and China intending to trial or adopt such schemes, explicit carbon pricing appears to be coming to the fore ... The consistent finding from this study is that much lower-cost abatement could be achieved through broad, explicit carbon pricing approaches, irrespective of the policy settings in competitor economies.”

In reality, emissions trading and carbon taxes are inherently incapable to delivering the massive reductions in greenhouse gas emissions that are required (see “Capitalism and the climate change crisis”). But this remains the central “inconvenient truth” that cannot be raised in the official climate change debate.

The Productivity Commission’s predictable conclusions flowed directly from its unstated assumptions concerning the rationality and efficiency of the “free market”. Anything that cut across this was simply excluded from the report.

The Labor government nevertheless trumpeted the Productivity Commission report as a vindication of its approach. Wayne Swan declared: “The only way to drive investment in this [clean energy] technology is to put a price on pollution. Only a market mechanism does the job ... As Treasurer, I see a price on pollution as the next crucial frontier in economic reform. It is the type of progress that

future generations will speak of in the same terms as the big reforms of the '80s and '90s."

The *Australian* backed the Labor government in a June 10 editorial on the Productivity Commission study, titled "Report backs market system for cutting carbon". The Murdoch newspaper declared: "In keeping with its expertise, the Productivity Commission has injected much-needed rational insights into the vexed issue of cutting carbon ... The commission's solid, factual economic arguments are also bad news for opposition leader Tony Abbott. He must rethink his direct-action policy because it would inflict too heavy a burden on the economy."

In his address to the National Press Club, Swan said that unreleased treasury modelling had found that with a carbon tax set at \$20 per tonne of emitted carbon dioxide, per capita real national income would grow by 1.1 percent over the next four decades, compared to 1.2 percent growth with no carbon tax. He suggested that Abbott's plan would be far costlier, involving the expenditure of \$30 billion in public funds.

The Labor government is receiving more support from key sections of business and the media as the deadline for passing the carbon tax draws nearer.

Thirteen prominent economists, academics, and bankers, including former Liberal Party leader John Hewson, issued an open letter earlier this month backing a carbon price. Another former Liberal Party leader, Malcolm Fraser has also backed the government's policy, together with Dame Elisabeth Murdoch, mother of media baron Rupert Murdoch, who co-signed another open letter with several prominent academics. Abbott's predecessor and leadership rival Malcolm Turnbull has made no secret of his agreement with Labor's "market" approach to carbon emissions and recently derided his own party's policy as one pitched to climate change denialists.

Independents allied with the minority Labor government have also indicated that they will back the carbon tax. Regional New South Wales parliamentarian Tony Windsor publicly endorsed the Productivity Commission's findings.

The Greens similarly claimed the report supported moves towards "a combination of carbon pricing and direct support for sunrise industries such as renewable energy". The Greens also backed a national "day of action" for the government's carbon tax on June 5, organised by the online lobby group GetUp! as part of its efforts to channel

enormous public concern over climate change behind Gillard's pro-market agenda. About 10,000 people reportedly rallied in Melbourne and 8,000 in Sydney.

Abbott has mounted his own phony populist campaign against the carbon tax, attempting to exploit for his own ends the legitimate concerns among working people over the tax's impact on jobs and costs of living. The Liberal Party has also attempted to rally different sectional interests within the Australian corporate elite—much of Abbott's time is now spent frenetically staging photo opportunities around the country in front of steelworks, coalmines, manufacturing plants, and other enterprises whose profits are threatened by the carbon tax.

Yet Abbott has thus far failed to win ruling elite support for his campaign to bring down the Gillard government and trigger an early election. In 1975, the Murdoch press played an important role in creating the conditions for the coup against Gough Whitlam's Labor government. It is now being more circumspect, though this could very rapidly change. "For the record, this newspaper believes the proper time for the next election should be, on schedule, in the second half of 2013," the *Australian* declared in an editorial last week. "Despite its shortcomings and minority status, the Gillard government clearly has the right and the responsibility to seek to govern effectively for a standard term."

The peculiar impasse that marks official politics in Australia reflects a wider crisis. Dissatisfaction with Abbott in ruling circles centres not on climate policy but on his failure to press Labor to go further in slashing public spending and undermining the conditions of the working class. The Liberal leader's budget reply speech last month was roundly denounced for failing to outline a credible agenda going far beyond the \$22 billion in cuts and savings unveiled by the government. In order to maintain the international competitiveness of Australian capitalism, the corporate elite demands European and American style austerity—but neither Gillard nor Abbott have as yet demonstrated their ability to deliver in the face of overwhelming public opposition.



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