

Global economic crisis intrudes into Australian carbon tax “debate”

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Last week, after Prime Minister Julia Gillard unveiled the proposed carbon tax, the Australian media was preoccupied with the issue. The escalating global economic crisis received scant coverage. But a sharp shift is now underway, with both the Labor government and Liberal-National opposition under pressure to outline savage public spending cuts and other pro-business measures to prepare for the domestic impact of an international slump.

Last week, every senior member of the Gillard government and Tony Abbott's opposition coalition was staging various election-style photo opportunities around the country over the carbon tax. The Labor government's climate policies are directly aimed at boosting the interests of the Australian corporate elite, yet sections of the ruling elite are evidently alarmed over the prospect of a carbon tax campaign dragging on for two years, up to the next election due in 2013, while other pressing “free market” restructuring measures are delayed.

Even as Gillard and Abbott were trading blows, Italy and other eurozone economies came under further scrutiny from the ratings agencies and financial speculators, the spectre of a US default emerged, and concerns grew over China's industrial growth rates. The air of unreality surrounding the carbon tax debate was punctured last Friday by Westpac Bank chief economist Bill Evans who issued a report anticipating that official interest rates would be lowered to “avert a damaging round of contraction.” He added: “I recently visited fund managers and central banks in Europe and could not find anyone who expected the current crisis to be resolved without an extended period of financial market turmoil.”

On Saturday, the *Australian's* editor-at-large Paul Kelly wrote a column, “Carbon fiddling as world economy burns,” which noted the “staggering” juxtaposition between developments in Australia and elsewhere. “Europe hovered on the brink with its debt crisis threatening more nations in

the eurozone, America was mired in gridlock over its huge debt burden and Australia declared its confidence in the domestic and world economies by moving to price carbon,” he wrote. Kelly concluded by questioning whether “the Gillard government is locked into an insulated political fantasy as the rest of the world sinks into the financial mire.”

The Murdoch newspaper followed this with an editorial yesterday, “Government must heed economic wake-up call.” It noted: “As Italy and Spain feel the brunt of the European sovereign debt crisis that has savaged smaller economies and the US seeks a debt ceiling of \$US17 trillion to avoid defaulting by August 2, Treasury's Red Book of advice to the Gillard government a year ago is worth revisiting... The predicaments of the US and Europe and the fact that the slower, non-mining side of Australia's two-speed economy is grinding along so slowly should be a wake-up call for the government.”

The “Red Book” outlined an austerity agenda, essentially aimed at permanently lowering the living standards of the working class in order to boost the international competitiveness of Australian capitalism. That its proscriptions are now being publicly revived underscores the severity of the economic crisis.

The contradictions of the “two-speed” or “patchwork” Australian economy have never been as sharp. There is record investment in the mining sector and unprecedented corporate profits being made by the commodities exporters and the banks. Yet much of the rest of the economy, including manufacturing, retail and services, confronts recessionary conditions.

Australian Industry Group chief executive Heather Ridout complained that “the timing could not be worse” for the carbon tax, demanding: “The government needs to pay attention to what's going on in the manufacturing industry in Australia, and I think they are getting that message. I

think they need to see what is happening in retail. There is a lot of pain. These are big employing sectors who are under stress.”

Gillard has been unable to answer how her government would respond to a renewed contraction in economic activity in Europe and the US or a slowdown in China. Asked about the global economic turmoil at the National Press Club last week, she blithely insisted that “predictions” for the domestic economy “continue to hold true.”

The *Australian* yesterday rejected such bromides and pointed to the need for savage budget cutbacks. “Labor cannot ignore the fact its promised return to budget surplus in 2012-13 could be the first casualty of a major recession. For that reason, while the economy remains strong, tight budgeting is essential,” it warned.

Gillard’s political strategy has been to legislate the carbon tax before the next election and then seek business support on the basis of ensuring continued investment certainty—but her standing is so low this perspective is already unravelling. Far from getting any bounce in the media opinion polls from the carbon tax announcement, support for the Labor Party fell further from 27 percent to a new low of 26 percent yesterday.

As a result, the government’s crisis can only deepen. Geoff Kitney of the *Australian Financial Review* noted yesterday: “Fears in the business community that federal political factors are undermining confidence and threatening the economy are set to intensify, with new doubts emerging about Prime Minister Julia Gillard’s grip on the Labor leadership.”

Despite its high standing in the opinion polls, the opposition coalition is now under as much pressure from business and the media as the Gillard government. Tony Abbott’s demand for an early election has still not been taken up by any section of the press. His exclusive focus against the carbon tax, issuing populist appeals over fears of further cost of living increases, is not what is wanted by ruling circles.

Moves are being enthusiastically promoted from within the Liberal Party to develop a clear set of pro-business policies that are even further to the right than Labor’s. An internal party review into the party’s 2010 election performance, conducted by former Howard government minister Peter Reith, has received wide coverage because it concluded that the development of new policies, including on industrial

relations, be made a “high priority.” Abbott went into the last election promising to uphold Labor’s Fair Work Australia framework, but corporate Australia is demanding that further inroads be made into workers’ wages, conditions and entitlements.

Former Prime Minister John Howard made a rare public intervention over the weekend, publicly backing Abbott’s opposition to the carbon tax, but adding that industrial relations would need to be “revisited.” Abbott remains reluctant, however, no doubt conscious that his bogus posturing over the cost of living would fall flat if he becomes identified with an effort to reintroduce Howard’s despised WorkChoices regime. The opposition leader told journalists that any changes on industrial relations would be based on “solving problems, not ideology,” and then refused to take any more questions on the issue at the press conference.

An editorial in the *Australian* today on the Reith report and Howard’s intervention expressed concern over Abbott’s “small target strategy” and stated that “there is something of a vacuum in the areas of managing the two-speed economy and improving productivity—the main policy challenges confronting the nation.” The newspaper denounced Abbott’s climate policy and also his promise to impose a levy on big business to fund an expanded parental leave scheme, concluding: “Mr Abbott’s demands for an early election cannot be taken seriously when his own policy development is so inadequate.”

As the official “debate” over the carbon tax continues amid a worsening crisis of global capitalism, it is clear that the Australian ruling elite is stepping up its frenetic efforts to forge a government capable of imposing the kind of ruthless attacks on the working class as seen in much of Europe and the US. The urgent political task confronting working people and youth is to begin preparations for a counter-offensive in defence of their independent class interests. The Socialist Equality Party is holding weekend conferences in Sydney and Melbourne in August on “The Failure of Capitalism and the Fight for Socialism Today” to discuss these issues. We urge *World Socialist Web Site* readers to register in advance.



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