Australian PM promotes carbon tax as pro-business reform

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The speech delivered Thursday by Prime Minister Julia Gillard before the National Press Club underscored the crisis confronting her minority Labor government over the proposed carbon tax and emissions trading scheme (ETS).

The speech came amid continued campaigning by the major parties on the issue, which now dominates Australian politics. Every day this week, senior government and opposition members staged various photo opportunities in shopping centres, businesses and homes of carefully vetted voters. Gillard and her colleagues are desperately attempting to win public support for the carbon tax, with the Labor Party polling at just 27 percent support—a historic low.

The prime minister's National Press Club address pointed to some of the economic interests that underlie the fractious official debate. While the carbon tax and ETS are promoted as environmental measures aimed at reducing greenhouse gas emissions, the real issue at stake is the continued international competitiveness of Australian capitalism.

Gillard began her speech by boasting of her pro-business "reform" credentials, recalling her position from 2007 to 2010 as minister for education, employment and workplace relations. In this period she drafted the draconian Fair Work Australia industrial relations legislation that enshrined the central features of the former Howard government's WorkChoices policy, and also implemented a series of right-wing measures undermining the public education system, including the NAPLAN standardised testing regime.

The prime minister again compared the carbon tax to the "free market" measures implemented by the Hawke-Keating Labor governments between 1983 and 1996. These measures caused an unprecedented increase in social inequality as wealth was transferred from working people to a narrow layer at the top. Gillard focussed on the 1983 floating of the national currency: "The dollar float is the paradigm example [of] the big enabling decision, the big change which sets the ball rolling for all the others, the big call for the future which demands courage at the time... The carbon price is our dollar float."

Gillard's remarks point to the fundamental interests at stake for the corporate elite. The Labor government recognises the definite possibility that if Australia is seen internationally to be taking no action on climate change it could be targeted in negotiations for a successor treaty to the Kyoto Protocol. With the highest per capita emissions of any advanced country, Australia could face a major economic shock if confronted with sharp emissions reductions targets. Moreover, even in the absence of a post-Kyoto treaty, many Australian exporters are vulnerable to "green" tariffs that Europe has threatened to impose on countries not doing anything to reduce carbon emissions.

In addition, Australia's banks and major financial firms are eagerly anticipating the carbon tax's transition to an ETS in 2015, when they can make enormous profits in the international carbon trading market. The *Australian Financial Review* reported Wednesday: "Banks will cash in on the Gillard government's carbon policy as they develop new financial products and services and trade instruments in a market estimated to be worth many tens of billions of dollars locally. Macquarie Group, Westpac Banking Corp, ANZ Banking Group and international investment banks that trade emissions permits in Europe and New Zealand want to use their experience in the $US142 billion global carbon market to develop new businesses here."

Gillard's speech was clearly pitched to the corporate elite to intervene and force the opposition Liberal-National coalition to change policy before the next election, due in 2013, and line up behind the carbon tax-ETS. Having announced the government's scheme, she calculates that the dominant sections of big business will be hostile to the continuing uncertainty generated by the prospect of it being overturned by a future Coalition government.

Liberal leader Tony Abbott's opposition to the measure is pitched to the various sectional corporate interests opposed to any impost on carbon emissions, including the coal mining industry and less competitive manufacturers. He has mounted a

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phoney populist campaign—trying to appeal to the legitimate and widespread concerns over the carbon tax's regressive impact on living standards. Abbott declared earlier this week that "such political future as I have got rests entirely on beating this tax, so that's the whole purpose of what's left of my political life."

However, the opposition coalition remains bitterly divided. Malcolm Turnbull, the former Liberal leader, who in 2009 negotiated a deal with the Labor government on an ETS before being ousted by Abbott, broke his silence on Gillard's carbon tax on Wednesday. He made clear his continued agreement with a carbon price, adding that Abbott had shifted his position on the issue several times since 2007. Turnbull is a former investment banker and embodies the interests of finance capital within the Liberal caucus. He clearly remains the leader-in-waiting in the event that the opposition is forced to make another policy u-turn on the tax.

Sections of the media are urging this shift. An editorial in the *Australian* on Thursday denounced Abbott's so-called direct action plan on carbon emissions, which involves subsidising the major polluters and has been estimated to be three times more costly than Gillard's proposal. The policy, the newspaper stated, "can be regarded only as a short-term political fix to see him through the next election." The newspaper concluded: "An economically credible manifesto at the next election must surely provide for a shift to a price-mechanism. Without it, the coalition's economic credentials will be badly eroded... Irrational economics are never acceptable."

Gillard is clearly being promoted by the media—as the series of "softball" questions asked by the journalists at the National Press Club demonstrated. A Sky News reporter asked the prime minister how she was coping with the "vitriolic attacks" against her, while a Channel 7 presenter asked her how the media ought to be reporting on the carbon tax ("don't print crap," she replied).

Gillard is clearly under intense pressure to deliver on the carbon tax. In a rather mawkish interlude, she tried to explain her unpopularity by elaborating on her "personal" motivations. With tears welling up, Gillard recalled her school days as a "shy girl who studied and worked hard" and concluded: "If people's image of me is one of steely determination, I understand why." The main source of public hostility to Gillard is not her carefully cultivated persona of "steely determination" but rather the ruthless means she employed to come to office—the knifing of her predecessor Kevin Rudd in an anti-democratic, inner-party coup.

If the Labor government is unable to gain political traction on the carbon tax, despite widespread public concern over climate change, it is because the policy is based on a lie. The prime minister has repeatedly insisted that the carbon tax and ETS are measures based on climate science. The scientific consensus is that to prevent highly dangerous global warming, advanced economies need to make enormous and rapid cuts to their emissions—at least between 25 and 40 percent by 2020. Yet under Labor's scheme, emissions in Australia will *increase* over this period.

Gillard has repeatedly declared—without challenge from the media—that her policy will "cut at least 160 million tonnes of carbon out of our atmosphere in 2020, the equivalent of taking 45 million cars off the road." The claim is simply false. The government's own documents show that emissions in Australia will be significantly higher in nine years' time, rising from 582 million tonnes of carbon to 621 million tonnes in 2020.

Gillard's reference to "45 million cars off the road" is based on the government's plan to purchase billions of dollars worth of "carbon credits" in Australia and internationally. But these credits—generated through programs that supposedly reduce emissions by planting trees, preserving forests and changing industrial practices—are based on schemes that are riddled with fraud and corruption. At the same time, they have generated enormous profits for carbon traders working at major European banks and financial firms.

The unreality behind much of the official carbon tax debate was momentarily punctured at the National Press Club when one reporter asked about the implications of the escalating European debt and banking crisis and the threat to the US economy's credit rating. The worsening global economic crisis had been largely kept off recent newspaper front pages in Australia, with the carbon tax "debate" serving as a useful diversion. Gillard was unable to say anything of substance on the economic breakdown, and merely insisted that "the predictions that have been made for the Australian economy continue to hold true."

The exchange nevertheless served as a reminder that the carbon tax is part of the Labor government's wider economic restructuring agenda, which assumes considerable urgency for the corporate elite amid the continuing global economic storms.

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