

# Australian opposition under fire over budget update response

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The Labor government's mid-year budget update, released on Monday, has heightened tensions within the Liberal-National coalition. Opposition leader Tony Abbott may soon confront a leadership challenge after coming under criticism within ruling circles over his perceived failure to pressure the government to implement more savage austerity measures.

In the Mid-Year Economic and Fiscal Outlook (MYEFO), Treasurer Wayne Swan announced new spending cuts, on top of those in the May budget, including a reduction in the "baby bonus" for parents of new children, regressive cuts to the university sector, and reduced funding for the private health insurance rebate. These measures were broadly welcomed by the corporate elite and media, though regarded as inadequate steps towards what is really required—deep inroads into welfare, health, education and other basic services, as part of the drive to permanently lower the living standards of the working class in line with developments in Europe and the US.

The opposition responded by criticising the government's new spending cuts. Shadow Treasurer Joe Hockey compared the cut to the "baby bonus" to China's one child policy. Manager of opposition business Christopher Pyne described the measure as "vicious and savage." Abbott suggested that the government lacked "experience in this area", a thinly veiled reference to Prime Minister Julia Gillard's decision not to have children.

The *Australian's* editorial on Wednesday entitled "Baby steps needed for a serious economic debate" sounded an exasperated note. After chastising Abbott for his "clumsy attack", the newspaper warned:

"Conservative politicians should not simply presume they will be given credit for having a rational approach to economic management—they must earn their stripes. Mr Hockey has raised expectations for substantial reductions in government spending, totalling \$70 billion or more over the forward estimates, but he is yet to detail a plan to deliver them."

The editorial urged the opposition to "elevate the tone of the debate and assume the mantle of a viable alternative government" by returning to the "themes of [Hockey's] April speech about the culture of entitlement."

Hockey's speech amounted to a frank outline of the social counter-revolution being demanded by finance capital. Speaking in London, the shadow treasurer demanded the abolition of the entire welfare state and the adoption of fully privatised and "user pays" systems in health, education, transport, housing, and other services.

The speech came to serve as a touchstone for what has been an increasingly strident campaign within ruling circles. *Australian Financial Review* journalist Laura Tingle, economist and Labor government advisor Ross Garnaut, and Treasury secretary Martin Parkinson have been among those to echo Hockey's rhetoric about the need to lower the population's living standards and its "entitlement" expectations from government.

Following the mid-year budget update, however, both Abbott and Hockey himself disavowed the "end of entitlement" speech, sensitive to the widespread opposition among ordinary people towards this

regressive agenda.

Hockey resorted to absurd rhetorical contortions this week when challenged over the contradiction between what he said in London and his opposition to the government's spending cuts. Speaking on the ABC-TV's "Lateline" on Monday, the shadow treasurer falsified what he said in April, by insisting that his speech "was primarily directed at Europe." He added: "Here in Australia I warned that if you were going to extend the entitlement system, then that extension was going to make us less competitive with a number of our Asian neighbours. I didn't specifically argue for a particular initiative to be wound back."

Niki Savva, who worked as a staffer for former Treasurer Peter Costello under the Howard government, yesterday suggested in the *Australian* that Abbott would soon face a Liberal Party leadership challenge.

Abbott won the opposition leadership in December 2009 by just one vote, ahead of previous Liberal leader Malcolm Turnbull. Abbott opposed Turnbull's policy of backing the Labor government's proposed carbon emissions trading scheme. He has since focussed on opposition Gillard's carbon tax, making a pseudo-populist appeal to widespread concerns among ordinary people over rising costs of living, while also seeking support from sections of business, primarily the mining sector and the electricity generators. The Gillard government, however, recently placated most corporate concerns over the carbon tax by removing the carbon floor price and by more quickly integrating an Australian emissions trading scheme into the highly lucrative European scheme.

As far as key sections of the ruling elite are concerned, Abbott's campaign against the carbon tax has run its course and he is failing to outline a clear pro-business alternative to the Gillard government to respond to the impact of the faltering mining boom and worsening global economic crisis on the Australian economy. Deep cutbacks to public spending are central to what is being demanded.

Savva's comment reflects grave doubts in corporate

circles that Abbott is up to the task. He has already proposed a tax surcharge on the 200 largest Australian companies to fund an expanded maternal leave scheme—a policy regarded as especially intolerable. A recent *Quarterly Essay* on Abbott underlined the fact that he has never been a "free market man" and traced his origins to the anti-communist Catholic movement led by B. A. Santamaria. The *Australian* recently revealed that in 1987, as he was deciding whether to join Labor or Liberal, Abbott wrote to Santamaria, criticised the Liberal Party's "more or less simple-minded advocates of the free market" and its "inappropriate economic Ramboism."

Behind the concerns about Abbott's priorities lies wider unease in ruling circles about the Liberal-National opposition. As the global economic crisis has intensified and geopolitical tensions sharpened, especially between the US and China, the fissures within the opposition have sharpened. There are deep divisions within the Liberal Party, and between the Liberal Party and its rural-based junior coalition partner the Nationals, over issues such as Chinese investment and land ownership in Australia. There are no less sharp conflicts over how to position Australia between Washington and Beijing. Former leader Malcolm Turnbull is clearly opposed to the Gillard government's unconditional alignment with the US strategic encirclement of China, while Abbott is fully supportive.

The situation underscores the reality that it is not just the minority Labor government, nor the opposition coalition, but the parliamentary apparatus as whole that is in crisis. The corporate elite is deeply dissatisfied with both the government and opposition parties who are confronted with the task of implementing a pro-business agenda that is broadly unpopular. As in Europe, this political stalemate presages a turn to more authoritarian forms of rule to impose the required program on the working class.



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