

Australia: Two NSW by-elections reveal the rot of official politics

Richard Phillips, Peter Symonds
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Two by-elections in the Australian state of New South Wales (NSW) on October 25, and the circumstances surrounding them, provided a revealing glimpse into the rot and decay of official politics at every level of government.

The by-elections were held under extraordinary conditions. The two Liberal Party members of state parliament resigned their seats after being exposed in the NSW Independent Commission Against Corruption (ICAC) for taking money from property developers. They were just the latest casualties. Over the past nine months, 10 state Liberal MPs, including the previous premier, Barry O’Farrell, have been forced to quit the government or move to the cross-benches as a result of corruption allegations.

In a phony display of contrition, the Liberal Party did not stand candidates in the by-elections, leaving the field open to the opposition Labor Party and the Greens. With a full state election due next March, Labor was desperate for solid wins to reverse the impact of its shattering landslide defeat in 2011 when it was thrown out of office after 16 years in power. Its overall vote of just 25 percent in 2011 was the worst result since 1903.

The two seats—Newcastle and Charlestown—are both in the industrial city of Newcastle, 160 kilometres north of Sydney, and previously regarded as “safe Labor.” While Labor won the by-elections, the results hardly vindicated state opposition leader John Robertson’s claim that voters had “put their faith back in Labor.”

In Charlestown, Jodie Harrison, the Lake Macquarie mayor, received a primary vote of 49.3 percent, up by more than 20 percentage points from Labor’s 2011 low. In Newcastle, the Labor candidate lifted the primary vote by just 6 percentage points to 36.9 percent. Both had to rely on preferences, especially

from the Greens, to win the seats. In the absence of Liberal candidates, the main beneficiaries were the Greens, who posture as an alternative to the two major parties, and various independents.

However, the alienation of broad layers of working people from the entire political establishment was registered in the low turnout. Despite voting being compulsory, almost 20,000 people did not cast a ballot, or one-in-five of those eligible in both electorates. Many of those who voted did so reluctantly, with no firm support for their choice.

The deep-seated hostility of voters to the establishment parties is not simply the outcome of the latest corruption scandals. There has been more than three decades of pro-market restructuring by Labor and Liberal governments alike, at the state and federal level.

The impact has been acute in the Newcastle area. Manufacturing has been devastated by the closure of the steelworks and associated heavy industries, and essential social services have been gutted. The city’s port became the outlet for lucrative coal exports from mines in the Hunter Valley, but those exports have been hit over the past year by the downturn in commodity prices. Youth unemployment in the Newcastle district stood at a massive 32.6 percent last December.

Newcastle is a microcosm of processes taking place nationally, and internationally. The hollowing out of manufacturing has been accompanied by the increasing domination of finance capital and profiteering through share and property speculation. There has been constant restructuring, downsizing, takeovers and mergers; and the privatisation of public services and assets. The relentless assault on living standards has led to a haemorrhaging of members and support for the major parties and their turn to other sources of funding.

Placed in this context, the parade of politicians, Liberal and Labor, who have been exposed through ICAC is not simply a case of few rotten apples. It is no accident that Sydney, the NSW state capital, is a major financial centre. Corrupt practices are not new, but financialisation has opened up many new avenues. The creative accounting, semi-legal and illegal practices associated with financial super-profits find their counterparts in politics. Money, often in large amounts, hinges on ministerial and governmental decisions on land zoning, project approvals, asset privatisation and public-private partnerships.

Banking, finance and insurance grew from 3.6 percent of Australia's gross domestic product in 1985–86 to 10.8 percent in 2012–13, and generates more revenue than mining. Financial services are now NSW's largest industry, accounting for a 12 percent share of the gross state product in 2012-13. Boosted by an inflated Sydney property market, the banks are gouging multi-billion dollar profits from thousands of working- and middle-class families, while the state government is increasingly reliant on property taxes and real estate stamp duty.

The latest corruption scandals are only the tip of the iceberg. Moreover, who is exposed and who is not, is bound up with political infighting. O'Farrell for instance, was ousted as premier over the undeclared receipt of an expensive bottle of wine amid criticisms in financial circles about his alleged failure to sufficiently press the agenda of austerity and privatisations. (See: "More than a bottle of wine involved in ousting of Australian state premier")

The corruption scandals surrounding the by-elections underscore the intimate connection between government and various forms of speculative investment. The two Liberal MPs who resigned—Andrew Cornwell for Charlestown and Tim Owen for Newcastle—received substantial donations in 2011 from the then Newcastle mayor Jeff McCloy, a local property developer, and Nathan Tinkler, a coal mining entrepreneur.

After the closure of the steelworks, prime land around Newcastle harbour became the target of entrepreneurs, all demanding that their schemes be approved by state and local politicians. McCloy told the ICAC that the state's politicians "all come to see me for money. I feel like a walking ATM some days."

Tinkler amassed a huge fortune from virtually nothing through his access to cheap credit from the banks. He and his business associates directed funds into a Liberal front company called Eightbyfive, which was specifically established to buy political favours. Tinkler wanted his own coal loader built in the harbour in order to bypass the long queues at the Port of Newcastle and undercut BHP Billiton and other corporate rivals.

The NSW branch of the Labor Party, which is notorious for its connections to property developers, was also deeply involved. When Newcastle Labor MP Jodi McKay opposed Tinkler's unpopular coal loader project in 2010, Tinkler turned to senior Labor state ministers—Eric Roozendaal and Joe Tripodi—who initiated a dirty tricks campaign that ensured her defeat in the 2011 election.

Broad layers of working people naturally find such political chicanery repulsive. However, it is necessary to understand that the immediate "scandals," far from being exceptional, are the product of the operations of finance capital and the capitalist markets, which have enriched a tiny handful at the expense of living standards of millions.

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