

Australian prime minister lurches from one crisis to the next

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Just over a week ago, Australian Prime Minister Malcolm Turnbull set the stage for a rare “double dissolution” election, involving all seats in both parliamentary houses on July 2. The move is a desperate bid to break the logjam in the Senate—the parliamentary upper house—where opposition parties and so-called independents have used their majority to block key budget measures.

Yesterday, Turnbull announced another extraordinary scheme aimed at silencing mounting criticisms within corporate and financial circles that his Liberal-National Coalition government had failed to commit to deep cuts to public spending, lower corporate taxes and further inroads into wages and working conditions.

On the eve of a meeting of the Council of Australian Governments (COAG) with state premiers on Friday, the prime minister proposed a far-reaching change to taxation that would devolve responsibility to the states for the raising of income taxes allocated to the funding of public schools and hospitals.

The plan would reverse the tax system established in 1942 in the midst of World War II, under which the federal government collected all income tax and dispensed tied grants to the states. While the states are currently responsible for public education and health, the new scheme would dispense with the principle of equal provision of services across the country, and could sow the seeds for a fracturing of the Australian federation.

Increasingly, Turnbull is taking on the appearance of a drowning man clutching at straws. Central to the government crisis is the hostility among millions of ordinary working people to the entire political establishment, after decades of attacks on jobs and living standards. Since the eruption of the 2008 global financial crisis, Australian politics has been beset by one upheaval after another, leading to four changes of prime minister in less than 8 years. A key factor in the turmoil has been the

inability of governments, both Labor and Coalition, to overcome deep opposition among voters to the corporate agenda of austerity.

With an election due this year, Turnbull calculated that a double dissolution, along with changes to voting procedures for the Senate, offered the best chance of clearing the independents out of the upper house and then proceeding with the demands of big business. Turnbull, having ousted Tony Abbott as party leader and prime minister just seven months ago, is fixated on stamping his authority on the Coalition and obtaining an electoral “mandate.”

By this week, however, the prime minister appeared to be having second thoughts, putting out feelers to the independents on a compromise that would allow the passage of legislation to re-establish the draconian Building and Construction Commission (ABCC) with extensive coercive powers against building workers.

A “double dissolution” election—the constitutional mechanism to resolve an impasse between the two houses of parliament—requires a trigger, that is, government legislation that has been blocked by the Senate. Turnbull chose the ABCC laws as the trigger, anticipating that the Senate would oppose them, thus making the need to stamp out “union corruption” a central feature of the Coalition’s election campaign against the opposition Labor Party.

If the government is now reconsidering its options, its main concern is that the wellspring of opposition to the establishment parties could result in a new Senate that is just as fractured as the present one. This dilemma is compounded by the fact that a budget has to be brought down in May, prior to the election. If it contains harsh spending cuts, it will only further alienate voters. If it does not, it will bring a new round of criticism from big business and the potential for moves to oust yet another prime minister.

Turnbull's latest plan to insist that state governments levy their own income tax is driven primarily by short-term political expediency. Under fire from the corporate elite for doing nothing to slash social spending, he is proposing to shift all responsibility onto the states for raising the extra financing needed just to keep schools and hospitals functioning. He is offering the state governments, which are desperate for money after the Abbott Coalition government cut \$80 billion from health and education funding in 2014, an initial sweetener—an additional \$3 billion pittance—in return for signing up to a discussion on the proposed tax arrangements.

Turnbull made the announcement yesterday on the fly, without notes, calculations or projections. He had conducted no prior discussions with the state governments and his new policy has deepened the rift between himself and his treasurer, Scott Morrison. According to the prime minister, the plan will make state governments responsible for funding services and end their “blame game” with Canberra. “If a state government, over time, wants to raise more money by lifting taxes, well it will be answerable to the public,” he said.

Concerned about the electoral repercussions, Treasurer Morrison had scotched the idea of higher taxes, suggesting that the prime minister had “not gone that far.” This was the second time in less than a fortnight that Morrison and Turnbull were at odds with each other. Last week, Morrison was not informed in advance of Turnbull's decision to recall parliament—even though, as treasurer, he would have to deliver the budget a week earlier than scheduled.

The government's disarray has only been exacerbated by the response from state governments, big business and the establishment media, none of which has wholeheartedly embraced Turnbull's tax plan. Every state premier has questioned the lack of detail, even those most likely to benefit. The Business Council of Australia declared it was concerned that “anything which risks increasing complexity reduces the competitiveness of Australia's income tax system.”

Paul Kelly, editor-at-large at Murdoch's *Australian*, declared the proposal was “riddled with economic and political problems.” He warned that Turnbull risked becoming “an experimental ideas merchant devoid of the ability to close the deal.”

The proposal to allow state governments to levy income tax has broad implications. It was originally devised by the Abbott government's Audit Commission in its 2014 recommendations as a means of establishing

“competitive” federalism, aimed at pitting states against each other in an endless fight to attract investment by lowering business costs. Abbott rejected the proposal as a form of “double taxation”—a criticism repeated by the Labor opposition yesterday.

The plan would lead to a further deterioration of public education and health as state governments cut funding to provide tax breaks and other incentives to big business. At the same time, poorer states would be substantially worse off. According to one estimate, the differences would be huge: to raise the same level of income, Tasmania would have to levy taxes 41 percent higher than the national average, whereas the Australian Capital Territory could afford to drop its taxes by 31 percent.

The proposal would also accelerate the privatisation of essential services. State governments would be left to finance and operate public schools and hospitals that have already been savaged by decades of cutbacks. The federal government, however, would continue to directly fund private schools, and indirectly provide funding for private hospitals, via its rebate for those taking out private health insurance.

Whether the tax plan survives tomorrow's COAG meeting remains to be seen. An earlier proposal floated by Turnbull for an increase in the regressive and unpopular goods and services tax (GST), in order to boost funding for the states, was withdrawn before it was even formally announced.

Increasingly the Turnbull Coalition government, torn by internal divisions and recriminations, is thrashing about in search of a solution to the same impossible political conundrum that wracked its predecessors—the Rudd and Gillard Labor governments, and the Abbott Coalition government—how to impose the dictates from above on the millions below, who are becoming ever-more hostile and restive.



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