

# Fractured Australian government under intense US and economic pressure

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Having barely survived Australia's July 2 election, Prime Minister Malcolm Turnbull's conservative government has still not been sworn in as the governor-general, the head-of-state, is out of the country. But even before Turnbull names his ministry, the government is wracked by recriminations and rifts, both within his Liberal Party and with its coalition partners, the rural-based National Party.

Turnbull's bid to break through a protracted political impasse over the imposition of austerity measures by calling a double dissolution election for all members of both houses of parliament severely backfired. Under conditions of rising job losses, widening inequality and mounting hardships facing working-class households, millions of people voted against the three main parties of the political establishment—the Coalition, Labor and the Greens—and for groups that campaigned as anti-elite candidates.

With some close results still to be decided, the Coalition, which previously had 90 seats in the 150-member House of Representatives, has been left with a razor-thin majority of one or possibly two seats. In the Senate, the upper house, the government's position is even worse. It is far short of a majority, and 10 or 11 "crossbenchers," mostly right-wing populists, have been elected, compared to eight in the previous Senate.

Turnbull and Treasurer Scott Morrison nevertheless asserted this week that they now have an election "mandate" to push through all the stalled austerity spending cuts—primarily to health, education and welfare—that were contained in the Coalition government's 2014, 2015 and 2016 budgets. They have immediately faced several political storms.

There is ferocious opposition from within the Liberal Party's wealthy base to proposed alterations to superannuation rules that would lessen the tax concessions being exploited by the richest layers of

society. Turnbull and Morrison unveiled the superannuation changes before the election to give a veneer of "fairness" and "sharing the sacrifice" to measures to slash the budget deficit. This led to such a backlash in the corporate world that the Liberal Party's funding sources dried up, forcing Turnbull, a multi-millionaire ex-merchant banker, to donate \$1 million of his own fortune to the campaign.

Prominent right-wing media commentators and leading conservatives in the government have urged Turnbull to bring into his cabinet Tony Abbott, the former Liberal leader and prime minister whom Turnbull ousted in a party room coup last September. They have warned that unless Abbott is brought into the fold, the government may prove incapable of enforcing the austerity measures being demanded by the financial markets.

Yesterday, the *Australian's* foreign editor Greg Sheridan wrote: "Now Turnbull leads an underdone government with poor prospects. It has no mandate, no direction, a largely unknown cabinet, a wafer-thin majority, a deeply disgruntled party—both parliamentary and organisational—and an overall lack of political skills." With "Abbott at his side," Turnbull would be in a stronger position to withstand the pressures of "having to make big spending concessions to the crossbenches" and "having his base vote eaten by the populist Right."

As well as being a figurehead for the most socially conservative and right-wing elements in the Liberal Party, Abbott is regarded as more unequivocally committed than Turnbull to joining US-led military interventions, notably directed against China.

At the same time, long-standing tensions between the Liberals and Nationals have been intensified because, while the Liberals lost 13 or 14 seats, the Nationals gained one seat—at the expense of the Liberals. On Wednesday, Turnbull was forced to concede that the Nationals were now entitled to two extra places, as yet unspecified, in the

ministry.

Turnbull declared that this would not result in any policy changes, and refused to disclose the details of the new coalition agreement that must be reached between the two parties. Under the previous pact, however, struck last September after Turnbull ousted Abbott, the more protectionist Nationals insisted on numerous concessions, including on family tax benefits and water policy. This time, the Nationals have indicated they will push for a new “rural development bank” to make concessional loans to farmers and for the repudiation of a proposal to tax young foreign backpackers, on whose cheap labour agribusinesses rely to harvest crops.

In this fractured state, the government is under escalating pressure on two main fronts. One is Washington’s call for Australia to join the US in sending warships and planes into the 12-nautical-mile zones around Chinese-controlled islets in the South China Sea, following this week’s international court ruling rejecting China’s territorial claims.

US Vice President Joe Biden will arrive in Australia on the weekend to place this demand squarely on Turnbull. Thus far, Turnbull’s government has endorsed US provocations, held under the fraudulent banner of “freedom of navigation,” but not matched calls by the opposition Labor Party for similar Australian operations. Tom Switzer, a senior fellow at the University of Sydney’s US Studies Centre, stated bluntly in yesterday’s *Australian*: “Expect Vice-President Joe Biden to lobby hard in Sydney next week when he meets Malcolm Turnbull and senior government officials,”

The other main front is the deteriorating global and Australian economic situation, which has ended the country’s mining boom, and decimated corporate and tax revenues. A debt-fuelled property bubble, especially in Sydney and Melbourne, has made the big banks more vulnerable to a worldwide crash than they were in 2008.

Over the past week, three major credit ratings agencies—Standard & Poor’s (S&P), Fitch and Moody’s—have intervened into the post-election political turmoil, threatening to end Australia’s AAA rating unless the government can enforce deep cuts to social spending. Like S&P last week, Moody’s yesterday drew attention to the failure of consecutive Labor and Coalition governments to deliver on their pledges to eliminate the budget deficit, which has now grown to about \$40 billion annually.

“Despite broad political consensus around the desirability of returning the budget balance to surplus,

authorities have had difficulty implementing specific measures to achieve this,” Moody’s senior vice-president Marie Diron said.

KPMG, a corporate financial services firm, this week issued a report insisting that the deficit had to be eliminated by reducing spending, not raising taxes. KPMG asserted this required cutting expenditure by up to \$13 billion annually, on top of the measures already promised by Turnbull and Morrison, “as difficult politically as this may be.” It advocated further severe cuts to health, education and welfare.

Since the election, Murdoch’s *Australian* editorials have repeatedly called for Labor to deliver “bipartisan co-operation” so that the austerity offensive can be carried through. On July 12, the newspaper again invoked the bipartisanship that helped the Hawke and Keating Labor governments, backed by the trade unions, to enforce the restructuring of the economy to meet the needs of finance capital during the 1980s and 1990s.

The editorial insisted that the two major parties must “find some consensus on reform to remove political rancour, smooth a way through parliament, repair the budget and render the minor parties and independents impotent on the sidelines.” Labor leader Bill Shorten has already declared his party’s readiness to “be constructive” in the new parliament and to seek “common ground” with the government and other parties.

As the Socialist Equality Party warned throughout the election campaign, once the voting was over, whichever government was formed, the real agenda of austerity and militarism would be brought forward. Those warnings have been quickly vindicated, underscoring the need for workers and youth to turn to the socialist and internationalist perspective fought for by the SEP.



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