

# Australia: Victorian premier removed as state slides into recession

By Patrick O'Connor  
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After just two years in office, Victoria Premier Ted Baillieu resigned suddenly last night. The leadership change marks another abrupt shift in Australian politics, driven by the determination of the corporate elite to install federal and state governments capable of implementing its demands for sweeping austerity measures and pro-business restructuring.

The immediate trigger for Baillieu's resignation was a series of media-fuelled scandals. At the beginning of the week, Baillieu called in the state's anti-corruption body to investigate taped phone calls, published by the Murdoch press, that appeared to show senior Liberal Party figures had provided financial assistance—alleged “hush money”—to a former government adviser who had resigned in 2011 after being found to have undermined the police commissioner.

The affair was played up by sections of the media dissatisfied with Baillieu, and fed into opinion polls, prominently featured in the *Australian* last week, purportedly showing the opposition Labor Party as favoured to win the next state election.

The crisis was brought to a head yesterday morning when government backbench MP Geoff Shaw—currently facing a criminal investigation for alleged use of parliamentary vehicles for his hardware business activities—quit the Liberal Party. He declared that his decision reflected “the general loss of confidence Victorians are feeling in the leadership of the government.”

The resignation could strip the government of its slender one-seat majority, depending on the outcome of a by-election next month. Baillieu initially declared he would continue to govern regardless. Following Liberal Party caucus meetings, however, he announced he would quit, telling the media only that he had concluded that “a change of leadership is in the best

interest of the government.” Denis Napthine was installed as the new premier.

Underlying Baillieu's ouster is significant frustration within ruling circles over his record in office. He narrowly defeated the Labor Party in the 2010 election, despite every section of the media and all the business lobby groups endorsing the incumbent Labor government of John Brumby. During the campaign, Baillieu made limited appeals to the cost of living pressures confronting the working class, as well as to widespread anger over the rundown state of health, education and transport infrastructure.

Having come to office on this basis, Baillieu was acutely conscious of the risk of triggering opposition in the working class if he proceeded with the austerity agenda being demanded by business. His first budget, delivered in mid-2011, was castigated in the pages of the financial press for doubling state debt to pay for his election campaign pledges, including limited hospital spending increases and utility bill concessions for low-income households.

Baillieu's 2012 budget moved toward implementing austerity, slashing more than 10 percent of all jobs in the public service and decimating the Technical and Further Education (TAFE) sector. But this proved insufficient for Baillieu's enemies within the Liberal Party's most right-wing factions. These elements had always despised Baillieu, who is from an old Melbourne elite family and has favoured small “1” liberal social policies. Instead, they harked back to the 1992-1999 Liberal state government of Premier Jeff Kennett. During that period, the Liberals slashed about 50,000 public sector jobs, privatised infrastructure assets and closed scores of public schools and hospitals.

Shortly after Baillieu handed down his second budget

last year, Kennett publicly demanded that he go further and emulate Queensland Liberal National Party Premier Campbell Newman, who eliminated 20,000 public sector jobs immediately after coming to office last March.

Baillieu had also been urged to more directly confront sections of the working class, including construction workers, whose wages and conditions are now deemed “unaffordable” by the financial elite, and public school teachers, whose industrial campaign for a new agreement has gone on for more than two years.

A deepening economic crisis fuelled the drive to dump Baillieu. Yesterday, on the same day that he was forced out, new economic data showed that Victoria has spent the last nine months in recession. Victoria is at the centre of Australian manufacturing, which is being decimated as the federal Labor government works with the trade unions to enforce a sweeping restructuring drive. Tens of thousands of industrial workers have seen their jobs destroyed. Construction workers are being similarly hit as public infrastructure projects dry up and property prices decline, affecting new home building approvals.

The *Australian*’s editorial today, “Naphthine’s challenging task,” declared that Baillieu had lacked “decisiveness and vision,” with his government “shirking the key challenges of microeconomic reform and investing in new infrastructure.” It called on the new premier to “lead boldly.”

The increasingly insistent corporate demands for austerity reflect mounting signs of recession not only in Victoria, but nationally, as the “mining boom” subsides. However, the dilemma confronting the ruling class remains—how to forge political instruments at both the state and federal levels capable of implementing US- and European-style attacks on the living standards of the working class, in the face of overwhelming opposition. This opposition is only increasing as unemployment rises and social polarisation reaches record levels.

In Victoria, the Labor Party is continuing its efforts to win the backing of big business for a return to office. State opposition leader Daniel Andrews said he would welcome an early election, but added that he would not seek the vote of ex-Liberal MP Geoff Shaw. “That circus is run up in Canberra and I won’t be doing it here,” he said, referring to the political turmoil that has

surrounded the federal Labor minority government.

The Greens have adopted an even more strident line in support of “parliamentary stability,” rushing to the defence of the Liberal government and the new premier. The party’s state leader Greg Barber criticised any reference to Naphthine as an “illegitimate premier” because of way in which Baillieu was forced out. He continued: “This is our parliamentary system working as normal... I congratulate our new premier and like all Victorians, I’m hoping he can turn his position of leadership into some actual leadership.”

Further political instability is inevitable, both in Victoria and nationally. Baillieu’s removal underscores how quickly government leaders can be destabilised and ousted if they fail to deliver the requirements of the corporate establishment. In Victoria itself, the new premier is widely understood to be a temporary stand-in figure, with Planning Minister Matthew Guy expected to mount a leadership challenge after he arranges a shift from the upper to the lower house of parliament. Moreover, it remains unclear whether the state government can continue in office, given its highly precarious numbers in parliament, and an early election could be triggered.

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