

**An Examination of the Persistence of Socialist
Institutions within Australian 20th Century
Capitalism.**

With a Case Study of NSW Education until 1955.

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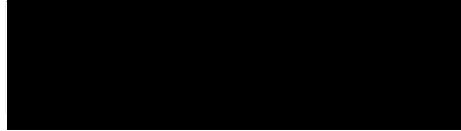
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INTRODUCTION

As a system to satisfy society's needs, capitalism has some utility, the more so if all classes and individuals have some capital. As the ABS contends, "the economic wellbeing of individuals is largely determined by their command over economic resources."¹ In spite of any trickle down of wealth from the dominant capitalist structures and institutions, certain basic impediments to the satisfaction of needs exist for those within society without command over economic resources.

That capital and/or wealth are asymmetrically distributed in Australia is demonstrated by the ABS's statistical exposition, such that in 2009-10 the wealthiest 20% owned 66% of the total household wealth, while the poorest 20% owned 1% of total household wealth. The middle cohort, 60% of all households, possessed the residual of around 33%. Moreover, the wealthiest cohort experienced a 15% increase in wealth since 2005-6, while the lowest cohort increased their wealth by only 4% in the same period.²

It is the lacuna in the satisfaction of social needs that arises from the unequal distribution of income and wealth and the persistence of certain socialistic counter measures that sets the context for this thesis. It is argued that the inequality of satisfaction of needs in an unequal society such as Australia (and many other similar advanced countries) can be and has been remedied by institutionalised 'socialist process systems', to the extent that they have become part of the structure of Australian society. By 'socialist process systems'³ is meant the process through which redistributive activities and services are provided via social⁴ as opposed to private capital, such as health and education, via non-profit public

¹ ABS, 6554.0 *Household Wealth and Wealth distribution, Australia, 2009-10*, p4.

² *Ibid.*, p10.

³ 'Socialist process systems' engender the redirection of surpluses within capitalism from private to community purposes, and the utilization of non-marketized social capital (actioning) to effect outcomes in the economic, cultural, political and regulatory domains.

⁴ ABS Catalogue No. 1378.0, 2004, *Measuring Social Capital*, p. 108. The ABS defines social capital as those social configurations and actions which engender 'linking' and 'bridging' between social cohorts and communities within capitalism, and which leads to social bonding. The ABS identifies four types of capital: natural; produced economic; human (see G Becker (1975) *Human Capital, A Theoretical and empirical analysis, with Special Reference to Education*, pp. 106, 195, 197, 198); and social. Orthodox theories regarding social, or human capital, posit the dynamic within a capitalist marketized system, for the reproduction of capitalism. Similarly, Human Resource theory encompasses value adding through skill, education and social connections for upward mobility and the reproduction of capitalism. While this thesis acknowledges that social capital emanates from social production (all production) and underpins capitalism, 'social capital', as I am using it, also refers to non-market actioning power of the latent, potential, and realised cooperative social configurations to produce goods and services, within the four

provision that have ethical and democratic motivations, such as the equalisation of class, gender, and race power and resources, as well as having a longer term ideological goal of the socialization of the means of production. Such public provision is a non-marketized realm that is not directly part of the dominant capitalist accumulation and profit-making sphere of the society and, indeed, can be seen as a persistent counter-hegemonic, democratic, sphere of the society.

There is a long-standing and recently very active research literature on the history and recent decline of socio-economic democratization and equalisation and how that could be remedied. This old (from Marx onwards and including Polanyi's insights regarding economic and cultural embedding⁵) and new discussion of the socio-economics of capitalism (Streeck⁶, Piketty⁷) is focussed on the relationship between capital and civil society and the growing inequality of wealth and power in both advanced countries of the West and newly industrialising countries of the East and South.

In Australia, as in all advanced capitalist countries, it is state (or public) services, labour unions, cooperatives, and generally the non-profit sector, that institutionalise the transfer and redistribution of certain goods and services otherwise denied those without private wealth and who are therefore very limited in the purchasing power required to provide certain necessities of life within a capitalist system. To satisfy certain primary social needs, such as health and education, historically-arisen socialist process systems have a structure whose motivation, ideology, and institutionalisation have sustained a vision of democracy and equality within an essentially unequal society.

The economic history of social needs intersects the history of private individual and corporate needs associated with the capitalist system. As capitalism is an historical construct, that is, not spontaneously or perfectly formed, its characteristics are shaped to conform to the determinants of structural and contingent imperatives of the totality of

domains of economy, culture, politics and regulation, motivates not by profit, but instead by imperative, necessity, community needs, ideology and morals. It includes government transfers, and the creative capacity of social movements.

⁵ See Karl Polanyi, (1944), *The Great Transformation: the Political and Economic Origins of Our Times*, Farrar & Rinehart, New York, (1944).

⁶ W Streeck, How to Study Contemporary Capitalism, in *European Journal of Sociology*, Vol. 53, Issue 01, April, 2012, p. 16.

⁷ T Piketty, *Capital in the Twenty First Century*, Belknap Press, Cambridge MA, 2014.

social and economic history. In this regard, within the construction of Australian capitalism, non-marketized social institutions and social structures have played a leading role. In particular, states, which both the contending hegemonic and counter-hegemonic social forces wish to shape in their image, are historically-arisen institutional structures, that reflect in general the contending forces that have shaped the whole social system.

Within the complex long-run history of capitalist and socialist structuration of Australian society the contending parties have taken forms such that capitalist institutions, incorporated within both state and private realms, have been pressured to modify, however piecemeal, their power and growth (particularly the rate of profit and private consumption) to be an acceptable cost to the community and its environment. Moreover, certain state structures, premised on the public good rather than private gain, have engendered the tendency towards the “public ownership of the means of production”. The history of the state in Australia has been characterised by an intersection with, and creation of, a socialised market in certain areas, be it with regard to butcher shops, shipbuilding, telecommunications, air transport, health or education. In recent times this public realm has declined but is still highly significant, especially in the areas of education and health. The question that this thesis poses in relation to the historical tendency of the socialist process is why has it persisted to such an extent within an otherwise hegemonic capitalist system?

The research herein points to the continuity and social embeddedness (to use Karl Polanyi’s famous term) of socialist ideas and traditions, manifested over the long term, as well as the continuity of a set of needs, educational needs specifically, that could only be addressed by socialist process instruments, given the general population’s lack of purchasing power, compounded ultimately by private capital’s lagging capacity to create a private substitute with universal public availability. While in technical terms public education has been essential to maintaining capitalism, the normative public ethos implicitly and explicitly expounded as public education’s rationale sits incongruously amidst a capitalist hegemony. That education is a factor input to production is not contested by any economic or social theorist. It follows therefore that an institutionalised arrangement that facilitates public education for the public good has some characteristics of the public ownership of the means of production.

Moreover, within the public sector the alienation and hierarchy engendered by capitalist structures are diminished in state bureaucracies through the cultural norms of transparency, accountability, impartiality, and equality as evolving mechanisms for the administration of the social good. The authenticity and tenacity of egalitarian application and employee's relation to production increase or diminish relative to the given public policy of the government in power.

The historical overview is given validity herein when observing the history of public education in NSW, and particularly between 1941 and 1955. Within this history, the short and long term educational needs of the population could not be satisfied by either market capitalism or religious institutions. In short, there was market failure or at least inadequacy. The structures that arose to meet the needs of the community followed international and domestic trends of the socialist process type regarding the rationale, public policy, administration and funding of education.

The socialist rationale and philosophy were invigorated from the late 19th Century by an urgent and earnest desire by socialistically-minded political actors to improve the lives of the poor and socially disenfranchised by way of education. Implementation required degrees of political and social control that could only be obtained by capturing sufficient state power. Ultimately, the successful pursuit of legislative legitimacy by the socialist forces enhanced the already embedded socialist notion of the public provision of education.