

PARADISE ON THE INSTALMENT PLAN

**THE ECONOMIC THOUGHT OF THE AUSTRALIAN LABOUR MOVEMENT
BETWEEN THE DEPRESSION AND THE LONG BOOM**

by

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A thesis submitted in fulfilment of
the requirements for the degree of
Doctor of Philosophy

Department of Government

University of Sydney

August 1985

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First issued in a double spaced format.
The text of this second edition is identical,
apart from the correction of some typographical
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SUMMARY

The period between the depression of the 1930s and the long post-war boom saw the development of the contemporary shape of the labour movement's economic thought, with its dichotomy between moderate and left nationalist currents. This development is examined in terms of the nature of the main organisations of the labour movement, economic conditions, the ideological proclivities of different classes and the level of the class struggle. The main areas of economic thought examined are theories of Australia's place in the world economy, the class anatomy of Australian capitalism and of economic crises.

During the late 1930s laborites continued to express a longstanding commitment to national development through tariff protection and wariness of overseas loans. Moderate ideas of the possibilities for overcoming class conflicts increasingly displaced radical Money Power theory after the depression. While monetary and real underconsumptionism continued to be the main explanations of economic crises offered by laborites, both ALP politicians and union officials became aware of Keynesian economics and the legitimacy it provided for long-standing Labor policies. The advent of the Popular Front period in the international communist movement saw the Communist Party of Australia move from a revolutionary internationalist towards a politically more conservative left nationalist position, sharing assumptions with Money Power theorists, despite the rise in the level of industrial struggle. The Communist conviction in radical underconsumptionist theory of inevitable economic crises began to weaken.

World War II and the advent of the Curtin Government saw the leadership of the ALP embrace Keynesian economics and its priorities. This was expressed in both foreign economic and domestic policies, but was qualified by a keen appreciation of the requirements of the Australian economy for both protection and foreign markets and the level of the class struggle. The promotion of Keynesian ideas and divisions in the labour movement was successful after 1947 in countering working class militancy. While retaining a fervent nationalism the Communist Party's policies shifted after the War from strong support for the Government during the War to a very radical and anti-American position after 1947. Bolstered by a return to radical underconsumptionism and a focus on the conspiratorial role of the Collins House monopolists, the Party believed it could challenge the authority of the ALP and the Chifley Government, on the basis of working class industrial struggles. But the Communist Party made its attempt when the level of united struggle was already in decline. Between 1949 and 1952 the balance of class forces shifted sharply in favour of capital.

Moderate laborites have continued to accept the main propositions of orthodox economics, while the bulk of the left in the labour movement has been nationalist and, after the Communist Party's break with Moscow, committed to a version of Keynesian economics. Although the adequacy of both approaches to working class interests is in doubt and they have not consistently promoted its struggles, their hegemony over the labour movement has not prevented the emergence of militant working class action.

ACKNOWLEDGEMENTS

Many people have assisted in the production of this thesis. My parents, Gerda and Kurt Kuhn, and Mary Gorman have provided assistance and personal support without which the whole project would have been impossible. I owe considerable debts to Professors Trevor Matthews and Terry Irving for their encouragement and, intellectually, for their comments and suggestions. My research was financially supported by a Commonwealth Postgraduate Research Award and then, thanks to the Public Service Board and Department of Industry Technology and Commerce, by an Australian Public Service Postgraduate Study Award. George Petersen and Issy Wyner were enthusiastic interviewees who provided both useful factual material and a feel for the experiences the thesis discusses. Other friends have also made valuable contributions including assistance in maintaining the sense of political perspective necessary for a systematic understanding of the politics and ideology of the labour movement.

Lynn Farkas and Jim Gillespie provided invaluable assistance in the production of the second edition of the thesis.

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ABBREVIATIONS

ACP	Australian Communist Party
ACTU	Australian Council of Trade Unions
AEU	Amalgamated Engineering Union
ALP	Australian Labor Party
ANSCA	Australian National Secretariat of Catholic Action
ARU	Australian Railways Union
AWU	Australian Workers' Union
BHP	Broken Hill Proprietary Limited
CPA	Communist Party of Australia
CPD	<i>Commonwealth Parliamentary Debates</i>
FIA	Federated Ironworkers' Association
FLAC	Federal Labor Advisory Committee
L	Pounds
MF	Miners' Federation
MHR	Member of the House of Representatives
MLA	Member of the Legislative Assembly
NSW	New South Wales
SA	South Australia
US	United States
USA	United States of America
USSR	Union of the Soviet Socialist Republics
VCAWF	Victorian Council Against War and Fascism
WWF	Waterside Workers' Federation

CHAPTER ONE

INTRODUCTION

The oil crisis and then slower international economic growth rates of the 1970s and 1980s signalled the end of the long post-war boom. The new circumstances of high unemployment and chronic economic difficulties generated a debate in the western labour movements on appropriate strategies. The debate was spurred on by continental Eurocommunism's loss of vitality, with the failures of the Italian Communist Party's "historic compromise" and the coalition of the left in the 1977 French elections, and the demise of the Callaghan Labour Government in Britain.¹

An Australian debate on working class strategy took place particularly during the years of the Fraser Government and drew on themes elaborated in British controversies. Three, more or less distinct schools of thought emerged. Individual adherents of the schools differed on points of detail and sometimes lined up with proponents of rival currents on specific issues. The explicit goals of the schools, however, provided a clear basis for distinguishing them. The traditional Labor approach concentrated on responsible economic management to promote growth. Its rationale was to improve social welfare through the generation of a larger social product. The Parliamentarism of the Hawke, Wran and Cain Governments have illustrated the traditional Labor means of implementing policy and achieving its goals.² The "left nationalist" strategy looked to the gradual transformation of society in the direction of socialism. In the classical sense, it has been reformist in outlook. But it has also seen extra-parliamentary action, by unions and social groups as necessary adjuncts to Parliamentary methods for achieving its goals -- the expansion of state ownership and the extension of popular participation in the management of society. The organisational focus of left nationalism has been certain trade unions, the Communist Party of Australia and the left factions in the Labor Party.³ The third strategy, which was both revolutionary and marxist, aimed at the replacement of the existing state machine by another, based on workers' councils. The small political organisations and individuals advancing this view saw the working class as the key means for transforming society.⁴

With Federal Labor in office from early 1983 and the "Prices and Incomes Accord" between the ALP and ACTU the relative influence of the three schools shifted in favour of the first. The pragmatic economic managers in the ALP led by Hawke, whose perspectives in many ways differed little from their conservative predecessors, effectively controlled the Federal caucus and the national ALP machine. The emphasis in the left nationalist strategy shifted away from mass activity towards political and Parliamentary measures. Left nationalists now concentrated their energy on trying to influence the policies of the Labor Party through the Party's structures and by negotiation rather than the exercise of industrial muscle or by means of militant public demonstrations.⁵ Revolutionary groups became more marginal and less clear about the practical implications of their strategy, based on the working class's own activity, in a period when the class struggle was at a low ebb. Nevertheless, it is still possible to distinguish the latter two currents inside the Australian labour movement.

All three schools justify their strategies in terms of their interpretations of the Australian economy. Different assessments of the economy's internal dynamic, vitality and relationship with the world economy legitimise their policies and proposals for action. Briefly, the mainstream of Labor thought has regarded economic fine-tuning and, more recently, the restoration of the market mechanism in domestic policy and Australia's international economic relations as the key to overcoming difficulties and promoting growth. For this school, as for orthodox economists, capitalism is perfectible. Left nationalists tend to blame Australia's economic difficulties on the world economy, multi-(or trans-)national corporations and capitalism's inability to match demand to supply. Socialism is the supersession of such problems through the isolation of the national economy from international influences and increased state control. Revolutionary marxists have seen Australian capitalism's difficulties as inseparable from the inherent problems of world capitalism. Their solution to economic crisis is the control of society by worker's councils based in the workplaces, on an international scale.

1. For discussions of "alternative economic strategies" see, for example, S. Holland *The Socialist Challenge* Quartet, London 1975, Conference of Socialist Economists London Working Group *The Alternative Economic Strategy* CSE Books, London 1980, B. Rowthorn "The Alternative Economic Strategy" *International Socialism* 2(8) 1980 pp85-94, also see the debate in *International Socialism* 2(6) to 2(9).

2. For example, B. Hayden "Facing Economic Reality" in J. North and P. Weller (eds) *Labor: Directions for the Eighties* Ian Novak, Sydney 1980: "Labor's cardinal principle is economic prudence, and reforms will be made in strict accordance with the ability of the economy to sustain them" p240, "Statement of Accord by the Australian Labor Party and the Australian Council of Trade Unions Regarding Economic Policy" February 1983.

3. For example, the very widely distributed Amalgamated Metal Workers and Shipwrights Union *Australia Uprooted* Sydney 1977 and its successor pamphlets; Communist Party of Australia *Towards Socialism in Australia: Program of the Communist Party of Australia* Sydney 1979; L. Carmichael "A Transitional Programme to Socialism" in G. Crough, T. Wilshire and T. Wheelwright (eds) *Australia and World Capitalism* Penguin, Ringwood 1980 pp240-50; F. Stilwell "Towards an Alternative Economic Strategy" *Journal of Australian Political Economy* 12/13 June 1982 pp40-59; A. Hopkins and R. Curtain "The Labour Movement and the Protection versus Restructuring Debate: A Proposal" in *ibid.* pp74-92.

4. For example Socialist Workers Party *Towards a Socialist Australia: How the Labor Movement Can Fight Back* Pathfinder Press, Sydney 1977; R. Kuhn "Alternative Strategies: Left Nationalism and Revolutionary Marxism" *Journal of Australian Political Economy* 12/13 June 1982 pp93-109; M. Armstrong and P. Griffiths *The Crisis...and the Socialist Alternative to Labor* Redback Press, Melbourne June 1984.

5. For an indication of the trend of left nationalist thought in anticipation of Labor's Federal election victory in 1983 see M. Burford "Prices and Incomes Policy and Socialist Politics" in *Journal of Australian Political Economy* 14 April 1983 pp7-32, also F. Stilwell "The Economic Summit and Beyond" *Arena* 63 1983 pp16-25.

This thesis seeks to throw some light on contemporary debates on working class strategy by examining the merits and faults of their antecedents in the history of the Australian labour movement's economic ideas. The period under study is that between the depression and the start of the post-war boom, during which the mainstream of the Australian Labor Party (ALP) came to embrace orthodox academic economics, at that stage Keynesianism, as its own and the Communist Party of Australia (CPA) was transformed from a revolutionary internationalist organisation into an exponent of left nationalism. The close of the period saw important defeats for both organisations. Despite some innovations, neither has subsequently changed the main contours of its economic ideas. The ALP and CPA were not the only political organisations in the Australian labour movement between 1934 and 1941, but they were reference points for most workers. The other substantial working class organisations, the trade unions, defined their political and, generally, their economic positions in relation to the two working class parties. So they constitute the focus for this study, although the positions expressed in a number of trade unions are also considered.⁶ Unfortunately space has not permitted a systematic treatment of the interesting, but usually unimportant ideas of the third largest, though tiny, political current in the labour movement during this period, that of the Trotskyists.

Where Do Incorrect Ideas Come From?⁷

The labour movement's economic thought is approached from a materialist perspective: ideas are regarded primarily as the products of the social circumstances and especially the relations of production in which they are expressed. They are also seen as having significant effects on the shaping of those circumstances. As Engels put it

"Although the material mode of existence is the *primus agens* this does not prevent the ideological spheres from reacting upon it and influencing it in their turn, but this is a secondary effect."⁸

While this study hardly reveals the triumph of revolutionary politics in the labour movement, it does convey an optimistic message for marxists. The course of the class struggle can be helped or hindered by the ideas, including the economic thought, of the labour movement. But neither misleading ideas inside the labour movement nor the conservatising effects of capitalist society can permanently abolish the class struggle whose circumstances eventually help to encourage theories and practices premised on the importance of working class self-activity.⁹ On a less abstract level, the following historical account draws attention to the adverse effects of specific economic ideas on the course of the class struggle: underconsumptionist explanations of economic crises, in their radical, reformist or trade union, wage oriented versions have not generally served well as predictors of events or as the basis for solving economic problems; conceptions of Australia's place in the world economy premised on the supposed advantages of alliances with particular great powers or the growth of an independent Australian capitalism to the working class have not led to effective strategies for defending working class interests; ideas about the class anatomy of Australian capitalism which stressed conspiracy on the one hand or the priority of nationality over class have proved inferior, as guides to working class action, to those drawing on Marx's analysis of class, determined above all by places in the relations of production.

The approach to the ideas of the working class employed in later chapters is summed up in the following propositions:

"False consciousness is not something which is simply fed to workers by the ruling class (although they are only too willing to do this). It is something which is both inevitable and natural for a class which is oppressed and exploited but not yet in the act of fighting back."

"Reformist ideas and worse have a real basis in workers' experience and their perceptions of the system. It is a change in that experience which is the precondition of such a change in ideas."¹⁰

Particular statements and formulations therefore tend to be examined in terms of their relationship with the experiences of classes rather than simply as the products of notable individuals. The perspective adopted contrasts on the one hand with those which present the history of ideas as accounts of the effects of concept, defined in relative abstraction from specific social circumstances, on the course of events. On the other hand it rejects the

6. It has not been possible to study each of the State Labor Parties in detail. Most attention is paid to the New South Wales and Victorian Parties, the largest State organisations, and the Federal Party. Distinctive developments in the other States are, however, noted. The term "laborite" is employed in this thesis to denote those whose main political reference point was the ALP, i.e. in the sense offered by the *Macquarie Dictionary*. For examples of the use of the term "laborite" to mean supporters of the ALP see recruiting material in *Labor News*, the official paper of the NSW ALP, 17/3/23 p4, 31/3/23 p6, 14/7/23 p4, 4/8/23 p2, 1/9/23 pp2, 7 and G. M. Prendergast *Labor In Politics: Its Influence on Legislation* Australian Labor Party Victoria, Melbourne 1922 pp15, 16. The Party journal *Communist Review*, pamphlets and *Workers Weekly* (from 1939 *Tribune*) are used to assess the ideas of the Communist Party. *Workers Weekly* was produced in Sydney, the seat of the Party's national leadership. In view of the centralised structure of the CPA and the generally consistent behaviour of its members, the Sydney paper can be used as an exemplar of the Party's stances on general economic questions, without the need for extensive reference to the newspapers produced in other cities.

7. The answer Mao Tse-Tung gave in his article "Where Do Correct Ideas Come From?" in his *Four Essays on Philosophy* Foreign Languages Press, Peking 1968 pp134-6 also explained the origins of "incorrect" ideas - "they come from social practice". This slogan is formally satisfactory when taken out of context, unfortunately, in the context of Mao's article it has little to do with an answer to the above questions in terms of a marxist class analysis.

8. F. Engels *Letters on Historical Materialism: 1890-94* Progress Publishers, Moscow 1980 p7.

9. On the conservative influence of the political structures of liberal democratic capitalism see R. Miliband's impressive *Capitalist Democracy in Britain* Oxford University Press, Oxford 1984. On the concept of working class self-activity see F. Engels "Preface to the German Edition of 1890" in K. Marx and F. Engels *The Manifesto of the Communist Party* Progress Publishers, Moscow 1971 p25: "The emancipation of the workers must be the act of the working class itself."

10. J. Rees "Struggle and Ideas" *Socialist Worker Review* (Britain) April 1985 pp22-3.

view that ideas may be interesting products of, but play no part in the mechanisms of social development. The mode of explanation preferred is to trace the origins of ideas in material reality and experience followed by consideration of the reciprocal shaping of the material world and people's experiences by those ideas. A brief outline of the long history of this approach, going back to Marx's and Engels's early writings, is a useful introduction to the concepts employed in the substantive account of the Australian labour movement's economic ideas.

Marx and Engels developed a coherent theory of labour movement ideology in the course of their political activities and as a concomitant of their intellectual evolution. The origins of this theory of ideology, "false consciousness" or, more crudely, "incorrect ideas", goes back to Marx's discussions of religion during the 1840s. In 1844 he argued that "the criticism of religion is the prerequisite of all criticism".¹¹ By criticism he meant the process of understanding the world. At that stage religion was by far the most potent and widespread ideology. Marx laid down some guidelines for the understanding of ideology when he wrote that:

"Religious suffering is at one and the same time the expression of real suffering and a protest against real suffering. Religion is the sigh of the oppressed creature, the heart of a heartless world and the soul of soulless conditions. It is the opium of the people.

"The abolition of religion as the illusory happiness of the people is the demand for their real happiness. To call on them to give up their illusions about their condition is to call on them to give up a condition that requires illusions. The criticism of religion is therefore in embryo the criticism of that vale of tears of which religion is the halo."¹²

Ideology, then, derived from the nature of the material world. Subsequently Marx used this critique of religion as a model for criticisms of political and economic ideas. The concept of alienation was the common denominator of his approach. People, he argued, raised the objects of their own intellectual, political or economic creation over themselves as eternal powers governing their lives, over which they had no control. So god, an abstraction based on humanity's own creativity was bumped into heaven as the creator of and divine legislator for humanity and a spiritual justification for the status quo. It is not by accident that his activities benefit those whose oppressive behaviour leads others to seek solace in religion. Similarly the oppressive state is seen as the only possible way to administer society, rather than as an institution whose existence is determined by historically specific human activity. Marx pointed out that these forms of alienation could only be understood on the basis of the alienation of people from their labour, what he eventually called "exploitation". That is workers' products do not remain under their control but become the property of their employers. In fact employers buy workers' labour power and try to control it in the very process of the production of commodities.¹³ In the form of private property, alienated labour comes to dominate the lives of workers. Economics appears to be a matter of the relationship amongst commodities: the labour of one worker is not compared directly to the labour of another, but only through the medium of the commodities they produce. This ideological notion is based on the reality that workers do not control their products, but conceals the deeper reality that the key to understanding the dynamics of an economy or society is the way things are produced through an exploitative relationship between capitalists and workers. The focus on supply and demand that characterises orthodox academic economics and the economic thought of much of the labour movement sees nothing in the wage contract but an exchange of equivalents, a view summed up in the catch-cry "a fair day's work for a fair day's pay" or vice versa. The peculiar nature of labour power as a commodity which creates more value than it costs to produce itself is missed and along with it the secret of the origins of new wealth. The fetishism of commodities, although based on a partial appreciation of reality, conceals an important aspect of the world from view and therefore challenge.

At first sight the implications of the above view of ideology for social change seem hopelessly conservative. If capitalism grows its own camouflage of incorrect ideas in a more or less spontaneous way, then a conscious workers' revolution is out of the question. Marx initially avoided this difficulty by arguing that "the proletariat finds its intellectual weapons in philosophy".¹⁴ In other words in the correct ideas produced by Dr Marx himself. This solution to the problem presented by materially grounded incorrect ideas was not satisfactory. It was still coloured by Marx's idealist, Hegelian background because it did not consistently account for the origins of correct ideas in materialist terms. Later in 1844 Marx offered an improved explanation of the existence of possibilities for changing society. In *The Holy Family* Marx said of the proletariat

"Not in vain does it go through the stern but steeling school of labour. It is not a question of what this or that proletariat, or even the whole proletariat, at the moment regards as its aim. It is a question of what the proletariat is, and what, in accordance with its being, it will historically be compelled to do. Its aim and historical action is visibly and irrevocably foreshadowed in its own life situation as well as in the whole organisation of bourgeois society today. There is no need to explain

11. K. Marx "A Contribution to the Critique of Hegel's Philosophy of Right. Introduction" in his *Early Writings* Penguin, Harmondsworth 1975 p243.

12. *ibid.* p244, emphasis in the original.

13. for an early expression of this view see K. Marx "Economic and Philosophical Manuscripts" in *Early Writings* op. cit. pp325 et seq., the same idea is developed under the heading the fetishism of commodities in K. Marx *Capital* v1 Penguin, Harmondsworth 1976 pp163-77. N. Geras "Marx and the Critique of Political Economy" in R. Blackburn (ed.) *Ideology in Social Science* Fontana, Glasgow 1975 pp284-303 discusses the importance of the concept of fetishism to Marxist economics.

14. K. Marx "A Contribution...of Hegel's Philosophy" op. cit. p257.

here that a large part of the English and French proletariat is already conscious of its historical task and is constantly working to develop that consciousness into complete clarity."¹⁵

"Correct ideas" were now explained in materialist terms, as the consequence of the proletariat's existence and oppression under capitalism, rather than as the product of an heroic individual. The fact that workers were exploited meant that they had an interest in abolishing capitalism and that they therefore developed a revolutionary consciousness. This argument represented an advance and was undoubtedly influenced by the emergence of an independent and militant working class current in the Chartist movement in Britain. Marx had already been collaborating with Engels who had first hand experience of the British developments. However the new explanation of the possibility of revolutionary change gave rise to two, contradictory propositions. First that capitalist society gave rise to ideologies that stood in the way of revolution and were spread with the aid of the considerable resources at the disposal of the dominant classes. In the words of the *German Ideology*, written in 1845-6,

"The ideas of the ruling class are in every epoch the ruling ideas: i.e., the class which is the ruling material force of society is at the same time the ruling intellectual force."¹⁶

The second proposition was that the existence of the working class gave rise in a more or less automatic way to revolutionary ideas.

The "Theses on Feuerbach", of 1845 resolved this contradiction. The third thesis concluded

"The coincidence of the changing of circumstances and of human activity or self-changing can be conceived and rationally understood only as revolutionary practice."¹⁷

The last thesis proclaimed that

"The philosophers have only interpreted the world, in various ways; the point is to change it."¹⁸

The missing element which Marx thus discovered was "practice" -- the struggle of the working class, imposed upon it by its daily exploitation, can give rise to a revolutionary consciousness. Such struggles can demonstrate the collective power of the working class in the face of capital. It was no longer a matter of the static reality of workers' daily lives generating correct or incorrect ideas, but of workers' struggles transforming their way of thinking. In the 1847 *Poverty of Philosophy* Marx put it as follows:

"The economic conditions had first transformed the mass of the people into workers, The domination of capital had created for this mass a common situation, common interests. This mass is thus already a class as against capital, but not yet for itself. In the struggle...this mass becomes united and constitutes itself as a class for itself. The interests it defends become class interests. But the struggle of class against class is a political struggle."¹⁹

Lukacs's concept of "imputed class consciousness" can be equated with Marx's "class in itself". That is, the working class has objective interests whether it recognises these or not.²⁰

The *Communist Manifesto* included Marx's satisfactory solution to the problem of false consciousness. The *Manifesto's* third section was also devoted to the analysis of widespread incorrect ideas on working class strategy in the labour movement. Marx and Engels's criticisms in that section were no longer mainly a matter of settling accounts with their former ideas and colleagues, in order to clarify their own thoughts, as their earlier criticisms of contemporary authors had been.²¹ Rather, these criticisms were part of the struggle to transform the working class into a class for itself. Unlike their previous writings, the *Manifesto* was directed at a specifically working class audience. A large part of their criticisms consisted in demonstrating how the conditions of existence of other classes had given rise to ideas which also found some following amongst workers. The insights of section three of the *Manifesto* are considered in more detail below, in the context of their application to intellectual developments in the Australian labour movement between 1934 and 1950.

Marx and Engels's experiences during the 1848 revolutions and later political observations led them to add an appreciation of conjunctural economic and political factors to the general class-oriented theory of working class ideology elaborated in section three of the *Manifesto*. While workers' consciousness of their sectional interests is a commonplace phenomenon, a class-wide concern with the overthrow of capitalism is not. The distance between "imputed class consciousness" and actual class consciousness, the problem of "false consciousness", cannot simply be bridged by an analysis of the relations of production, although that is the necessary starting point. To understand

15. K. Marx and F. Engels *The Holy Family* Progress Publishers, Moscow 1980 p47, emphasis in the original.

16. K. Marx and F. Engels *The German Ideology* Progress Publishers, Moscow 1976 p67, emphasis in the original. Without entering into the vast literature of Gramsci exegesis, it will be assumed below that the fruitful aspects of his concept of hegemony, especially in relation to an understanding of "common sense" are elaborations on this position of Marx's, see A. Gramsci *Selections from the Prison Notebooks* International Publishers, New York 1975 pp326, 330, 421.

17. K. Marx "Theses on Feuerbach" in his *Early Writings* op. cit. p422, emphasis in the original. Engels made the same point, in a less general form in his *The Condition of the Working-Class in England* Progress Publishers, Moscow 1977 p230, it was written in 1844-5.

18. *ibid.* p423.

19. K. Marx *The Poverty of Philosophy* Progress Publishers, Moscow 1975 pp159-60, emphasis in the original, also *The German Ideology* pp60, 85-6. For comments on the relationship between political organisation, struggle and class consciousness see "Marx to Friedrich Boite" 23/11/1871 in K. Marx and F. Engels *Selected Correspondence* Progress Publishers, Moscow 1982 pp254-5.

20. see G. Lukacs *History and Class Consciousness* Merlin, London 1971 pp50-79. H. Draper *Karl Marx's Theory of Revolution: volume II The Politics of Social Classes* Monthly Review Press, New York 1978 p47 put it this way:

Marx's theory asserts that only the proletariat, by the conditions of its existence, embodies a social program pointing to an alternative to capitalism."

21. see Engels' "Preface" to *The Poverty of Philosophy* op. cit. p9. K. Marx and F. Engels *The Manifesto* op. cit. pp56-66.

phenomena as diverse as the consciousness of French or German workers during 1848, the usual reformism of the Australian working class, the revolutionary actions of the Hungarian working class in 1956 or the militancy of British miners during their 1984-5 strike, it is necessary to supplement an appreciation of external class influences in the labour movement with a different, more concrete level of analysis. In *The Class Struggles in France* Marx pointed out how the economic slump of the late 1840s had "accelerate[d] the outbreak of the revolution". But, given the defeat of the revolution and the economic recovery "a new revolution is only possible as a result of a new crisis".²² Marx and Engels argued that, in the first instance, the mid 19th Century hiatus in the struggles of English workers was a result of the lesson taught by the severe defeats of the revolutions of 1848 and Chartism. In the Inaugural Address of the First International Marx explained also this passivity, between the collapse of Chartism and the mid-1860s, in terms of the prosperity of British capitalism:

"Formerly active members [of the working class] were caught by the temporary bribe of greater work and wages..."²³

Britain's prosperity at that stage was a product of its monopoly position on the world market as supplier of manufactured goods.²⁴ Marx and Engels argued that there were "economic roots of reformism", a concept elaborated by Cliff to explain aspects of working class politics in Britain during the post-World War II boom.²⁵ In a more general form the argument is that during a period of economic growth it is possible for workers to be generally and quickly successful in winning isolated shop-floor disputes over wages and conditions. In such circumstances the advantages of uniting on a class-wide basis to win demands is much less evident, while capitalism's apparent ability to deliver the goods does not make its overthrow a pressing question. The circumstances of defeat can, for a time, induce quiescence in the working class. The period between 1850 and 1870s was particularly quiet because recent British working class experiences had led first to negative conclusions about the possibilities for the proletariat to initiate dramatic social change. This conclusion was reinforced because the logical response of large sections of the working class to the following period of sustained economic growth, during which gains could be made by means of limited struggle, was that reformism could be a successful strategy.

It is useful to distinguish, at least in theoretical terms, between this working class reformism and reformism grounded directly in the interests of other classes. Thus while Marx and Engels explained the attitudes of the English workers during the period of British economic domination of the world in terms of the former, they believed that opportunist tendencies in the independent German workers' party was due to contamination by other classes.²⁶ The phenomenon of modern parliamentary reformism was still embryonic when Marx died.²⁷ The appeal of a Parliamentary road to socialism was limited in most of Europe where workers were excluded from the Parliaments or responsible parliamentary government was non-existent. Engels had a greater chance to comment on the development of a reformist current in the British labour movement. He drew attention in particular to the policy of tailing the Liberal Party pursued by the "aristocracy of labour", the most skilled and best paid amongst the workers.²⁸ In attributing the supineness of the working class to this layer Engels combined the economic explanation of reformism with the class contamination explanation: the labour aristocracy had been created precisely by the conditions of British prosperity. He believed that once Britain had lost its monopoly position of the world market "the economic basis of the political nullity of the English workers" would be gone.²⁹

The crisis of international social democracy on the outbreak of World War I and the preceding period saw marxists

22. K. Marx "The Class Struggles in France: 1848 to 1850" in his *Surveys from Exile* Penguin, Harmondsworth 1973 pp40, 131 also see "The British Constitution" in *ibid.* p281 and F. Engels "On the History of the Communist League" in *Revolution and Counter-Revolution in Germany* Foreign Languages Press, Peking 1977 p187.

23. K. Marx "Inaugural Address of the International Working Men's Association" in his *The First International and After* Penguin, Harmondsworth 1974 p78. F. Engels used a similar argument in his 1892 "Preface to the English Edition" of his *Condition of the Working Class in England* *op. cit.* pp31, 35. This argument was used by the Communist International to explain the ebb of the revolutionary wave after World War I, for an Australian example see "The Class Struggle in Australia" a resolution adopted by the Militant Minority Movement Conference 26/12/28 p2, typescript Mitchell Library:

"The illusions of reformism were fostered by economic expansion which caused the capitalist class to concede higher wages and shorter hours, and improved conditions.

"...Reformist politics, opportunist politicians, the continuation of craft unionism, class collaboration officials, and arbitration court influence [sic] are only explained by the economic conditions which enable capitalism [to concede?] practically all that was asked of it by workers, by the inability of capitalism in such conditions to force every issue and by the fact that the workers do not need to struggle. With[out?] struggle there is no organisation, without struggle there is no knowledge of social forces, without struggle there is no desire to fight or knowledge of how to fight — and consequently there is a leadership in conformity with the prevailing conditions."

24. "Engels to Marx" 7/10/1858 in Marx and Engels *Selected Correspondence* *op. cit.* pp102-3; F. Engels "Preface" to his *Condition* *op. cit.* p35-6:

"The truth is this: during the period of England's industrial monopoly the English working class have, to a certain extent, shared in the benefits of monopoly. These benefits were very unequally parcelled out amongst them; the privileged minority pocketed most, but even the great mass had, at least, a temporary share now and then. And that is the reason why, since the dying-out of Owenism, there has been no Socialism in England. With the breakdown of that monopoly, the English working class will lose that privileged position; it will find itself — the privileged and leading minority not excepted — on a level with its fellow-workers abroad. And that is the reason why there will be socialism again in England."

see Draper Volume II *op. cit.* pp60-6 for Marx's and Engels's comments along these lines.

25. T. Cliff "Economic Roots of Reformism" 1957 republished in his *Neither Washington Nor Moscow* Bookmarks, London 1982 pp108-117.

26. "Marx and Engels to August Bebel, Wilhelm Liebknecht, Wilhelm Bracke and others ('Circular Letter') in Marx and Engels *Selected Correspondence* *op. cit.* pp303-7.

27. Marx did, however, draw attention to "parliamentary idiotism", the effect of membership of parliamentary bodies on workers' representatives "Marx to Friedrich Adolph Sorge" 19/9/1879 in Marx and Engels *Selected Correspondence* *op. cit.* pp308-9.

28. see Draper Volume II *op. cit.* pp106-13 for Marx and Engels' comments, for a discussion of the debate over the nature and significance of the labour aristocracy see E. Hobsbawm "Debating the Aristocracy of Labour" in his *Worlds of Labour* Weidenfeld, London 1984 pp214-27.

29. "Engels to August Bebel" 30/8/1883 in Marx and Engels *Selected Correspondence* *op. cit.* pp343-4.

trying to explain the abandonment of revolutionary politics by large sections of the parties of the working class. The process was initially apparent in the "revisionism" and "reformism" of the right wings of the German and French Parties and then in the "opportunism" of the majority centre of the German Social-Democratic Party (SPD), the senior party of the Second International. Citing Engels, supporters and opponents of these developments, especially in the SPD attributed these developments to the influence of the aristocracy of labour.³⁰ Michels extensively documented the growing moderation of the leadership of the SPD in his *Political Parties*. He offered a number of explanations: the conservative influence of the labour aristocracy; the logic of a primarily Parliamentary strategy leading to the watering down of Party policy to attract votes³¹; the moderation engendered by the bureaucratic life-style of the leaders of the SPD and its associated trade unions, which separated them from their constituents; and the conservative nature of bureaucratic organisation in general. Following Mosca, Michels concluded that the emergence of a conservative "political class" was inevitable, even in an organisation formally committed to democratic policies.³² In 1915 Zinoviev offered a detailed explanation of opportunism in marxist terms. While he drew on Michels' studies and identified similar factors as being responsible for the opportunism of the German Party, Zinoviev's argument was more systematic and his conclusions different. He attributed opportunism primarily to the influence of alien class forces inside the workers' party: petty bourgeois Party members, the labour aristocracy (created by imperialism) and the labour bureaucracy. Zinoviev also attached significance to the Party's concessions to non-working class voters for electoral reasons. He concluded that it was necessary and possible to struggle against the interests of the labour aristocracy to create a truly socialist movement.³³

Lenin's explanation of imperialism became more widely known than that of Zinoviev. Even more than Zinoviev's version, it rested on an interpretation of Engels's comments on the labour aristocracy. So Lenin saw reformism not primarily as a the result of the working class's own experiences but as reflecting the interests of a particular social stratum, defined by its place in the relations of production. He held that the capitalist class had created the labour aristocracy, by using its imperialist super-profits to bribe a section of the working class. The explanatory model was thus section three of the *Manifesto*. Lenin left the reasons for reformism's appeal to other sections of the working class unexplained. He put his case forward in *The Collapse of the Second International* in September 1915 and more briefly in *Imperialism, the Highest Stage of Capitalism* in 1916.³⁴

Although Zinoviev had offered a more comprehensive account of opportunism, it was Lenin's briefer though similar explanation that became the reference point for several generations of Communists after World War I.³⁵ Schlesinger and Cliff point out that Lenin's argument is not a satisfactory one. If imperialist super-profits enable the capitalists to make concessions to the labour aristocracy, there is no reason they should not also be made to the rest of the working class. Lenin's position provided socialists with a consolation that their minority situation was due to the undemocratic nature of the labour movement, rather than a sober recognition that, for the time-being they were swimming against the current of the short-term interests and orientation of the majority of the working class.³⁶ Using the same kind of analysis applied by Marx and Engels to the mid-19th Century British working class Cliff makes a convincing case for the irrelevance of the labour aristocracy, arguing that reformism arose because:

"The expansion of capitalism through imperialism made it possible for the trade unions and the Labour Parties to wrest concessions from capitalism without overthrowing it."

The circumstances of expanding capitalism also generated a labour bureaucracy whose life situation gave it an interest in reformist politics whether capitalism was expanding or not. The full-time labour bureaucracy forms a

30. R. Schlesinger *Central European Democracy and Its Background* International Library of Sociology and Social Reconstruction, London 1953 p80.

31. Two early writers on the ALP drew attention to the logic of Parliamentary politics and the conservatising influence of Parliamentary institutions on Labor politicians: W. R. Winspear *Economic Warfare International Socialist*, Sydney 1913 pp22,24, 37-8 and V. G. Childe *How Labour Governs* Melbourne University Press, Melbourne 1964, first published 1923 pp25, 31, 72-3, 80. Much later A. Davies and G. Serle (eds) "Introduction" to *Policies for Progress* Victorian Fabian Society, Melbourne 1954 p5, two ALP members, also spelt out the logic of Parliamentarism:

"As a mass party seeking an electoral majority, it [the ALP] has had to appeal to other sections of the community, to play down its radical tendencies and, when in power, endeavour to reconcile sectional and national interests."

32. R. Michels *Political Parties* Jarrold and Sons, London 1911 pp304-11, 382-3, 386-9, 393-6.

33. G. Zinoviev "The Social Roots of Opportunism" *New Internationalist* 1(2) Winter 1983-4 pp97-137. He used the example of Australia to illustrate his case against the labour bureaucracy because "the reactionary role of the 'socialist bureaucracy' appears nowhere so ostentatiously as in Australia, that veritable Land of Promise of social reformism" p113. Zinoviev said of Michels that "He vacillates back and forth between vulgar reformism and quasi-revolutionary syndicalism...But his observations, and the material which the author has collected, are of great interest", p115.

34. V. I. Lenin *The Collapse of the Second International* September 1915 Progress Publishers, Moscow 1975 pp401-1, where Lenin also mentions the "bureaucracy" of the working class as well as the aristocracy. V. I. Lenin *Imperialism, the Highest Stage of Capitalism* in his *Selected Works Volume I* Progress Publishers, Moscow 1977 pp714-5, 728-9, see also V. I. Lenin *Imperialism and the Split in Socialism* October 1916 Progress Publishers, Moscow 1975 pp13-4 where Lenin quotes from Engels on the labour aristocracy. Schlesinger op. cit. pp81-2 argued that Lenin made an original contribution by attributing the rise of the labour aristocracy to imperialism in general and not just Britain's monopoly situation during the 19th Century.

35. For early examples of the orthodox status of this interpretation of the basis of reformism see e.g. the very widely distributed and read N. Bukharin and E. Preobrazhensky *The ABC of Communism* University of Michigan Press, Ann Arbor 1977 pp141-3; L. Trotsky "Theses of the Third World Congress on the International Situation and the Tasks of the Comintern" in A. Adler (ed.) *Theses, Resolutions and Manifestos of the First Four Congresses of the Third International* Ink Links, London 1980 p198. Note that these writers and other marxists explaining reformism did not entirely neglect the role of the labour bureaucracy. For indigenous Australian analyses of the labor aristocracy see L. L. Sharkey in *Tribune* 7/10/43 p3 and E. J. Rowe, Commonwealth Councillor of the Amalgamated Engineering Union on his own members "New Processes Demand New Union Policies" *Communist Review* January 1944 p188-9, for a more realistic picture of the engineers see T. Sheridan *Mindful Militants* Cambridge University Press, Melbourne 1975.

36. Schlesinger op. cit. pp82-4, Cliff "Economic Roots" op. cit.

layer in organic contact with the working class and has many of the features attributed to the, in some senses mythical, labour aristocracy. The full-time officials of the trade unions are distinguished from workers by their privileged wages and working conditions and functions as managers of large organisations. Their relationship to the means of production is different to that of any worker. Trade unions are fundamentally organisations concerned with the retailing of the commodity labour power. As such they are inherently a capitalist phenomenon -- they only make sense under a mode of production where labour power is a commodity.³⁷ Labour bureaucrats shrink from risks which could endanger their organisations and hence their jobs. For labour bureaucrats, as a social group, revolution falls well within the definition of an unacceptable risk. The managers and elected representatives of parties based on the working class and committed to parliamentarism, that is working within the institutions of the capitalist state, and especially those constituted out of the trade unions, share many of the characteristics of trade union officials. Members of both the ALP and trade union bureaucracies are in an excellent position to propagate their world view inside the working class. They are leaders of organisations with which many workers identify and, especially before the 1970s, the vast majority had working class origins risen from the rank and file of the class. They can expect, in the first instance, that their utterances will be greeted with less suspicion than those of the media, public servants, teachers and conservative politicians.

Although Lenin's explanation of reformism was deficient, this did not vitiate his argument that the elimination of false consciousness (and the eventual overthrow of the capitalist state) would be advanced by the existence of an institutional focus for the consistent, conscious expression of working class interests. He maintained that such an institution, a revolutionary party, should be made up of the most class conscious and militant members of the working class. Working together in a disciplined way, rather than individually, they would be more effective in overcoming the unevenness of working class consciousness, by raising its general level. Lenin regarded a revolutionary party as a means for the proletariat to become a "class for itself".³⁸ A corollary of this view is that effective organisations in the labour movement, constituted around the ideologies of classes or strata other than the proletariat, can increase the influence of "incorrect ideas" in the working class too.

An important implication of the insights of the marxist tradition outlined above is that the working class's own experience of struggle and the conflicting attempts of the most conscious adherents of the working class's interests and the labour bureaucracy form the basis of an understanding of the development of the economic ideas of the Australian labour movement. This is another way of expressing the dictum "that men make history in circumstances not of their own choosing" and serves to ground a history of ideas in the actions of real human beings rather than in impersonal, suprahuman social structures. The circumstances of the development of the labour movement's economic ideas went beyond events internal to the organisations of the working class. To establish the context of these ideas it is, therefore, necessary to offer a schematic account of important developments in Australian and world capitalism that go beyond the local events in the labour movement or even in the struggle between capital and labour. In particular, chapters two and five examine Australia's place in the world capitalist system during the years 1934-41 and 1941-50, as well as key economic and political developments. This approach permits an assessment of how adequate labour movement thought on the nature of Australian capitalism was to its subject. The relevance of past deficiencies in labour movement economic analyses and their implications for working class strategy can thus be more effectively related to those ideas which still form a part of the outlook of sections of the labour movement.

With a few notable exceptions there has been very little study specifically devoted to the economic thought of the Australian labour movement, apart from the ideas of leading ALP politicians when in office.³⁹ C. D. W. Goodwin deals briefly with economic ideas in the labour movement before World War I. In this regard his work has been superseded by Verity Burgmann's excellent *In Our Time*.⁴⁰ Many labour historians touch on labour's economic ideas only in passing. Where they have dealt with the period 1934-50 their work is considered below. L. Louis examines these ideas in greater detail than most in his *Trade Unions and the Depression*, as his period dictated.⁴¹

37. for A. Gramsci's particularly clear exposition of this analysis of the role of trade union officials see "Unions and Councils" in his *Selections from Political Writings: 1910-1920* Lawrence and Wishart, London 1977 p99 and "Trade Unions and the Dictatorship" *ibid.* p105. M. Dixon *Greater than Lenin* Melbourne 1977 p156 notes that during the 1920s

"the life-situation of the rank and file kept them more responsive, over a longer period of time, to class struggle ideology, than did that of their officials."

For a more extensive account of the class position of trade union officials see R. Hyman *Marxism and the Sociology of Trade Unionism* Pluto, London 1975 and T. O'Lincoln *Rank and File* unpublished pamphlet in R. Kuhn's possession.

38. See V. I. Lenin *What Is To Be Done?* in his *Selected Works Volume 1* op. cit. pp92-241, T. Cliff *Lenin Volume 1: Building the Party* Pluto, London 1975 pp68-98, J. Molyneux *Marxism and the Party* Pluto, London 1978 pp56-95, C. Harman *Party and Class* Sun Press, Highland Park Michigan 1975.

39. Australia does not seem to be much worse off, in terms of studies of its labour movement's economic thought, than most other countries. Britain has had the advantage of a very good study (by an Australian), S. Macintyre *A Proletarian Science: Marxism in Britain 1917-1933* Cambridge University Press, Cambridge 1980, which deals with economic and other areas of marxist theory.

40. C. D. W. Goodwin *Economic Enquiry in Australia* Duke University Press, Durham 1966 pp365-74, V. Burgmann *In Our Time: Socialism and the Rise of Labor 1885-1905* Allen and Unwin, Sydney 1985.

41. L. J. Louis *Trade Unions and the Depression: A Study of Victoria 1930-1932* Australian National University Press, Canberra 1968 based on his 'Victorian trade Unions in the Depression 1930-32' M. A. Thesis Melbourne University 1964. J. Hagan *The History of the A.C.T.U.* Longman Cheshire, Melbourne 1981 apart from being the best proxy available for a history of the Australian labour movement in the 20th Century, also provides valuable information and comments on labour movement economic ideas.

Other studies of the depression period, by B. McFarlane and D. Clark concentrate on individuals.⁴² B. Berzins deals with the impact of Douglas Credit theories on the ALP.⁴³ The period after the depression and before the Curtin Government is a relatively barren one for studies of the ideas associated with the ALP and the Communist Party of Australia (CPA). The CPA's historians pay only limited attention to the Party's economic theories despite its claims to perspectives informed by a materialist interpretation of history.⁴⁴ When "labour history" becomes the study of Governments it attracts many more exponents. The relatively extensive literature devoted to the Keynesianism of the Curtin and Chifley Governments is considered in chapter six. The outstanding and pioneering work in the field of the history of labour's economic thought is P. Love's *Labour and the Money Power*.⁴⁵ While the following chapters on the ALP do not always bear out Love's conclusions, they owe much to his valuable study.

42. B. McFarlane *Professor Irvine's Economics in Australian Labour History* Australian Society for the Study of Labour History, Canberra 1966, D. Clark "E. G. Theodore: His Economics and His Influence" *Economics* 10(1) March 1975 pp27-33; D. Clark "Was Lang Right?" in H. Radi and P. Spearritt (eds) *Jack Lang Hale and Iremonger and Labour History*, Sydney 1977 pp138-59; D. Clark "'Fools and Madmen'" in J. Mackinoly *The Wasted Years* Allen and Unwin, Sydney 1981 pp175-193. B. Carrol "William Forgan Smith" in D. J. Murphy and R. B. Joyce *Queensland Political Portraits 1859-1952* University of Queensland Press 1978 p409 argues Queensland Premier Forgan Smith introduced Keynesian policies.

43. B. Berzins "Douglas Credit and the ALP" in R. Cooksey (ed.) *The Great Depression in Australia, Labour History* 17 1970 pp148-60; B. Berzins 'The Social Credit Movement in Australia to 1940' M.A. Thesis University of NSW 1967.

44. The most extensive histories are A. Davidson *The Communist Party of Australia: A Short History* Hoover Institution Press, Stanford 1969 and, with somewhat more attention to Communist thought R. Gollan *Revolutionaries and Reformists: Communism and the Australian Labour Movement 1920-1955* Australian National University Press, Canberra 1975. T. O'Lincoln *Into the Mainstream* Blood on the Wattle Press, Sydney 1985, presents a superior analysis for the post-World War II period. R. Day's excellent study *The 'Crisis' and the 'Crash': Soviet Studies of the West 1917-1939* New Left Books, London 1981 fills some of the gap in our knowledge of Communist economic theory left by the historians of the CPA, given the Australian Party's considerable dependence on Russian economic ideas.

45. P. Love *Labour and the Money Power: Australian Labour and Populism 1890-1950* Melbourne University Press, Melbourne 1984 and his 'Labor and the Money Power: A Study of Australian Labor Populism' M. A. Thesis La Trobe University 1980.

CHAPTER TWO

THE DEPRESSION AND BEFORE

The period between the depression and the post-war boom was one during which the contours of contemporary labour movement economic thought were established. It was a period of important transitions. An appreciation of the intellectual equipment the labour movement had earlier accumulated and its adequacy to the phenomenon of the depression is necessary for an understanding of these transitions. Moreover, some items collected before the mid-1930s have continued, in more or less modified form, to be features of the labour movement's economic thinking.

The Russian Revolution crystallised out the characteristic organisational division of the Australian labour movement for the next fifty years -- that between the ALP and the CPA. This organisational dichotomy also involved a polarisation in the economic perspectives of the labour movement. While the ALP continued to include a diversity of political currents after the establishment of the CPA in 1920-2, marxism increasingly came to be associated with Communism. The withering away of the Victorian Socialist Party, which had overlapping membership with the ALP, was a symptom of this tendency. Nevertheless, the ALP has continued to include marxists as individuals and organised as factions since the 1920s. In a few circumstances, such as the NSW Socialisation Units, they have been able to have a significant, if temporary impact on the Party.

Laborite Economic Thought Before 1934

Frank Anstey's writings during the pre-depression period provided a synthesis of laborite arguments that was uncharacteristic of the rest of the labour movement. Elsewhere the same ideas were expressed, but they were infrequently integrated into an explicit analysis of Australian capitalism. As a member of the Victorian and then the Commonwealth Parliament where he was deputy leader of the opposition from 1922 to 1927, Anstey exercised a considerable intellectual influence in the labour movement.¹ His *The Kingdom of Shylock* of 1917 offered a critique of World War I in terms of a theory of the international conspiracy of the Money Power. That book was suppressed by the authorities, but his 1921 *Money Power* continued its analyses, as did *Facts and Theories of Finance* written in 1930 when he was the Minister for Health and Repatriation. These publications, in particular, gave an account of very widely held laborite views on Australia's economic relationships with the rest of the world, the class anatomy of Australian capitalism and the nature of economic crises.

In Anstey's thought Australia's place in the international economy and most other economic questions were largely a function of his theory of the conspiracy by a world "Money Power". Australia was dominated by this conspiracy the "foreign financial yoke".² Anstey and others, especially during the depression believed that the banks and some individuals who had a preponderant influence in Australia, including the Bruce-Page Government, were agents of the "evil machinations of overseas money managers" or at least of foreign interests.³ More basic to laborite thought than even this Money Power view, though not incompatible with it, was an Australian nationalism which identified workers' with the national interest. While there were republicans on the left of the Labor Party who favoured severing all ties with Britain, laborite nationalism often involved hostility to certain of the British Governments' policies but not to the British Empire per se. The Labor Party thus continued the policies that had led it to establish the Australian Navy, as a unit within the Empire and into World War I in Britain's wake. During the early 1920s the ALP opposed the proposal for an Empire Federation, with Dominion representatives in the Parliament at Westminster, but

"The looser the legal ties that bind us, the more each entity [within the Empire] with its varied customs, claims and environments are allowed to freely develop along lines suited to their own aspirations, the stronger will be 'crimson threads of kinship' that bind us together to our mutual advantage."⁴

1. On Anstey's career see B. R. Nugent 'Frank Anstey and Victorian Politics' M. A. Thesis University of New England 1974; I. Turner "Anstey, Francis George" in B. Nairn and G. Serle (eds) *Australian Dictionary of Biography* Melbourne University Press, Melbourne 1979 p80; P. Cook "Frank Anstey: Memoirs of the Scullin Government" *Historical Studies* 18(72) April 1979 pp365-392. P. Love is presently working on a biography of Anstey. *Labor News* 18/2/22 p1 recommended that

"Candidates for Parliament in the Labor interests and Labor speakers and writers generally would do well to keep on hand a copy of Frank Anstey's little book 'Money Power'. Anstey is one of the brainiest and straightest men in the Australian Labor Movement, and anything he writes is well worth reading. Anyone who has the contents of this little volume at his finger ends will have no difficulty in flattening out the solemn nonsense talked in anti-Labor circles and published in anti-Labor dailies on the subject of national finance."

Also see *Labor News* 14/4/23. The CPA acknowledged Anstey's influence in the labour movement, though not his capacities in *The Proletarian* 27, 1/4/23 p17:

"The most this intellectual giant of the A.L.P. could contribute to the education of his class was the following statement:- 'In Great Britain, Germany and France there have been men who have, at least recognised that certain fundamental principles of Socialism are capable of being applied with profit to capital and industry.' Such is the intellectual leadership of the A.L.P."

2. F. Anstey *Money Power* Fraser and Jenkinson, Melbourne 1921 p124.

3. *Labor Daily* 22/4/1930 p4, editorial 8/9/26 p4. Also see *Union Voice* 10/1/31 p3, 4/4/31 p3.

4. *Labor News* 26/6/20 p7.

One of the most important economic expressions of laborite nationalism was protectionism. Hagan has argued that protectionism, along with a commitment to arbitration and the White Australia Policy were the distinctive features of Australian labourism.⁵ While laborites advocated tariffs and other protective measures to increase Australia's production and hence independence of Britain and the rest of the world, the principle of British preference was not subject to particular attack.⁶ Anstey's position on protection in 1921, a typical one, was more or less implemented by the Scullin Government:

"If we want Australia to be a self-sustaining community we should place such a duty upon imported articles which we can produce as to prohibit their entrance."⁷

The NSW Labor Government, under Jack Lang, introduced protectionist measures in 1926 by providing for preference first to Australian and secondly for British commodities in its Local Government Amendment (Preference to Australian and Empire Goods) Act. Lang's Government also subsidised protectionist propaganda, in the form of the Australian Made Preference League's Exhibition Train.⁸ The centre-piece of the Scullin Government's policies for combating the depression was its imposition of very high tariffs against most imports.

Protectionism was integrated with other aspects of laborite economic thought: underconsumptionism, and hostility to the Money Power. Louis comments that during the depression:

"Prominent in union thinking was the ideal of a self-sufficient Australia which would not be dependant on overseas financiers and manufacturers, and one of the principal instruments for achieving this was to be the tariff."⁹

Protection also fitted in snugly with Australian racism, often justified on economic grounds. Cheap wage labour overseas was widely identified in the labour movement as a threat to Australian living standards: tariffs kept out the goods produced by such labour and the white Australia policy kept out the "cheap" labourers themselves. A poem by the lecturer on the Australian Made Protection League's Great White Exhibition Train expressed this link:

"Dear Australia, here's to you,
Till earth sinks in final night,
May your sons be free and white,
White in soul and body too,
White Australia through and through,
Dear Australia, here's to you."¹⁰

Protectionism was not simply a spontaneous working class ideology. The idea that tariffs and similar measures were in workers' and the national interests primarily benefited manufacturers. Industrialists and their political representatives were active in promoting protectionism's acceptance by the Australian working class. The brief interlude of the "New Protection" before World War I had served to convince most laborites of the virtues of protectionism. The "New Protection" was enshrined in legislation by a Liberal Government, with Labor support and tied certain protectionist measures to the payment of "fair and reasonable" wages by manufacturers. Many manufacturers were not convinced that the alliance with a large section of the labour movement forged by the New Protection warranted the concessions made. They were probably right: even though the legislation was soon invalidated by the High Court, the ALP remained committed to the New Protection in principle and almost any form of protection in practice.

As manufacturers faced increasing competition from imported goods and the considerable influence of rural interests hostile to tariffs in the Bruce-Page Cabinet during the 1920s, they took steps to increase the identification of the prosperity of Australian industry with better wages and secure employment. Large manufacturers, including Broken Hill Proprietary Ltd (BHP), set up the Australian Industries Protection League and the Australian Made Preference League. The Protection League, a national body, not only lobbied Parliamentarians but also hired a lecturer to inform workers of the benefits of protection (during their lunch breaks of course) and distributed pamphlets and leaflets such as *What Protection Means to the Worker*.¹¹ The Preference League had a clear orientation towards converting workers, as consumers, to the benefits of buying Australian goods. It had a regular column in the *Labor Daily* during late 1925 and sponsored the tour of NSW by the Great White Exhibition Train, with showrooms for the products of 32 companies.¹² Individual companies also conducted their own protectionist propaganda.¹³

5. Hagan op. cit. pxi.

6. A two tiered tariff structure had been introduced in 1908, with lower duties being charged on British goods.

7. *Australian Worker* 18/8/21 p17. Also see Anstey *Money Power* p125. Anstey saw protectionism as being possible in the context of an assault on the Money Power, through the nationalisation of the "instruments of exchange". For other protectionist statements in the labour movement see e. g. *Australian Worker* 14/4/21 p20, Editorial 27/11/29 p3, 4/12/29 pp1, 6, 8, 9; *Labor Daily* 8/9/26, for a form of words similar to Anstey's see a resolution of the February/March 1930 Australasian Council of Trade Unions (ACTU, also abbreviation for the same organisation, later known as the Australian Council of Trade Unions) in Hagan op. cit. p95.

8. *Labor Daily* 4/11/25; M. Goot "Radio LANG" in H. Radi and P. Spearritt op. cit. p126.

9. Louis *Trade Unions* op. cit. p26.

10. *Labor Daily* 28/1/26 p6.

11. P. C. Grey 'Tariff Policy 1919-1929' B. A. Honours Thesis, Department of the Government, University of Sydney 1970 pp19, 20.

12. For the activities of the Australian Made Preference League see *Labor Daily* 24/8/26 p8, 10/9/26 p7 and its own publications *Souvenir of the Australian Made Preference League and the Great White Train* Sydney 1926 and *Present Day Australia 1927* Sydney 1927.

13. e. g. advertisements by Australian Iron and Steel *Labor Daily* 11/3/26 p3 and 18/3/26 p3.

Despite the claims made for the beneficial effects of protectionism, the Scullin tariffs, with their 80 per cent. increase in the British Preferential Rate (higher for the General Tariff) between 1928-29 and 1931-32 did not prevent wage cuts or an unemployment level of about 30 per cent. during the worst of the depression, never falling below 8 per cent. during the "recovery".¹⁴ The possibility that tariffs might reduce workers' living standards by leading to higher prices was simply denied by leading laborites, on the basis of assertion rather than evidence.¹⁵

The evident failure of higher tariffs to cure the depression, while it did not discredit protectionism, did lead to an increased interest in Money Power theories in the labour movement after 1929:

"The Scullin tariffs have not been as effective as hoped, owing to the intervention of the banks refusing credit."¹⁶

These theories constituted the only explicit alternative in the labour movement to a marxist analysis of the class anatomy of Australian capitalism. Anstey, who offered one of the most extensive expositions of Money Power theory, maintained that

"It is the cutting of industry into stocks and bonds and scrip that makes the capitalist system relatively modern and relatively distinctive."¹⁷

Capitalism was thus characterised by its financial arrangements rather than the relationship between wage labour and capital. For Anstey bankers and financiers were the core of capitalism and directly determined its course:

"Financiers are the Dictators of Policies,
-- the Unseen Power in Democracies."¹⁸

The "bondholding oligarchy" controlled the Australian economy with a view to securing interest payments on its loans and was responsible for depressions. They imposed the canons of orthodox finance on Governments, reducing purchasing power and hence restricting consumption and choking production. In a more moderate formulation it was asserted that the withdrawal of credit facilities by banks greatly intensified the 1930s depression.¹⁹ For Anstey the most important cleavage in society was that between producers and the Money Power: "All producers, primary or secondary" had a common interest in the face of international interest payments. By producers he meant not just workers but also employers engaged in manufacturing or rural industries.²⁰ Money Power was thus a scapegoat for the whole capitalist class. Money Power theory let the capitalist system off the hook by focusing workers' anger at their exploitation or unemployment on a tiny, mainly overseas group.²¹ Anstey sought to justify his theory of the Money Power conspiracy by means of an empirical account of the interlocking ownership and directorships of Australian companies. *Money Power* revealed that

"Three committees of financiers -- the English, the Sugar, the Metal -- constitute Australia's Trinity of 'Economic Masters'."²²

This preoccupation with ownership patterns in discussing the dynamic of Australian capitalism and even Anstey's "Trinity" were seminal in the development of the economic ideas of the Australian labour movement. Such an approach has been very useful for understanding the coherence of the capitalist class and divisions inside it, but it can throw little light on the relations between capital and labour. Ownership studies have formed a part not only of anti-Money Power populist theories but also those which have identified the key cleavage in society as that between the people and the monopolies or the multinational corporations.²³

The experience of the depression seemed to confirm many aspects of Money Power theory, most notably the important role of the banks in determining Government policy. It required no great leap of the imagination to blame the depression on the influence of Sir Otto Niemeyer, the Bank of England emissary to Australia, and on Sir Robert Gibson the orthodox Governor of the Commonwealth Bank. In this view, the depression had been created by the "evil machinations of overseas money managers":

14. Tariff level calculated from A. T. Carmody "The Level of the Australian Tariff: A Study in Method" *Yorkshire Bulletin of Economic and Social Research* June 1952.

15. See especially E. G. Theodore *Labor's Campaign Manual 1928* ALP State of NSW, Sydney 1928 p10; also *Australian Worker* Editorial 27/11/29 p3. Scullin argued that protection could promote "healthy competition within the country" *Australian Worker* 17/3/26 p16.

16. A. C. Paddison *The Lang Plan: The Case for Australia Labor Daily*, Sydney Second Edition 1931 p31. For the increased interest in Money Power with the onset of the depression see the NSW and Queensland newspapers of the ARU, the *Railroad* and *Advocate* during 1929-30.

17. Anstey *Money Power* op. cit. p16. *Love Labour and the Money Power* op. cit. is a history of Money Power ideas in the Australian Labour Movement.

18. F. Anstey *Facts and Theories of Finance* Fraser and Jenkinson, Melbourne 1930, inside front cover.

19. See Anstey *Money Power* op. cit. pp138-9, *Facts and Theories* op. cit. pp7. There was a greater stress on the international nature of the

financial oligarchy in *Money Power* than *Facts and Theories* or *The Kingdom of Shylock* Labor Call Print, Melbourne 1917.

20. *Facts and Theories* op. cit. pp7-8. Also see *Labor Daily* Editorial 22/4/30 p4:

"The money capitalist is the gentleman who is engaged in a conspiracy throughout the capitalist world to drive him to the wall who is sometimes called the industrial capitalist."

Also ALP Socialisation Committee *Socialisation of Credit* Sydney 1933 p7.

21. See, e. g., R. F. Irvine *The Midas Delusion* Hassell Press, Adelaide 1933 p223. Lang's radical sounding slogan "the socialisation of credit" was used precisely to undermine the explicitly anti-capitalist Socialisation Units in the NSW ALP during the early 1930s, see R. Cooksey *Lang and Socialism* Australian National University Press, Canberra 1976 p71.

22. *Money Power* op. cit. p66. *The Kingdom of Shylock* provided an earlier and briefer outline of the structure of Australian capitalism which mentioned only two committees the "metal gang" and the "sugar gang", pp40-1.

23. See S. Encel "Power in Australia" *Arena* 6 1965 p4 for an identification of Anstey's seminal role. J. N. Rawling *Who Owns Australia* Modern Publishers, Sydney, Second Edition 1937 acknowledged his debt to Anstey. As late as 1957 R. Gibson "Monopoly Rules Australia" *Communist Review* February 1957 described Australia's monopoly groups in almost the same term Anstey used.

"In the Commonwealth and the majority of the states the legislature has been replaced by a banking dictatorship."²⁴

The labour movement came to pay much more attention to "monetary causes and cures".²⁵

The most spectacular phenomenon associated with the renewed interest in the Money Power was the political mobilisation around J. T. Lang, the leader of the NSW ALP. Lang had not displayed a particular concern about the Money Power during the 1920s but quickly emerged as the main antagonist of the financial dictators during the depression.²⁶ His militant anti-Money Power rhetoric was an important factor in a political mobilisation of the working class in NSW, and even other states. The near collapse of workers' ability to defend their interests through their own activity in the trade unions led to a search for an alternative means of combating the drastic effects of the depression. Staid labourism and protection had not succeeded in improving matters. Lang's militant rhetoric and his position of authority as State Premier or plausible aspirant to that office seemed to offer a radical solution to radical problems, without the need for workers to exert power themselves. Lang, it was widely hoped, was a saviour who would fix things for the workers.²⁷ Hence the passive response when Governor Game sacked Lang as Premier and undermined illusions that Lang was a substitute for devastated union organisation. During the period of Lang's ascendancy he provided one of the few remaining means by which trade union officials, mainly in NSW, could legitimise their positions in the eyes of their members. They could not defend workers' interests in their capacity as leaders of industrial organisations or in the course of industrial action. But they could claim to do so by virtue of their relationship with Lang. Union officials, who had previously shown no great interest in Money Power (and subsequently were not to do so), were attracted to such ideas and hence to Lang during the worst years of the depression.²⁸ During the post-depression recovery Money Power ideas and Lang proved to be obstacles to the revival of the class struggle and the interests of trade union officials. As the mass support for such ideas fell away, a section of the union bureaucracy moved against Lang.

Some sections of the Labor movement went further into the labyrinth of Money Power theory than those who simply followed Lang. The doctrines of Douglas Social Credit attracted some following inside the working class during the depression.²⁹ On the other hand Labor leaders and their followers who were not prepared to adopt Lang's radical rhetoric or subordinate themselves to him made concessions to Money Power theory. This was especially the case after Lyons's split the right in 1931 had even further discredited concessions to orthodox economic theory inside the Labor Party. Lyons had been the main advocate of financial orthodoxy inside the Federal Parliamentary Labor Party. The right wing of the Party was not averse to occasional statements about Money Power conspiracies, but, in contrast with the Langites, tended to lay more stress on the inadequacies of the financial mechanisms in causing the depression rather than intentionally destructive acts by the bankers and their associates. Nevertheless, especially during the 1934 federal election campaign, both the Federal and NSW ("Lang") Labor Parties stressed the importance of government control over the monetary and banking system.³⁰

Underconsumptionism was a common feature of both the adherents of Money Power theory and more moderate laborites. An underconsumptionist analysis of capitalism explains economic crises as the consequence of the deficiency of the purchasing power of the mass of the population, compared to the quantity of goods available for sale. Apart from the small minority who accepted orthodox economics, the entire labour movement during the 1920s and depression subscribed to one underconsumptionist theory or another and regarded wage cuts as exacerbating the depression. The boundaries between different underconsumptionist theories were not usually as clear cut as the following outline of their contents might suggest.

24. *Labor Daily* 22/4/30 p4 and A. C. Paddison op. cit. p29.

25. Berzins "Douglas Credit" op. cit. p153; L. Ross "From Lane to Lang -- The Evolution of Labor Theory" *Australian Quarterly* December 1934; for the ACTU see Hagan op. cit. p95: "As the depression deepened, so the ACTU increasingly emphasized the importance of the creation of credit." The ALP Platform only included a separate section on banking from May 1930.

26. Lang rejected repudiation of interest payments during the 1930 State election campaign, but took the policy up in 1931, Dixon *Greater than Lenin* op. cit. p164.

27. See C. Hade *Ebenazer* Sydney 1932, a book of poems to Lang. I. E. Young 'Conflict Within the NSW Labor Party 1919-1932' M.A. Thesis, Department of Government, University of Sydney 1961 pp295-8, 333 points out that the rise in Lang's personal influence started in 1929-30, that is, with the depression and that he "retained control of the industrial wing" of the Party until the mid-1930s.

28. For example Oscar Schreiber, Secretary of the Furnishing Trades Union. Before World War I and shortly after he had been a marxist and advocate of industrial unionism. After the War he was associated with the Trades Hall Reds, whose leader Labor Council Secretary Garden was in the CPA until 1926. But Schreiber subscribed to Hobsonian economics, rather than the marxism of other Trades Hall Reds, during the early 1920s, Dixon *Greater than Lenin* op. cit. p213. During the depression Schreiber became a supporter of Lang and the *Furnishing Worker*, edited by Schreiber, ran material by a variety of Money Power theorists, including Soddy, Jennings Bryan and Douglas. He went on to play an important role in the fight against Lang in the NSW Labor Party and was one of the first laborites to recognise the merits of J. M. Keynes's *General Theory* in 1936. For a selection of material Schreiber thought important at different states see *Furnishing Trades Journal* 5/9/13 p18, 10/11/13 p145 an extract from the German Socialist Party's Erfurt Program on craft unionism; *Furnishing Worker* 7/10/18 p5. *Furnishing Worker's* "In the Library" column of 1922-23 recommended a considerable amount of J. A. Hobson, see *Furnishing Worker* 6/11/30 p2, 6/5/32 p2, 1/11/33 p3.

29. See Berzins "Douglas Credit" op. cit. p156; *Love Labour and the Money Power* op. cit. pp133-40. The Douglas Credit theory of the Money Power laid an even greater stress on the need for workers to collaborate with their employers, against the banks than laborite versions did. The Secretary of the Victorian Australian Railways Union (ARU), a supporter of Douglas Credit lamented that:

"Unhappily business and employing interests in Australia are unable to recognise that their own immediate and intimate welfare is completely interlocked with that of the Australian wage earner." (Quoted in Louis *Trade Unions* op. cit. p48)

Since joining the railways Massey had held supervisory positions, eventually very senior ones, *Labor Call* 11/4/40 p12.

30. See Scullin's policy *1934 Election Speech* pp1-2; P. E. Coleman *Presidential Address* Federal ALP (NSW Branch) 1934 p24; J. Robertson J. H. Scullin University of Western Australia Press, Nedlands 1974 p422; Australian Labor Party (Queensland Branch) *Manifesto of Federal Labor Executive on Unity Negotiations* 1934 p9; J. T. Lang "The Future Belongs to Youth" *Labor Daily Year Book 1934-5* p5; "[NSW] Labor's Policy of Credit Control" *ibid.* pp79, 81. John Curtin acknowledged, as Money Power ideas did, that an important cause of the depression was the financial system in his *Australia's Economic Crisis and the £55,000,000 Interest Bill* Westralian Worker Print, Perth 1930 p4.

In terms of their strategic implications there were three broad strategic versions of underconsumptionism: the revolutionary outlook of the CPA, Labor's faith in the effectiveness of government action and a trade union perspective that better wages, achieved through direct action or other means, could mitigate the economic crisis.

For Communists and some other marxists a deficiency of purchasing power was inherent in capitalism, because employers restricted the wages of their employees to increase their profits. The only real solution was the abolition of capitalism through nationalisation under workers control. "Radical underconsumptionists" in the Communist Party believed that this meant revolution, most of those in the ALP did not.

Money Power enthusiasts, like Anstey, thought depressions resulted from deliberate conspiracies by financiers to cut purchasing power. Their solution was essentially to implement the ALP's long-standing policy of bank nationalisation.³¹ Moderate Labor leaders favoured a governmental underconsumptionism, which stressed the importance of remedying the defects in capitalism which led to depressions, by means of legislation, and governmental measures to offset inadequate purchasing power. The tools available for this approach can be divided into monetary measures, such as control over interest and exchange rates, the level of the money supply and "real" or fiscal measures to change the distribution of income, like taxation and public spending. There was a considerable area of overlap between Money Power theorists and advocates of a more active monetary policy during the depression. The highest expression of governmental underconsumptionism was the "Theodore Plan", with its calls for mild inflation, government expansion of credit and devaluation.³² The Scullin Government's relationship with the Commonwealth and trading banks soon made it clear that such a plan could only be effectively implemented after the Australian financial system had been reformed.

A "trade union underconsumptionism" had considerable appeal to ordinary workers. Its basic proposition was that depressions could be overcome by increasing real wages (including by cutting working hours), thus increasing workers' purchasing power directly.³³ Although usually propounded during the depression in association with other underconsumptionist theories and policies (because it made them palatable to the working class), this approach can be distinguished from others as more effectively representing working class interests. Where other non-Communist underconsumptionist theories gave an inherent priority to state intervention to secure an improvement in workers' conditions, trade union underconsumptionism could justify action by the working class

31. Anstey *Money Power* op. cit. p125:

"With banking made a socially owned and controlled function, the capitalist nerve is cut, the situation is changed, the control of the institutes and instruments of exchange by the inner ring of capitalist 'financiers' – the source of their power – is gone."

Also see, for example, Anstey *Facts and Theories* op. cit. p9; *Labor Daily* Editorial 24/1/31 p4; *Union Voice* D. Cameron 28/5/32 p3, Berzins "Douglas Credit" op. cit.; ALP Socialisation Committee *The Socialisation of Credit* Sydney 1933, this committee was opposed to the Socialisation Units. While socialism received more, serious consideration during the depression than the 1920s, the heyday of state enterprise as the road to socialism had passed, apart from calls for bank nationalisation. During the early and mid 1920s in particular Labor Governments in NSW, Queensland and Western Australia had engaged in extensive experiments along these lines, see C. A. Bernays *Queensland -- Our Second Political Decade: 1920-30* Angus and Robertson, Sydney 1931 pp97-129; E. M. Higgins 'Queensland Labour Governments' M. A. Thesis Melbourne University 1957 pp13-4; G. M. Prendergast *Labor in Politics* op. cit. p11; *Labor News* 6/12/19 p8, 11/6/20 p5; Australian Labor Party Western Australia *4 1/2 Years of Labor Government* Perth pp39-43.

32. B. McFarlane *Professor Irvine* op. cit. p38 saw the Theodore Plan, allegedly inspired by Irvine, as a credible proto-Keynesian alternative to the more orthodox Premiers' Plan. Clark "Was Lang Right?" op. cit. p158 questioned Lang's credentials as an anticipator of Keynes, by emphasising that Lang believed in balanced budgets, but see J. Lang *Why I Fight* *Labor Daily*, Sydney 1934 p188, for a critical assessment of financial balance:

"Balanced budgets'...was a bogey that could be employed in a vigorous press campaign to lever the Labor Party from its traditional ideals to serve the interests of High Finance."

33. e.g. *Labor News* 27/5/22 p4; *Furnishing Worker* 5/3/28 p1. *Labor Daily* 11/4/30 p5: "The only sane method of dealing with the present industrial situation is to reduce the working week to 40 hours and at least to maintain the existing pay scales." Also see W. J. McKell's proposed remedies for unemployment, *Labor News* 15/9/23 p5, 1. higher wages, 2. public works, 3. afforestation, 4. unemployment insurance. Despite its potential, trade union underconsumption did not necessarily provide an impetus to working class action. It could simply justify pleas to the government or the Arbitration Court that they increase wages. With trade union organisation at its nadir, during the depression this was in fact the way the argument was usually employed. The ACTU proposed measures consistent with governmental underconsumptionism, but saw an increase in the basic wage and the forty hour week as important steps towards economic recovery, Hagan op. cit. pp167-8. A. C. Paddison at the 1931 basic wage inquiry "contended that the only solvent to the unemployment problem was an increase in wage rates", "Economic Effect of Wage Reduction" *Labor Daily Year Book 1933* Sydney 1933 p29; *Labor Daily* Editorial 28/2/31 p11. In their 1933 case for the restoration of the 1931 ten per cent wage cut over thirty unions used the following formulation or a very similar one

"It is impossible to restore industries in Australia to a state of prosperity, or to absorb the thousands now unemployed, unless and until the purchasing power of the people is increased to allow the consumption of goods now produced in over abundance."

Commonwealth Conciliation and Arbitration Court Registry 1933 *Applications for Restoration of 10% Reduction* mimeo. One of the arguments used to justify this proposition was that higher wages would increase purchasing power by shifting income from employers to workers in "overcapitalised" industries. Dethridge C. J. described it as "the Hobson argument" and while he conceded that it "may possibly be supported" the Bench did not grant any restoration of wages, see Commonwealth Conciliation and Arbitration Court Registry *1933 Applications for the Restoration of 10% Reduction of Wages, Transcript of Proceedings* mimeo pp150, 154. The unions cited G. D. H. Cole, J. M. Keynes and the International Labour Organisation, along with lesser lights, to justify their case. *Furnishing Workers* 6/9/22, 6/6/23 included extracts from Hobson's books. For Hobson's influence on Professor Irvine see McFarlane *Professor Irvine* op. cit. p31.

itself to promote its interests.³⁴ It could, therefore, legitimise a form of working class mobilisation under bourgeois hegemony: challenging capitalism in practice but not theory, because it held that higher wages would alleviate economic crises under capitalism, if not eliminate them.³⁵

Communist Economic Thought to 1934

The CPA carried on many of the traditions of Australia's pre-war socialist sects: most importantly their commitment to the labour theory of value, militant industrial organisation and the need to overthrow the capitalist state. To these the experiences of the Russian Revolution and membership of the "World Party of Revolution" -- the Communist International (Comintern) -- added a more coherent approach to interventions by the Party rather than by individual members into workers' struggles and hence a greater recognition of the need to come to terms with the local and international circumstances of those struggles. A substantial part of the analyses which helped the CPA to come to grips with the realities of Australian capitalism was developed by the Comintern in its assessments of the condition of world capitalism and the international workers' movement. But the Party also undertook its own examinations of Australian circumstances and criticisms of the arguments of its opponents, usually within a framework established by the International. The CPA paid particular attention to Australia's place in the imperialist chain and the closely related issue of the anatomy of the local capitalist class.

The Comintern touched on Australia's place in world capitalism at its third Congress, in 1921. Its theses on the international situation noted that during the war

"The transoceanic countries which export raw materials, including purely colonial countries (South America, Canada, Australia, China, India, Egypt and others), have in their turn utilised the rupture of international ties in order to develop their native industries."³⁶

This assessment, given that the placement of the commas was accurate, may have been sufficient in the context of the Comintern's discussion of the European economic situation. But when the International came to pay more attention to other parts of the world the characterisation of Australia as a purely colonial country was found deficient. The fourth Congress in 1922 reversed the analysis, calling Australia imperialist and urging the CPA to combat "national and racial antagonism".³⁷ In the spirit of this analysis W. P. Earsman argued in the CPA's paper, the *Communist* that Australian capitalists were looking to export to the eastern market, i.e. Asia.³⁸

By 1925 the CPA had developed a more sophisticated understanding of Australia's place in the world economy than that entailed in the uninformative dichotomy between colonial and imperialist nations. The Party's analysis drew on some of the main concerns of the international Communist movement -- the decay of the British Empire and inter-imperialist rivalry, especially between Britain and the USA. The political conclusion which the CPA justified with its analysis was the priority of fighting British imperialism and the Australian capitalists over loyalty to the Empire or Australian nationalism.³⁹

In the first issue of the CPA's theoretical journal, *The Communist*, in 1925 E. M. Higgins spelt out the Party's approach:

We live not merely in the imperialist era, but in the British Empire 'dripping from every pore with blood and dirt', and it is with this we are particularly concerned ... For workers who are British 'subjects', however, the only real struggle against imperialism is the struggle against British imperialism...In Australia, this struggle will have to take advantage of every conflict of British imperial interests with those of the rising 'Australia First' capitalists. But it will have to do this, not along the lines of abatement of the class struggle against the local bourgeoisie, but rather its intensification...The alternative to the idea of 'the Empire lies, not in the petty-bourgeois 'cultivation of an Australian sentiment', but in cultivation of the sentiment of the international working class."⁴⁰

34. The most substantial organisational expression of radical underconsumptionism in the ALP during the 1920s was the declining Victorian Socialist Party (VSP), which embodied the ALP's abstract commitment to socialism. R. Ross, its leading spokesperson had defined a socialist strategy, not dissimilar to those of alternative economic strategists today, between Bolshevism and exclusive Parliamentarism in his *What Next? Building the Industrial State* Ross's Book Service, Melbourne 1921 p4. The VSP perspective of the 1920s, that capitalism could be reformed into socialism, declined in the ALP. Adherents of the VSP and individuals with a similar outlook in NSW revived the Second International perspective for socialism: when capitalism collapse political power would fall into the hands of the workers' party, which would then usher in the new society, see *Union Voice* 28/6/32 "Approaching Collapse of Capitalism"; J. Braunthal *History of the International 1864-1914* Nelson, London 1966 pp195-6, 266. Also see G. G. Hewitt 'A History of the Victorian Socialist Party' M. A. Thesis, La Trobe University 1974. The main current inside the NSW Socialisation Units had this perspective and in the spirit of pre-World War I British marxism reprinted Harry Quelsh and Belfort Bax's "A New Catechism of Socialism", see *Socialisation Call* 1(2) May 1931 p2, 1(4) August 1931 p1, 2(1) June-July 1932 p1.

35. The radical underconsumptionism of the Socialisation Units was premised on a radical Labor Government which would introduce socialism for the working class. For a discussion of working class mobilisation within the hegemony of bourgeois ideology see R. W. Connell and T. H. Irving *Class Structure in Australian History* Longman Cheshire, Melbourne 1980 p23.

36. A. Adler (ed.) "Theses of the Third World Congress on the International Situation and the Tasks of the Comintern" *Theses, Resolutions and Manifestos of the First Four Congresses of the Third International* Ink Links, London 1980 p190, emphasis in the original.

37. "Theses on the Eastern Question" *ibid.* p417.

38. *Communist* 15/12/22 p2. Earsman's view did not go unchallenged. G. Marks *Communist* 12/1/23 p3 seemed to favour the earlier Comintern position when he maintained that "Native capital in Australia is too small" to compete for the Chinese market.

39. See e. g. *Workers Weekly* 13/3/25 p4 for a "revolutionary defeatist" attitude to the Empire's involvement in any war.

40. E. M. Higgins "The British Empire" *The Communist* 1, January 1925 p3.

This analysis, though brief, was, in its realism, commitment to independent working class action and internationalism, superior to anything the CPA produced after it became a hard Stalinist Party during the early 1930s. Higgins went on to examine the ambiguous relationship between British and Australian capital:

"Our native bourgeoisie may be trusted to go ahead carving a kingdom for themselves (or for Wall Street), at the expense of Britain. At present their fight with Britain is largely a sham fight. Will we do any good by going out of our way to assist them?"

"No, because such action would make revolutionary propaganda impossible. So far from providing a firmer footing for revolutionary work, it would tie the revolutionary movement to the tail of the official labour movement, which is itself trailing behind the Australian manufacturers and even becoming the manufacturers' own party.

"The 'Australia First' cry is being used to give counter-revolutionary significance to the slogan 'Protect the Australian workers' standard of living'. It is encouraging all kinds of romantic notions about Australia as a world apart which may expect to reach social salvation by isolating itself from the rest of the world.. despite the experience of 1921-22 -- that it is overseas conditions that must dictate the standard of life for the workers of Australia."

His summary of the situation was apt:

"Under the influence of the 'Australia First' fever, Labor once more appears convinced that it can purchase paradise on the instalment plan."⁴¹

The above perspective on Australia's place in the capitalist world was continued during the rest of the 1920s and through the CPA's left-sectarianism phase, after 1929, with some changes in emphasis inspired by Russian foreign policy.⁴² It was used to interpret the role of the ALP as a Party which promoted the interests of national capitalist development in Australia,⁴³ to elaborate on Australia's tentative imperialism in the Pacific⁴⁴ and to throw light on the relevance of Anglo-American rivalry for Australia.⁴⁵

On the basis of its analysis of the development of Australian capitalism, the CPA criticised the ALP's protectionism as primarily assisting Australian manufacturers rather than workers. The CPA's position on tariffs had been succinctly expressed by Mick Considine. A veteran of prewar marxist groups, he was the member of the House of Representatives for the militantly working class Barrier electorate which included Broken Hill until 1922. He publicly proclaimed his adherence to the principles of the Comintern and while still in the Parliament left the ALP, although he did not join the CPA. His position on tariffs was that

"It is over the surplus value that is wrung from the working class in the place where they are exploited that the importers and the manufacturers quarrel, and attempt to use the workers and the political representatives of the workers to aid them in securing their respective share of the plunder for their particular sections."

The New Protection meant

"that one section of workers will make an arrangement with manufacturers for which all other workers will be obliged to pay."⁴⁶

The CPA was particularly concerned to demonstrate that the Scullin tariffs were not in the workers' interests.⁴⁷

Although the Communists were attuned to differences inside the ruling class and their implications, in terms of strategy its position was the same as Considine's attitude to capitalists' debates over tariffs: "A plague o' both your houses."⁴⁸ The Party's response to the efflorescence of Money Power theory during the depression was along similar lines, pointing out that the basis of capitalism was the extraction of surplus value and that workers had an interest in overturning that process rather than siding with productive capital against bank capital in their dispute over the distribution of the spoils.⁴⁹ The Party drew on Lenin's *Imperialism* to the effect that under contemporary conditions the distinction between bank and industrial capital was largely meaningless, because of their fusion in

41. E. M. Higgins "Australia the Superior" *The Communist* 2, February 1925 pp12-3.

42. See *Workers Weekly* 5/3/26 p2, Editorial 28/5/26 p2 for a reference to "That Empire upon which the sun never sets and wages never rise.", 9/7/26 p4, 23/7/26, 17/9/26 p3, 14/10/27 p1, 21/10/27 p4, 20/1/28 p5, 6/4/28 p2, 6/12/29 p2, 1/8/30 p2, 29/8/30 p3; S. Carpenter "A Review of Conditions in Australia" *Pan-Pacific Worker* 1/2/30 p46; H. Moore (the Comintern Agent sent to "Bolshevise" the Australian Party and harden up its Third Period line) *Australia and the World Crisis* Communist Party of Australia, Sydney 1931 p21; H. Moore *Workers Weekly* 10/10/30 p3. There was a greater emphasis on opposition to the British Empire, per se, with some nationalist overtones during 1926-7 when the Comintern was particularly hostile to Britain, but the CPA did not go nearly as far as the Canadian Communists, who sought an alliance with the "national bourgeoisie", *Workers Weekly* 3/9/26 p2, 7/1/27 p2, 18/2/27 p2, I. Angus *Canadian Bolsheviks Vanguard*, Montreal 1981 pp167-72.

43. See *Workers Weekly* 20/5/27, 10/2/28: "Our watchword can never be merely the capitalist 'Advance Australia'; but 'Workers of all Lands, Unite!'", 11/4/30 p2, 8/8/30 p2, 16/6/33 p2, 14/7/33 p4.

44. The implications of Australian imperialism were mainly considered after the somewhat nationalist campaign against the Empire was dropped, *Workers Weekly* 21/10/27 p1, 18/11/27 p4, 20/1/28 p2, 14/8/31 p1, 18/9/31 p2; R. Dixon "Tendencies of Development of Australian capitalism: Growth of Imperialism" *Labor Review* 1(11) July 1933 p7; R. Dixon "The Australian Labor Movement in the Period of Crisis" *Labor Review* 1(13) September 1933 p6.

45. *Workers Weekly* 24/7/25 p1, 9/7/26 p4, 10/12/26 p3, 27/1/28 p3, 5/7/29 p4, 20/9/29 p4, 4/10/29 p1, 1/8/30 p2, 8/8/30 p1, 3/4/31 p2.

46. *Commonwealth Parliamentary Debates* v95, April 1921 pp7890, 7889. For the CPA's arguments see, e. g. *Workers Weekly* 8/6/28 p2; J. Kavanagh "Taxation and the Standard of Living" *The Communist* 5 February 1928 p26.

47. *Workers Weekly* 6/12/29 p2, 11/4/30 p2, 22/8/30 p3, 30/10/31 pp1,3, 3/2/33 p1, 29/6/34 p6, 10/8/34 p2, 17/8/34 p6. On the implications of the Ottawa Agreement between Britain and Australia for greater tariff preference see *Workers Weekly* 25/3/32 p2, 15/7/32 pp1, 4, 21/10/32 p1; "T. W." "The Failure of Ottawa" *Labor Review* December 1932 pp1-2; Plebs League material, Mitchell Library.

48. *Commonwealth Parliamentary Debates* op. cit. p7886. For the CPA's criticisms, along these lines, of the anti-profit hysteria of the period immediately after World War I see *Communist* 21/1/21 p1.

49. See *Workers Weekly* 10/4/31 p2, 3/2/33 p2; M. Hade (a once and future Communist) *Socialisation Call* 1(1) April 1932 p2, this was before a small section of the Units left the ALP to join the CPA.

finance capital.⁵⁰ L. L. Sharkey argued that the cause of the crisis was "overproduction" rather than any deliberate action by the Money Power credit crises were the consequence rather than the cause of crises of production. Increases in bank credit would only exacerbate the problem by increasing output, while bank nationalisation, with compensation would benefit finance capital by guaranteeing its income.⁵¹ This conclusion was expressed in the first cartoon in the Appendix "Labour Movement Economics Illustrated" at the end of this thesis (Cartoon 1). Money Power ideas diverted workers from the struggle against the capitalist system to fight against the bondholders or foreign capitalists:

"The capitalist crisis in Australia was explained away [by the ALP] as being entirely due to external causes, as a result of a 'conspiracy' of the international bankers, rather than being the inevitable result of the existence of capitalist relations in Australia. The objective situation of Australian capitalism, being a second-rate imperialist power and subject to the pressure of big imperialist powers, and also its huge agrarian production and small home market, which makes it very much more dependent on the situation of the world's market, all tend to lend weight to this position of Lang and co."⁵²

"Niemeyerism", the deflationary program associated with the name of the Bank of England's depression emissary to Australia, was not simply in the interests of the bondholders,

"In spite of the fact that Niemeyer represents the exclusive interests of British finance capital he also proved useful to those capitalist elements, the Australian 'secondary industrialists' and Yankee concerns, who are antagonistic to British finance capital. Although seemingly contradictory, there's no real contradiction when we realise that the entire capitalist class, regardless of its inner economic conflicts, tries to place the whole burden of its deepening crisis upon the toiling masses."⁵³

The Communist Party followed the Comintern in regarding the post-World War I period as being that of the general crisis of capitalism, during which increasingly severe cyclical crises would occur. Its explanation of economic crises was underconsumptionist, in the words of the Party's 1928 *Training Manual*:

"Output over-reaches the limits of the markets. Periodic slumps, gluts and crises result. Anarchy in production. Unemployment becomes chronic and exploitation intensifies."⁵⁴

The same argument of restricted markets was used to explain imperialism.⁵⁵ By the early 1930s it was being backed up with a quotation from Volume III of *Capital*:

"The last cause of all real crises remains the poverty and restricted consumption of the masses..."⁵⁶

This quotation was subsequently trotted out by the Party for another thirty years to justify its anticipation of a new crisis.⁵⁷ The Communists' underconsumptionist position was more radical than those of others on the Australian left because they maintained that, under capitalism underconsumption was inevitable, the profits of employers depended on restricting the purchasing power of their workers. So no palliative measures could prevent economic crisis. Nevertheless the Party still justified working class struggle for higher wages. It did so on the basis of the labour theory of value, i.e. workers had a right to better wages because they produced all of society's wealth, rather than the trade union underconsumptionist proposition that higher wages could off-set crises. Radical underconsumptionism thus represented a justification for conscious working class mobilisation against capitalism, unfettered by any concern for respectability within bourgeois common sense as trade union underconsumptionism was, even when it was used to justify class struggles. During the depression the CPA attempted to articulate the distinctiveness of its position:

"In keeping with the deception that the crisis is due, not to inherent contradictions in the capitalist system itself, but to a 'conspiracy of bankers', the 'laborites' emphatically denied that the Australian crisis was greatly intensified by the world economic crisis a crisis brought about because of the vast disproportion between production and the world markets."⁵⁸

The first half of the sentence did identify a difference between Money Power and Communist analyses. Communists located the source of the crisis as inherent in capitalist relations of exploitation between worker and boss. But Money Power theorists agreed that the restriction of markets (by bankers' conspiracies rather than the laws of capitalism, it is true) was an important cause of the depression.

The CPA inherited its radical underconsumptionism from the earlier Australian marxist sects, and the Comintern.⁵⁹

50. Communist Party of Australia *Australia's Part in World Revolution* Sydney 1930 p17.

51. L. L. Sharkey *The Nationalisation of Banking and the Socialisation of Credit* Communist Party of Australia May 1933 pp4, 9. Also see *Workers Weekly* 1/2/24 p4, 28/11/30 p2, 29/1/32 p1, 5/2/32 p1, 24/12/32 pp1, 4, 24/2/33 p2, 3/3/33p2, 17/3/33 p2, 31/8/34 p5. For analyses and critiques of Douglas credit ideas see *Workers Weekly* 9/10/31 p2, 5/8/32 p2, 12/8/32 p2, 19/8/32 p2, 26/8/32 p2, 24/11/33 p2 21/9/34 p2 and the best articles, by J. Kavanagh, the Party's leader during the second half of the 1920s, shortly before his expulsion from the CPA 29/7/32 p2, 9/9/32 p7, 16/9/32 p2.

52. R. Dixon "The Australian Labor Movement in the Period of Crisis" op. cit. p6 also see *Workers Weekly* 2/5/30 p3, 10/10/30 p3.

53. H. Moore "The Meaning of Niemeyerism" *Pan-Pacific Worker* 5/1/31 p3, also see *Workers Weekly* 29/8/30 p3.

54. Communist Party of Australia *Party Training Manual* Sydney 1928 p16, also "Theses of the Third World Congress" op. cit. p185; *Communist* 9/9/21 p1, "Notes of the Month" *The Communist* 6, June 1925 pp2-4; *Workers Weekly* 21/3/30 p2, 1/8/30 p5, 17/7/31 p2, 3/6/32 p2.

55. *Workers Weekly* 25/11/27 p4, 26/7/29 p3, 21/2/30 p2.

56. L. Sharkey *The Nationalisation of Banking* op. cit. p2, also see *Workers Weekly* 2/5/30 p3.

57. E. g. E. Aarons *Economics for Workers* Current Book Distributors, Sydney Second Edition 1961 p33.

58. H. Moore "The Meaning of Niemeyerism" op. cit. p4.

59. See V. Burgmann *In Our Time* op. cit. p6 for the stress placed by these groups, even before 1905 on the reconquest of surplus value. The CPA placed considerable emphasis on the importance of the education of its members in basic marxist theory. Most Party publications carried advertisements for classical Marxist works and publications such as the *Party Training Manual* op. cit. were used in study classes.

The pre-World War I textbooks of marxist economics associated crises with underconsumption.⁶⁰ However in *Capital* Marx had himself criticised underconsumptionism and Lenin also did so in *The Development of Capitalism in Russia*. "it is sheer tautology", Marx maintained,

"To say crises are caused by the scarcity of effective demand...if one were to attempt to give this tautology the semblance of a profounder justification by saying that the working-class receives too small a portion of its own product and the evil would be remedied as soon as it receives a larger share of it and its wages increased in consequence, one could only remark that crises are always prepared by precisely a period in which wages rise generally and the working class actually gets a larger share of that part of the annual product which is intended for consumption."⁶¹

Lenin explicitly refuted the radical underconsumptionist conclusions Communists drew for decades from Marx's comments about "the last cause of all real crises":

"Marx's analysis of realisation showed that...compared with means of production, articles of consumption play a minor role in the formation of the home market...The contradiction between the drive towards the unlimited expansion of production and limited consumption is not the only contradiction of capitalism, which cannot exist and develop at all without contradictions..."⁶²

The problem with underconsumptionism, even radical underconsumptionism, was its indeterminacy. If its logic was correct then capitalism should have been in a continuous state of crisis. On the other hand, once it was conceded that capitalists used the surplus value they had extracted in the process of production to make new investments, were in fact compelled to do so by competition, and that these investments constituted an augmentation of purchasing power as much as higher wages did, crises evaporated all together. Radical underconsumptionism could not differentiate between the causes and features of short term movements in the trade cycle and longer term developments such as stagnation or prosperity lasting for many years. Because radical underconsumptionism could not explain why crises occurred at some times but not others, it left a way open to reformism.⁶³ Under the impetus of its accommodations to the ALP during the late 1930s and more explicitly as World War II was drawing to a close, the CPA started to move in this direction. In the mid-1960s, after proclaiming the imminence or onset of crisis for twenty dogmatic years, the Party dropped its radical underconsumptionism and concluded that Governments could fill the gap between production and markets.⁶⁴

In contrast to radical underconsumptionism, Marx's explanation of crises was in terms of the rate of profit. Not only was this theory articulated in Volumes II and III of *Capital*, but it was also outlined in a number of marxist textbooks available to the CPA and had some currency in the international Communist movement until the early 1930s.⁶⁵ Before the late 1930s, and then only briefly, Australian Communists displayed no familiarity with this theory in their writings. However, the explanation of crises in terms of the tendency of the rate of profit to fall, its counteracting tendencies and disproportion between different departments of production while at least noticed by marxists overseas was anathematised in Russia and thence the Comintern from the late 1920s.⁶⁶ The neglect of this theory in Australia, before the CPA was Bolshevised is understandable in terms of the paucity of the Party's resources, its inheritance from earlier Australian and English marxist groups. Rosa Luxemburg's explanation of the stagnation of marxist economic theory to 1903 also applied to the CPA's situation. She pointed out that when Volume III appeared socialists had been carrying on their agitations "with the aid of the unfinished material contained in the first volume", further the problems addressed in that volume, "however important from the outlook of pure theory, are comparatively unimportant from the practical outlook of the class war". She concluded that

"Both in his detailed and comprehensive analysis of capitalist economy, and in his method of historical research with its immeasurable field of application, Marx has offered much more than was directly essential for the practical conduct of the class war.

"Only in proportion as our movement progresses, and demands the solution of new practical problems do we dip once more into the treasury of Marx's thought, in order to extract therefrom and to utilise new fragments of his doctrine. But since our movement like all the campaigns of practical

60. See L. S. Boudin's very widely used *The Theoretical System of Karl Marx* Monthly Review Press, New York 1967, first published 1907, p165. For the lineage of the Comintern's radical underconsumptionism and the legacy of Rosa Luxemburg see Day *The 'Crisis' and the 'Crash'* op. cit. pp12-21.

61. K. Marx *Capital* Volume II Penguin, Harmondsworth 1978 pp486-7.

62. V. I. Lenin *The Development of Capitalism in Russia* in his *Collected Works* v3, Progress Publishers, Moscow 1972 p58.

63. Day *The 'Crisis' and the 'Crash'* op. cit. p143.

64. See B. Taft "Changes in Modern Capitalism" *Australian Left Review* 1, June-July 1966 pp4-5.

65. Original studies on the basis of this approach were not undertaken in English before World War I. R. Hilferding's *Finance Capital* of 1910 was only translated into English in 1981 (Routledge and Kegan Paul, London), while only a small proportion of the material from the Russian economic debates of the 1920s is available in English. For an early underconsumptionist explanation of crises and imperialism see W. Morris quoted in E. P. Thompson *William Morris* Pantheon, New York 1976 p429. For explanations of the tendency of the rate of profit to fall see Boudin *The Theoretical System* op. cit. pp120-3, who, however, preferred the radical underconsumptionist explanation of crises, also see M. Starr *A Worker Looks at Economics* Labour Publishing Company, London 1925 p51, Starr used this theory to explain imperialism too, p84. Note, however, that Lenin's explanation of imperialism in his *Imperialism the Highest Stage of Capitalism* in his *Selected Works Volume 1*, Progress Publishers, Moscow 1971 did not offer an underconsumptionist account. Also see E. Varga *The Decline of Capitalism* Communist Party of Great Britain, London 1924; *Programme of the Communist International* First Australian Edition; Communist Party of Australia, Sydney 1929 p16; E. Burns *What is the Communist Party* Modern Publishers, Sydney 1934 p4. For the diversity of Russian economic theory Day *The 'Crisis' and the 'Crash'* op. cit.

66. Day *The 'Crisis' and the 'Crash'* op. cit. For an impressive recent application of this approach see C. Harman *Explaining the Crisis* Bookmarks, London March 1984.

life, inclines to go on working in old ruts of thought, and to cling to principles after they have ceased to be valid, the theoretical utilisation of the Marxist system proceeds very slowly."⁶⁷

The experience of the 1930s depression did not challenge, but rather seemed to confirm a radical underconsumptionist conclusion that capitalism was doomed to permanent stagnation and the theory provided a telling justification for the CPA's commitment to overthrowing capitalism. After World War II this was no longer the case. The theory and reality intersected very little. The marxist movement, in its dominant Communist form, had fallen into a dogmatic crevasse rather than a rut, from which a leap of theoretical innovation consonant with a commitment to working class self-activity was impossible. Markovic points out Marx's approach to economic analysis was unsuitable as a rationale for Soviet development under Stalin,

"Stalin's critique [of western capitalism] deals only with those factors which are associated with private ownership of the means of production, overemphasizing in such a way the discontinuity between capitalism and the system existing at that time in the Soviet Union."

"Where Marx thought of profound change of human relationships and of the very nature of economic activity (abolition of alienated labour, abolition of fetishism of commodities, transcendence of the narrow division of labor, reduction of working hours and liberation of time for free, creative non-economic activity, etc.), Stalinism saw only the need for centralisation of all productive powers in the hands of the state, rigid administrative planning and accelerated technological development. None of this is specifically socialist."⁶⁸

It was left to tiny revolutionary groups to explain the long post-war boom in marxist terms. When the Stalinist monolith crumbled in Australia during the 1960s the CPA's radical underconsumptionism gave way to reformist underconsumptionism as the Party's perspectives moved in a liberal direction⁶⁹.

* * *

The polarisation in the labour movement between the CPA and ALP expressed in the differences in their economic ideas, established during the 1920s has continued, although the positions of the poles have shifted. After the depression, the mainstream of laborite thought increasingly conformed with bourgeois economics, while Communist economic ideas converged with the left nationalism of certain Money Power theorists. The following chapters examine the years during which these shifts took place. They are divided into two major periods, bounded by the accession of the Curtin Government and the beginning of the CPA's enduring embrace of Australian nationalism in 1941. For each major period there is a chapter outlining the general background, one devoted to developments in laborite economic thought and another to Communist economic ideas.

67. R. Luxemburg "Stagnation and Progress of Marxism" in D. Ryazanoff (ed) Karl Marx Martin Lawrence, London 1927 pp108, 112-3, first published 1903. It should also be noted that Engels's popular presentation of the contradictions of capitalism in *Socialism: Utopian and Scientific* Foreign Languages Press, Peking 1975 extracted from his *Anti-Duhring* Foreign Languages Press, Peking 1976 did not refer to the tendency of the rate of profit to fall.

68. M. Markovic "Stalinism and Marxism" in R. C. Tucker (ed.) *Stalinism: Essays in Historical Interpretation* Norton, New York 1977 pp305, 309. Also see R. Nordahl "Stalinist Ideology: The Case of the Stalinist Interpretation of Monopoly Capitalist Politics" *Soviet Studies* 26(2), 1972 p252:

"The ideological elements in the Stalinist model of monopoly capitalist politics served for Stalin's regime four general functions: 1) to justify specific domestic and international policies of the regime; 2) to minimize the dissatisfaction of Soviet citizens concerning domestic conditions; 3) to maximize the hostility of Soviet citizens towards the West; and 4) to legitimate the existing authoritarian structure of the regime."

69. T. O'Lincoln op. cit.

CHAPTER THREE

AUSTRALIA AND THE GENERAL CRISIS OF CAPITALISM

The development of economic ideas in the labour movement between 1934 and 1941 was shaped by the contradictions of Australia's economic recovery from the depression. This chapter examines the extent and limits of the recovery; the dilemmas that the international and domestic economic situation posed for Australian capitalism and the Government; the problems of national defence during the second half of the 1930s; the course of the class struggle; and the influence of these factors on the development of the CPA and ALP.

"Recovery" from the depression

For forty years, until the mid-1960s, Communists frequently proclaimed that capitalism was in the midst of a "general crisis". As against the orthodox economic account that there was significant recovery after 1932, the 1930s was the one decade, since the foundation of the CPA, for which a convincing case for the existence of such a crisis could be made.¹

As a result of the depression, governments in many countries assumed new responsibilities for economic management. They stepped in to bolster the position of local capitalists on the world market, by means of tariffs and other import controls, and in many cases intervened to restructure or regulate particular economic activities, notably those of the banking sector.² As a result there was a closer identification between local states and national blocks of capital, competing with each other on the world market. Capitalist competition increasingly took the form of rivalry amongst national capitals backed by their respective states, rather than amongst "free" private capitals.

The nature of international economic competition after the depression disadvantaged Japan, Italy and Germany. Unlike Britain, France, the U.S.A. and Russia, they did not have privileged access to the markets and raw materials of a formal or informal empire. All three developed militarised economies and attempted a process of autarkic development, Germany and Japan with greater success than Italy. Because "the forces of production internationally had long since developed to the point where they cut across national boundaries" such a strategy could only be sustained through territorial expansion.³ Economic competition increasingly became military competition.

Australia was forced to respond in kind to the "widespread effects of economic nationalization [i.e. state intervention]. . . so feverishly pursued by most countries".⁴ The Scullin Government used import controls and devaluation to overcome balance of payments difficulties and secure the domestic market for local producers. At the same time attempts were made to shift the burden of the economic crisis onto the working class through speed-ups and cuts in living standards.

Thanks to tariff protection, lower raw material and wage costs, manufacturing was the leading sector of Australia's recovery. More than 40 per cent. of the increase in employment between 1932-33 and 1936-37 occurred in manufacturing.⁵ The metals industries, including iron and steel, engineering and vehicle building, were particularly important in the recovery. Steel output in 1939, for example, was almost three times its 1929 level. So the expansion of manufacturing industries' share of Gross Domestic Product (GDP), already apparent in the 1920s, continued during the post-depression period: between 1926-27 and 1928-29 manufacturing output contributed 16.1 per cent. of GDP; between 1936-37 and 1938-39 the figure was 17.3 per cent.. Contemporary advocates of rapid industrialisation welcomed this development, pointing out that a larger manufacturing sector could help to stabilise the Australian economy. So long as the home market was protected, manufacturing production was much less susceptible to fluctuations originating in the world market than primary export industries were.⁶ Protectionism had another advantage for Australian development, because by restricting international commodity flows, it encouraged international movements of capital. The Scullin tariffs attracted direct investment from overseas, so that foreign exporters could maintain their share of the Australian market by producing behind the tariff barriers.⁷

The costs of protection were borne by consumers, that is, employers in non-manufacturing industries and workers.

1. See the standard work on the depression in Australia C. B. Schedvin *Australia and the Great Depression* Sydney University Press, Sydney 1970 pp283 et seq.

2. For the nature of state responses to the depression see C. P. Kindleberger *The World in Depression 1929-30* Allen Lane, London 1972 pp281-3; C. Harman *Explaining the Crisis* Bookmarks, London 1984 pp62-71.

3. Harman *Explaining the Crisis* op. cit. p67.

4. D. B. Copland and C. V. Janes (eds) *Australian Marketing Problems* Angus and Robertson, Sydney 1938 pxiix.

5. Schedvin *Australia and the Great Depression* op. cit. pp290-1, 309.

6. See, for example, E. W. Holden "The Census and Secondary Industry" in G. V. Portus (ed) *What the Census Reveals* Preece and Sons and the Australian Institute of Political Science, Adelaide 1936 p108.

7. Schedvin *Australia and the Great Depression* op. cit. p295.

But by 1937 most Australian employers, even commercial interests and the "most vocal representatives of primary industry" had accepted that at least a moderate degree of protection was vital to Australia's prosperity.⁸

Although manufacturing was the leading sector in Australia's recovery, it could not sustain a general revival of growth on its own, given its limited share of total output. As in 1928, primary industries in 1938-39 still produced about 23 per cent of national product and the bulk of export earnings, which contributed about 18 per cent. of national product.⁹ While the export price index did not recover its 1928-29 level until 1944-45, there were improvements in some prices during the second half of the 1930s, notably those of gold, wool and wheat. Export volumes also grew for important commodities and this even led to increased export receipts for butter and base metals despite mainly static prices.¹⁰ So more than 30 per cent. of the rise in money incomes between 1932-33 and 1936-37 came from rural industries, as against only 20 per cent. from manufacturing.¹¹

In view of the continuing importance of primary production to the Australian economy, the Government's economic policies had to balance the interests of agricultural, pastoral and mining producers with those of manufacturers.¹² Neither the conservative United Australia Party (UAP) administration, led by "Labor rat" Lyons between 1932 and his death in 1939, nor one led by the Labor opposition, could have done much to influence the prices or the quantities of commodities demanded on international markets. But state action could bolster export industries by subsidising their exports, especially through organised marketing schemes. During the late 1930s the Federal Government was

"Driven... into the regulation of output, prices and finance in primary industries. The impelling motive here... [was] the increasing pressure from the primary producers for economic security."¹³

In terms of the scope for state intervention, Australia's export industries fell into two groups: those producing for both domestic and export markets and those producing mainly for export.

State action could have a significant impact on the prosperity of the export industries which realised a significant part of their income on the local market. The "home" price for their produce could be raised to subsidise export prices, through cartels backed by legislation or direct subsidies.¹⁴ Known as "protection-all-round" during the 1920s, these measures were strengthened for the sugar, fruit and butter industries, after the depression. From 1931 wheat production also received subsidies and in 1938 a home price for wheat was established. Both schemes were underwritten by a tax on flour, introduced in 1933. The burden of assistance was thus borne primarily by those on lower incomes who had to outlay a greater proportion of their income on bread than did the rich.¹⁵ The Australian Government's attempts to promote primary exports were analogous to those of the Japanese state to promote secondary exports by means of manufacturers' associations.¹⁶ Both countries' measures of state intervention to boost their exports were in part foiled by state intervention in other countries, taking the form of tariffs and other barriers to imports.

The 1932 Ottawa Agreement between Australia and Britain provided a means of gaining access to export markets for meat, fruit, butter sugar and wheat under circumstances of higher levels of protection around the world.¹⁷ Premised on the idea of a greater self-sufficiency within the British Empire, the Agreement itself was a step in the hardening of trade blocks during the 1930s.¹⁸ In practice it meant increased trade between Britain and the Dominions and the colonies, rather than amongst the outposts of Empire. Australia gained preferential access to the British market for primary products, while the difference between Australian tariffs on British and "foreign" goods was increased. As a result Britain became a more important trading partner for Australia, against the long term trend in the diversification of Australia's trade pattern.

8. D. B. Copland and C. V. Janes (eds) *Australian Trade Policy* Angus and Robertson, Sydney 1937 pxxiii.

9. Schedvin *Australia and the Great Depression* op. cit. p377.

10. Commonwealth Bureau of Census and Statistics *The Australian Balance of Payments 1928-29 to 1949-50* Government Printer, Canberra 1952 p83; Schedvin *Australia and the Great Depression* op. cit. p293.

11. *ibid.* p290.

12. See W. K. Hancock *Survey of British Commonwealth Affairs, Volume II Problems of Economic Policy 1918-1939* Oxford University Press, London 1940 p251.

13. D. B. Copland in Copland and Janes *Australian Marketing Problems* op. cit. p447. The Ottawa Agreement and state intervention to support primary industries neutralised opposition to tariff protection. U. Ellis *A History of the Australian Country Party* Melbourne University Press, Melbourne 1963 p221 points out that by 1937, "The tariff ceased... to be a violent issue between the government parties."

14. *ibid.* p498: "The State through its Marketing Board dismisses market price as the agency of control in favour of its own price." Also *ibid.* p30.

15. For assistance to the wheat industry, the second most important export industry after wool, see G. Sawyer *Australian Federal Politics and Law 1929-49* Melbourne University Press, Melbourne 1963 pp18, 46, 78, 106; N. G. Butlin, A. Barnard and J. J. Pincus *Government and Capitalism* George Allen and Unwin, Sydney 1982 p86; and E. Dunsdorfs *The Australian Wheat Growing Industry 1788-1948* Melbourne 1956 p290.

16. J. Shepherd *Australia's Interests and Policies in the Far East* Institute of Pacific Relations, New York 1939 p133.

17. At the 1932 Ottawa Conference of Empire countries a series of bilateral treaties for preferential tariff treatment were negotiated: the Ottawa Agreements. The most significant in the context of Australian development was the Anglo-Australian Agreement, referred to below as the Ottawa Agreement.

18. E. R. Walker "Australia and the World Economy" in H. C. Grattan (ed.) *Australia* University of California Press, Berkeley 1947 p179.

Table 1. Importance of British Trade to Australia 1928-29 and 1938-39

Year	Aust. exports to Britain as % of total exports	Aust. imports from Britain as % of total imports
1928-29	37	40
1938-39	55	41

Source: Commonwealth Bureau of Census and Statistics *The Australian Balance of Payment, 1928-29 to 1949-50* Government Printer, Canberra 1952 p88.

The costs of preference under the Ottawa regime were very similar for Australia and Britain. In terms of revenue forgone, preference to Australia cost Britain L5.6 million in 1934-35 while preferences to Britain cost Australia L5.7 million.¹⁹ In return for their loss of tariff revenue Australia gained some increase in the security of producers with British markets. About 45 per cent. of Australian wool and wheat exports and 71 per cent. of other exports went to Britain. Empire preference thus complimented the strictly domestic protectionist measures Taken by Australia in response to the depression.

There was less scope for the state to promote the welfare of the second group of export industries, those producing almost entirely for the export market, most importantly wool and base metals. The mechanism of the home price was not available to subsidise export prices, while the costs of direct subsidies to reduce export prices would have been prohibitive as they earned 37 per cent. of Australia's export revenue between 1932-33 and 1938-39.²⁰ Because of Australia's commanding position on the world fine wool market, however, the local industry could exercise some short term influence over international prices. Australian wool growers and brokers probably rejected the introduction of a floor price on wool exports for this reason.²¹ The availability of substitutes for wool was also a disincentive to attempts to raise export prices substantially. The Government was therefore constrained to use Australia's high tariff barriers as a bargaining tool in trade negotiations with other countries, to secure increased wool exports.

In addition to the conscious efforts of the Scullin and then Lyons governments, the process of the crisis itself laid the preconditions for economic recovery. In a crisis some enterprises are bankrupted or face the prospect of bankruptcy. Hence stronger firms can buy up assets (constant capital) at bargain prices, below their value (in terms of the labour embodied in them or required to build replacements). Without any increase in productivity, the new owner can achieve a higher rate of profit on such means of production, because of the lower costs.²² In this way crises serve to devalue some constant capitals and even to destroy others (when they are sold for scrap or allowed to rust away), lower the ratio of wage labour (variable capital) to constant capital (the organic composition of capital) and raise the rate of profit.

The Australian iron and steel industry provided a striking example of the devaluation of capital. During the 1920s Australia had two steel producers: Hoskins Brothers and Broken Hill Proprietary Limited (BHP). Shortly before the depression Hoskins began to relocate its operations from Lithgow to Port Kembla and to expand them in association with British firms. The relocated operation was called Australian Iron and Steel. The depression caught the company in the middle of the transfer, without the resources to complete the new facilities at Port Kembla. For this reason and others associated with the contraction of the Australian market for iron and steel, BHP's expanding production and technical considerations Australian Iron and Steel ran into difficulties and was sold to BHP at a bargain price.²³ The depression facilitated horizontal as well as vertical integration in the steel

19. H. L. Harris *Australia's National Interests and National Policy* Melbourne University Press, Melbourne 1938 p93.

20. E. A. Boehm *Twentieth Century Economic Development in Australia* Longman, Melbourne 1972 p69.

21. See Copland and Janes *Australian Marketing Problems* op. cit. pp359-60, 364-5 for statements from various organisations in the wool industry on these matters.

22. This point can be demonstrated algebraically:

$$\frac{s}{(c-d)+v} > \frac{s}{c+v} \quad \text{i.e. the rate of profit for the new owner is greater than that of the old owner.}$$

where: c is the cost of constant capital (the machinery etc) of the original owner.
 c-d is the cost of that constant capital to the new owner.
 v is the cost of labour power or variable capital (wages) necessary to operate the constant capital.
 s is the surplus value (profit) produced by the labour power involved in the production process.

The transaction between the two owners does not change the amount or value of labour power required to operate the constant capital or the surplus value that labour power creates. The new owner is even able to realise the above higher rate of profit when selling at a lower price, which reflects his or her lower costs [(c-d)+v+s], than the previous owner's (c+v+s).

23. See H. Hughes *Australian Iron and Steel Industry* Melbourne University Press, Melbourne 1964 p115 and A. Trengove "What's Good for Australia..." Cassel, Stanmore 1975 pp151-2.

industry. BHP increased its holdings in or acquired Vickers Commonwealth Steel the Structural Engineering Company of Western Australia, Lysaght Brothers Ltd of Sydney, Titan Nail and Wire Company Limited and the Lambton and Burwood collieries between 1930 and the end of 1933.²⁴ It thus not only became a monopolist steel producer but also guaranteed its supplies of raw materials and local markets. During the thirties "Australian steel earned a reputation of being amongst the cheapest in the world", despite the disincentive to efficiency of a domestic market protected by high tariffs.²⁵

By 1937-38 the steps taken by the Australian state and the more autonomous processes of the crisis at home and overseas had led to a significant recovery from the depression in Australia. Costs had fallen, markets had become somewhat more secure and profits had risen.²⁶ On the basis of a number of indicators the orthodox economic account of the post-depression period as one of recovery is vindicated. In current pounds GDP surpassed its pre-depression peak in 1937-38, probably earlier in real terms.²⁷ Gross (money) Non-residential Capital Formation passed its pre-depression peak during the same year. As output and investment rose, unemployment fell from 29 per cent. in 1932 to 8.7 per cent. in 1938.²⁸ The fact that such a cyclical upturn had occurred after the depression is important to an understanding of the nature of the class struggle between 1934 and the outbreak of World War II and hence of some of the domestic problems faced by the Government and Australian capitalist class.

Despite the cyclical recovery it is still legitimate to assert that, in Australia, the general crisis had not been overcome before World War II. There were large "accumulations" of idle variable capital throughout the interval between the depression and World War II -- unemployment did not fall below 8.7 per cent.²⁹ Total domestic capital formation was a lower proportion of GDP after the depression compared to the years between 1925-26 and 1928-29.³⁰ The value of production per head was only three per cent. above its 1928-29 level in 1938.³¹ The recovery had only seen a limited restoration of profit rates through the process of devaluation of constant capital, because most large enterprises remained in business. At the same time, the limited nature of the recovery overseas was bound to effect Australia through the still restricted scope for export sales.

The weakness of the international and Australian recoveries became particularly evident with the start of a new and precipitous economic downturn late in 1937. From August the United States economy began to contract.³² International commodity prices started to slip during the second half of 1937, while the Australian export price index fell during both 1937-38 and 1938-39.³³ "In 1937-38 a peak of economic prosperity was reached, but... before the end of the year a perceptible decline had begun" in Australia.³⁴ In the last pre-war year falls in export receipts led to a drop in the level of aggregate GDP. Unemployment also rose. While manufacturing industry helped stabilise the economy, thanks to the protected domestic market, adverse international developments could not be entirely shut out, given the weight of export industries in the Australian economy. The new economic down-turn also affected manufacturing: between 1937-38 and 1938-39 the value of manufacturing production in constant prices fell for the first time since the early 1930s, with the largest fall in the previously dynamic metals sector.³⁵ In the last years before the War Australian capitalism hardly presented a picture of a social system on the verge of a period of prosperity. Overseas markets for Australia's expanding produce were stagnating. The coalescence of world capital into national or imperial blocks, in which the Australian Government enthusiastically participated, heightened military tension throughout the world and failed to ensure economic security.

International Economic Impasse

The Ottawa Agreement provided Australia with some stability in export markets. But, because the Empire was not self-sufficient, privileged access to the British market could not provide a comprehensive solution to Australia's trade problems.³⁶ Wool, wheat and base metal exports were vital to the well-being of the Australian economy, yet Britain, while the largest, was not a sufficient market for them. Australia needed additional markets

24. Hughes *Australian Iron and Steel Industry* op. cit. p113. See P. L. Swan 'General Motors-Holden's and the Automobile Industry in Economic Perspective' PhD Thesis Monash University 1972 p315 for similar developments in the car industry.

25. Schedvin *Australia and the Great Depression* op. cit. p306.

26. For the decline in the wages share in value added in Australian manufacturing see G. M. Richards "Wages and the Wage Share: Australian Manufacturing in the 1920s" *Australian Economic History Review* 20(2) September 1980.

27. N. G. Butlin *Australian Domestic Product, Investment and Foreign Borrowing 1861-1938* Cambridge University Press, Cambridge 1962 pp11, 461.

28. Commonwealth Bureau of Census and Statistics *Labour Reports* for the relevant years. Note that this measure of unemployment is in terms of the proportion of union members out of work.

29. *ibid.*

30. Butlin *Australian Domestic* op. cit. p7.

31. B. D. Haig "Manufacturing Output and Productivity 1910-1948/9" *Australian Economic History Review* 15(2) September 1975 p153.

32. Kindleberger *The World in Depression* op. cit. p272.

33. W. A. Lewis *Economic Survey 1919-1939* Allen and Unwin, London 1965 pp71-2; Commonwealth Bureau of Census and Statistics *Australian Balance of Payments* op. cit. p83.

34. Commonwealth Grants Commission *Seventh Report* Government Printer, Canberra 1940 p29.

35. Haig "Manufacturing Output" op. cit. p145.

36. D. B. Copland in Copland and Janes *Australian Trade Policy* op. cit. pp150-1 noted:

"In 1936 slightly more than half of British exports were sold in foreign markets [i.e. outside the Empire] while 60 per cent. of British imports came from foreign countries. Australia in 1936 found markets for half her exports outside the United Kingdom, while 60 per cent. of her imports came from countries outside the United Kingdom. Not more than 30 per cent. of Australia's exports are affected by the Ottawa Agreements. True, the exports affected such as butter, meat, fruits and sugar are greatly assisted by Ottawa and subsequent agreements with Great Britain. But it is becoming increasingly clear that Australia and other Dominions must look for opportunities of trade expansion in foreign countries."

in a world where they were hedged around with substantial protectionist barriers.³⁷ In 1937 Commonwealth Attorney-General R. G. Menzies summed up Australia's trade strategy in the post-depression period:

"We are guilty of no want of appreciation of the Empire spirit, and what it has done for us, or the supreme value of the British market, when we say that Australia, as a young country on the threshold of her development, must look to the whole world for her markets."³⁸

As early as 1933, Australia took steps to maintain markets outside the Empire. In a dispute over barriers to the entry of sheet glass, the Government made concessions to guarantee the continuation of Australia's positive trade balance with Belgium. The resulting arrangements were a precedent for later Australian attempts to secure bilateral trade agreements.³⁹ In 1934 a delegation visited Asian countries in search of export markets. The following year an Australian mission went to Europe

"To afford opportunities to European countries to increase their purchases of Australian primary products, particularly wool, as a result of concessions. . . [which would] increase their exports to Australia."⁴⁰

In 1935 this approach to trade promotion led to the introduction of an "Intermediate Tariff" between the levels of the Preferential and General Tariffs, to accommodate reciprocal arrangements between Australia and countries outside the Empire. The mid-1930s thus saw Australia's first consistent attempts to establish formal trade links outside the Empire. Grattan argues that Australia's independent foreign policy grew out of its trade policy.⁴¹ The success of negotiations along these lines, however, was severely restricted by the consolidation of the main trading blocks.

The 1936 "trade diversion" episode illustrates the intractability of the problems of international economic relations faced by Australian capitalism. In May the Government initiated a policy designed to overcome Australia's trade difficulties by altering relations with the USA, Japan and Britain. Since 1934 the United States had rebuffed Australian overtures for a trade agreement, despite American willingness to make arrangements with some of its less important trade partners. The Lyons Government was concerned at Australia's consistent balance of trade deficits with the USA: the figure for 1935-36 was L10 million.⁴² Many Australian primary exports, especially wool and dairy produce, were effectively excluded from the US market.⁴³ Regarding the United States' large trade surplus with Australia as a bargaining counter, the Government attempted to bring the US Government to its senses by erecting more substantial barriers to the entry of American goods. As applied to the USA, the trade diversion policy had three main goals:

- 1) to elicit a trade agreement with the United States Government and hence greater access for Australian exports to the US market.⁴⁴
- 2) to shift away from the USA to Britain, with whom Australia had a trade surplus, as a source of imports and thus consolidate Australia's claim to a substantial share of the British market for primary products.⁴⁵
- 3) to promote Australia's manufacturing industries, particularly automobile production, at the expense of US imports.⁴⁶

Australia had also been negotiating with Japan over the the reduction of textile imports into Australia, in return for the application of the Intermediate Tariff to Japanese imports in general. British textile exports to Australia, a major component of Anglo-Australian trade, were being undermined by Japanese competition.⁴⁷ The Lyons Government felt that this situation could jeopardise Australian access to British primary produce markets, a worrying prospect in view of Australia's

"complete reliance on the market of the United Kingdom for the absorption of our exportable surplus of all difficult selling commodities."⁴⁸

Japan was Australia's second best customer and their balance of trade favoured Australia by L12 million in 1935-36.⁴⁹ A large proportion of Australian exports to Japan was fine wool. The Australian Government assumed that the difficulty of replacing Australian wool would make retaliation against its higher tariffs on Japanese goods, imposed after the Japanese Government had failed to reduce textile exports, difficult. With

37. See Copland and Janes *Australian Trade Policy* op. cit. p. xii and Shepherd *Australia's Interests and Policies* op. cit. p. 155.

38. Quoted in Harris *Australia's National Interests* op. cit. p. 88.

39. See Nicholson *Australia's Trade Relations* Cheshire, Melbourne 1955 pp. 83, 106, 133-8 for details of these efforts.

40. D. F. Nicolson *Australia's Trade Relations* op. cit. p. 81.

41. C. H. Grattan *The United States and the Southwest Pacific* Oxford University Press, Melbourne 1961 pp. 146, 151.

42. Commonwealth Bureau of Census and Statistics *Australian Balance of Payments* op. cit. p. 88.

43. H. Burton "The Trade Diversion Episode of the Thirties" *Australian Outlook* 22(1) April 1968 p. 12.

44. R. A. Esthus *From Enmity to Alliance* Melbourne University Press, Melbourne 1965 p. 46.

45. Burton "The Trade Diversion Episode" op. cit. p. 8, J. B. Brigden pointed out that the British market could not simply be taken for granted, Copland and Janes *Australian Trade Policy* op. cit. p. 178. Also see J. B. Brigden "The New Tariff Policy" *Australian Quarterly* 51 September 1936.

46. H. Gullett, Minister in Charge of Trade Treaties, Copland and Janes *Australian Trade Policy* op. cit. p. 336.

47. Shepherd *Australia's Interests and Policies* op. cit. p. 46, also see D. C. S. Sissons "Manchester v. Japan: The Imperial Background of Australia's Trade Diversion Dispute with Japan" *Australian Outlook* 30(3) December 1976.

48. H. Gullett in Copland and Janes *Australian Trade Policy* op. cit. p. 261.

49. Commonwealth Bureau of Census and Statistics *Australian Balance of Payments* op. cit. p. 88.

respect to Japan, trade diversion aimed to reduce competition against British textile imports and hence strengthen ties with Britain.⁵⁰

Trade diversion failed to coerce either Japan or the USA into trade agreements on Australia's terms. The USA retaliated by depriving Australia of Most Favoured Nation Status and hence of some tariff concession. Trade relations on the basis of the status quo ante were resumed in 1938, without any real concessions on either side.⁵¹ Japan proved more able than expected to find substitutes for Australian wool. At the end of 1936 an agreement was reached restricting Japanese textile exports to Australia and Australian wool exports to Japan -- to the detriment of Australia's balance of payments surplus with Japan. Subsequently Japanese restrictions on imports, due to the stringencies of its armaments program and war in China, reduced the surplus even further.⁵²

Trade diversion did have some, very modest, positive results for the development of Australian manufacturing industry and some short term gains were made in relations with Britain. The Government's actions encouraged a few US companies to invest in Australia to retain their market share, behind the barriers to imports. Armco decided to manufacture sheet steel for car bodies, in association with Lysaghts, and new investments were made for the production of refrigerators, airconditioning, wirelesses and lawnmowers.⁵³ But the episode did not lead to the establishment of local automobile engine or chassis production.

The Government had been concerned that British trade agreements with Denmark and Argentina might jeopardise the interests of Dominion meat and dairy product exporters. In November 1936 the Anglo-Argentine agreement expired and a new one was concluded, more favourable to the Dominions. Trade diversion no doubt gave added weight to the Australian case on this issue and helped remind the British Government of its earlier assurances on Dominion access to the British market.⁵⁴

Despite a short term strengthening of access to their most important market for Australian primary exporters, trade diversion could not overcome the inherent weaknesses of the policy of Empire self-sufficiency. The key obstacle in the way of the policy was the absence of a single powerful state controlling the entire territory such as those of France the USA, Germany, Russia and Japan. Coherent local capitalist classes had emerged in Canada, Australia, South Africa and New Zealand whose interests the state institutions of the Dominions advanced. This was the case in Australia, for example, despite formal subordination to the British Crown and a willingness to leave the conduct of most foreign affairs to Whitehall. The metropolitan power could not, therefore, suppress economic and political strains by administrative means, even if its enforcement of certain policies would have strengthened the Empire as a whole in its competition with other blocks of national capital. Hancock summed up the situation that emerged from the 1932 Ottawa Conference:

"The Ottawa Conference... was not altogether an attempt at imperial integration; it was also a struggle of clashing national interests within the Commonwealth and of clashing sectional interests within the nations of the Commonwealth."⁵⁵

Thus the Australian Government had established the margin of preference to Britain agreed at Ottawa largely by raising the level of the General Tariff rather than by cutting the British Preferential Tariff.⁵⁶ Moreover, unlike New Zealand's approach to the Ottawa Agreements, the Australian Government ensured that British manufactures would not compete on equal terms with domestic products on the local market. The Tariff Board's principles guaranteed Australian manufactures a "marginal advantage".⁵⁷ Its approach and the British Government's encouragement of domestic agricultural production were contrary to the ideal of the complimentary development of the economies of the Empire.⁵⁸

Shortly after the trade diversion episode it became acutely evident that the divergent interests of the member states of the British Empire block were tearing it apart. In 1938 Britain and the United States reached a trade agreement

50. Shepherd *Australian Interests and Policies* op. cit. p48 and Graziers Association of NSW in Copland and Janes *Australian Trade Policy* op. cit. p293

51. Australia's balance of trade deficit with the USA was reduced from L9,422,00 in 1935-36 to L4,232,000 in 1936-37, but this was mainly due to an increase in Australian gold exports. L. Churchward "Australian-American Trade Relations" *Economic Record* 26, June 1950 p84.

52. Shepherd *Australian Interests and Policies* op. cit. pp131-3 and Commonwealth Bureau of Census and Statistics *Australian Balance of Payments* loc. cit..

53. W. Levi *American-Australian Relations* University of Minnesota Press, Minneapolis 1947 p134, Gullett in Copland and Janes *Australian Trade Policy* op. cit. p326.

54. N. Cowper in Copland and Janes *Australian Trade Policy* op. cit. p307; J. E. Murphy in Copland and Janes *Australian Marketing Problems* op. cit. p446; I. Drummond *Imperial Economic Policy 1917-1939* Allen and Unwin, London 1974 pp375-6, 401-3. Also see D. C. S. Sissons "Manchester v. Japan: The Imperial Background of the Australian Trade Diversion Dispute with Japan, 1936" op. cit. pp501-2.

55. Hancock *Survey of British Commonwealth Affairs* op. cit. p235.

56. Schedvin *Australia and the Great Depression* op. cit. p368.

57. Nicholson *Australia's Trade Relations* op. cit. p60.

58. On British agriculture see M. Macdonald, Undersecretary for the Dominions, in Copland and Janes *Australian Trade Policy* op. cit. p140.

which sacrificed a number of preferences to Empire goods, including Australian wheat and fruit.⁵⁹ The Agreement had more than economic implications:

"On the British side the most powerful motive for the Anglo-American rapprochement of 1938 appears to have been political in view of the worsening European situation."⁶⁰

In association with the agreement, Britain and Australia produced a Memorandum of Conclusions. It spelt out each country's trade interests, including those inimical to the strengthening of the Empire block.⁶¹ Together

"These developments were extremely important because they implied the virtual abandonment of a self-contained British economic block which had lain at the roots of the Australian trade diversion policy."⁶²

With the limitations of Empire self-sufficiency starker than ever, the prospects for the alternative of opening up new export markets were also far from bright in 1938:

"Australia... failed since the introduction of the Ottawa system to find an appropriate economic policy."⁶³

This failure was not, at root, due to the ineptitude or other inadequacies of the Lyons Government but was a feature of the international economic situation. A viable trade policy for Australia was dependent on the revival of the world economy, a development which was a world war and almost ten years away.

The Military Bind

During the 1930s, as before, Australia's defence policies rested on a close relationship with Britain and collective security agreements. The treaties arising out of the Washington Conference of 1921-22 relieved international tensions after World War I. The Naval Treaty restricted the size of the fleets of the major powers and was augmented by the 1930 London Naval Treaty. Under the Four Power Treaty, Japan, the British Empire, France and the USA agreed to proscribe aggression in the Pacific for ten years to 1932. As a precaution against the failure or lapse of these treaties, Australian defence was to be secured by the British naval base at Singapore, eventually completed in 1938.⁶⁴ In the event of a threat to the Empire, east of Suez, the base would be the centre of operations for a fleet sent from Britain.⁶⁵

After the depression the context of Australian defence policy changed. When the depression prompted almost universal policies of economic nationalism and thus a curtailment of international trade, those large powers most disadvantaged by the new situation, Germany, Italy and Japan turned to military means to alter it in their favour.

Trade diversion can be interpreted, in part, as a response to and a development which exacerbated military tensions in the Pacific.⁶⁶ The development of a complete domestic automotive industry would have strengthened Australia's defence capacity, while the consolidation of Britain's stake in the Australian market had military as well as economic implications.⁶⁷ For the Japanese trade diversion and Australia's 1938 ban on the export of iron ore drove home the importance of direct control over its markets and sources of raw materials.⁶⁸ As Japan, Germany and Italy sought to make good their economic disadvantages by augmenting the territories under their control (Manchuria, China, the Rhineland, Austria, the Sudetenland, Abyssinia, Albania) the foundations of multilateral peace treaties and the collective security of the League of Nations collapsed. The League proved incapable of preventing aggression by Italy and Japan against Abyssinia and China and in 1936 the Washington and London Naval Treaties lapsed. By 1937 the existing territorial division of the world could no longer be taken for granted and an international arms race began:

59. T. B. Millar *Australia in Peace and War* Australian National University Press, Canberra 1978 pp83-4 argues that Australia's backdown over trade diversion "encourage[d] the American Government to press more indignantly for the liberalisation of the imperial preferences system". R. Megaw "Australia and the Anglo-American Trade Agreement, 1938" *Journal of Imperial and Commonwealth History* January 1975 p204 maintains that

"Australia did play the part of sacrificial lamb in relation to the American trade agreements with Britain and Canada. As she feared, she had surrendered preferences in the British market, ended trade diversion and made concessions to Canada and in return received nothing except faint praise for aiding the cause of world peace which was scarcely evident in 1939."

60. Megaw "Australia and the Anglo-American Trade Agreement, 1938" op. cit. p193. Also see D. Reynolds *The Creation of the Anglo-American Alliance 1937-41* Europe Publications, London 1981 p18. These authors possibly tend to underestimate the economic significance of the Anglo-American Agreement on the British side. R. N. Kottman *Reciprocity and the North Atlantic Triangle 1932-1938* Cornell University Press, Ithaca 1968 p266 summarises the provisions of the Agreement.

61. Nicholson *Australia's Trade Relations* op. cit. p63. Australia recognised Britain's need to develop its agriculture and maintain exports to foreign countries, while Britain recognised Australia's need to expand primary production and exports and to develop its secondary industries.

62. Shepherd *Australia's Interests and Policies* op. cit. p155. Also see A. G. L. Shaw *The Economic Development of Australia* Longman, London 1944 p161.

63. N. F. Hall "'Trade Diversion': An Australian Interlude" *Economica* New Series 5(17) February 1938 p8. Australia's trade policies became more conciliatory from 1938, Shepherd *Australia's Interests and Policies* op. cit. p154.

64. A 1936 primer on imperial defence, by a Royal Airforce officer starts its discussion on Australia with the observation that "The defence of Australia is primarily a naval question", A. G. Boycott *Elements of Imperial Defence* Gale and Polden, Aldershot 1936 p191.

65. On Australia's Empire foreign defence policy and the development of the strategy centering on the Singapore base see R. L. Inder 'A study in Anglo-Australian Relations 1918-1930' M.A. Thesis Sydney University 1972 pp63-6.

66. I. M. Cumpston "The Australian-Japanese Dispute of the Nineteen Thirties" *Australian Quarterly* 29(2) June 1957 p52.

67. Shepherd *Australian Interests and Policies* op. cit. p50 argues, however, that trade diversion did not involve a simple rejection of relations with Japan, but reflected

"the desire on the one hand to maintain a high degree of co-operation with Britain in commercial as in other fields and on the other hand to strengthen and extend the Australian industrial structure and so build up her powers of resistance against possible foreign attack."

68. The experience of trade diversion also helped Japan develop its system of close state direction of industry and strategic supplies, *ibid.* pp191,125.

"The 'economics of siege' were becoming part of everyday life. . . In the conditions of international anarchy which were rapidly returning to the world, no nation, not even the most isolated one, could escape altogether from the pressure of this irrational necessity."⁶⁹

The increasing international military tensions of the late 1930s gave rise to a marked ambiguity in Australia's defence policies. Elements of a strategy based on self-reliance were pursued through the development of the army and airforce, the establishment of defence industries and plans for military operations in Australia's own mini-empire in the Pacific. After the trade diversion episode, the Government made the expansion of the automobile industry a priority: apart from the military value of motor vehicles themselves, the industry provided training for large numbers of workers in skills necessary in the conduct of modern warfare.⁷⁰ A local aircraft industry was important for the same reasons. The Government encouraged the establishment of the Commonwealth Aircraft Corporation, with the involvement of General Motors and its decision to produce an American designed aeroplane. In this case the Government put defence requirements before the bonds of Empire.⁷¹ During the late 1930s the capitals of Papua and New Guinea were amalgamated at Port Moresby, on the more easily defended south coast of the island. Oil prospecting and the expansion of private industry was encouraged in New Guinea to bolster Australian claims to the League of Nations Mandated Territory, as against German claims for its prior rights. Plans were made to establish a military base at Port Moresby.⁷²

After the start of the Sino-Japanese War in 1937, Australian defence expenditure was significantly increased. The new program of expenditure devoted resources especially to the airforce and army, which were the key to an independent defence strategy. The navy also benefitted from the the Australian arms build-up. It remained the key to the Government's defence strategy. The navy was to be Australia's contribution to Imperial forces based in Singapore which could withstand an assault by a major power on Australian or British interests in the Pacific. Heightened military tension, however, tended to place the value of this supplement to Australia's own armed forces in some doubt. McCarthy argues that, by 1934, it was clear that Britain would not be able to spare adequate forces for Singapore to meet a threat in the Pacific, in the event of war in Europe. The ALP, sections of the Australian army and of the conservative parties made this point, advocating a more substantial build-up of Australia's ground and air forces.⁷³ The Government's own steps in the direction of self-reliant defence indicated its less than absolute faith in the British connection. But when faced with the military resources of Japan no independent measure an Australian Government could conceivably taken would have been able to replace assistance from a great power. The Government therefore adopted policies designed to prevent or at least postpone a Pacific war. Between 1936 and 1937, Lyons advocated a Pacific non-aggression pact. Except for China and Russia no country expressed any interest in the idea, which was dropped on the outbreak of the Sino-Japanese war. The 1937 Imperial Conference, in which the UAP Government participated, adopted a policy of appeasement. Following the outbreak of World War II in Europe, the Australian Governments did its best to appease Japan.⁷⁴

The involvement of US capital in the Australian aircraft industry during the late 1930s is suggestive of the war-time and post-war alliance. This is misleading. The USA was not an alternative source of military support for Australian defence before World War II:

"The policy which seemed to be indicated to Australians was not to seek active association with an American nation which appeared to be withdrawing from the western Pacific."⁷⁵

The link with Britain, whatever its limitations, was the only hope for international military as well as economic security in the period before the outbreak of hostilities. Hence the Government's willingness to maintain it even after its economic value, with the Anglo-American trade agreement, and the likelihood of the British navy splashing to the rescue had declined.⁷⁶

The Australian Government was faced with military and trade problems it could not solve, given the international situation. Neither a turn to greater protection and reliance on the domestic market nor free trade, as a means of reducing costs, could solve the problem of export markets. Neither greater self-reliance in arms production and changes in the size and composition of the Australia's armed forces nor closer integration into a scheme of Empire

69. Hancock *Survey of British Commonwealth Affairs* op. cit. p286, for a very similar assessment from a marxist perspective see Harman *Explaining the Crisis* op. cit. p71.

70. Swan 'General Motors-Holden's' op. cit.; S. J. Butlin and C. B. Schedvin *War Economy 1942-1945* Australian War Memorial, Canberra 1977 pp753-4 and Gullett in Copland and Janes *Australian Trade Policy* op. cit. p336.

71. For the way military considerations were a solvent of the Empire see Hancock *Survey of British Commonwealth Affairs* op. cit. p287.

72. Shepherd *Australia's Interests and Policies* op. cit. pp117, 120-1 and M. Simington "The Southwest Pacific Islands in Australian Interwar Defence" *Australian Journal of Politics and History* 23(2) August 1977 p176. In late 1937 the officers training facility, Duntroon was also reopened.

73. J. McCarthy *Australia and Imperial Defence 1918-39* University of Queensland Press, St Lucia 1976 pp129, 132, 136, also see J. Curtin *To Build and Defend a Happy and Self-Reliant Australia* Australian Labor Party Sydney 1937 p15, "A Correspondent" "Australia's Defence Policy" *Australian Asiatic Bulletin* 2(2) June-July 1938 p11; M. Dunn 'Curtin's Call to America' honours Thesis Department of History Australian National University 1975 p16; and J. J. Dedman "Defence Policy Decisions before Pearl Harbour" *Australian Journal of Politics and History* 13(3) December 1967 pp331-2.

74. Esthus *From Enmity to Alliance* op. cit. pp23-33, 73; A. Watt *Australian Foreign Policy* Cambridge University Press, Cambridge 1967 p38; N. Mansergh *Survey of British Commonwealth Affairs: Problems of External Policy 1931-1939* Oxford University Press, Oxford pp89, 174-5.

75. F. Alexander *Australia and the United States* World Peace Foundation, Boston 1941 p26.

76. Megaw "Australia and the Anglo-American Trade Agreement" op. cit. p205.

defence could guarantee military security. These objective considerations contributed to growing crisis of conservative politics at the end of the 1930s.⁷⁷

Domestic Economic Management

Other problems which emerged from the depression were more amenable to domestic solutions than the need to find additional export markets and military security. The subjective failings of the conservative governments can legitimately be identified as the reason for the persistence of these more purely Australian problems, until the accession of the Curtin Labor Government late in 1941. The failings related to the management of the Australian financial system and the containment of Government expenditure and working class discontent through a scheme of national insurance.

Although the Australian financial system did not cause the depression, it undoubtedly exacerbated the effects of the crisis. De Brunhoff has suggested that the depression accelerated the development of the state's role as the formulator of "global economic policy", that is, overall and coherent perspectives and measures for the management of national economies.⁷⁸ Given that the autonomous economic processes of crises were no longer sufficient to restore economic prosperity, the state activities to this end were expanded. In Australia the institutional arrangements for state management of the economy were well developed in some areas (notably arbitration and tariff making) and underdeveloped in others, such as control over the economic and financial system and the scope for a nationally co-ordinated taxation policy.

The financial expedients adopted during the depression were minor advances. The Commonwealth Bank's role as a central bank remained underdeveloped and the freedom of action of the trading banks largely untrammelled during the 1930s.⁷⁹ In the USA the Roosevelt administration had instituted a series of reforms of the financial system, as had the Swedish Government, in Britain the Macmillan Commission had made recommendations for reform, while the International Labour Organisation and academic economists also advocated changes in monetary policies and arrangements.

Professional economists had come into their own as policy makers and government advisors with the depression, after a trial run with the 1928 Bridgen Committee on the Australian tariff. During the 1930s they exercised a growing influence on laborite economic thought. A group of economists produced the first draft of the 1931 Premiers' Plan for Australian depression policy, though their

"real function was to embellish the government-bank compromise [embodied in the Plan] with a veneer of impartiality."⁸⁰

The most significant individual influence on the Australian economics profession during the 1930s was John Maynard Keynes. Keynes had commented on the Premiers' Plan in 1932, but a native and academic following for his ideas only emerged in Australia from 1933. Other people had previously made policy proposals similar to Keynes' calls for increased public works and expansionary monetary policy. They were, however, usually associated with the left-wing or radical fringes of politics. Keynes's own impeccable credentials as a supporter of capitalism and his presentation of such measures as a means of preserving capitalism made them acceptable to orthodox economists.⁸¹ From about 1933 Australian academic Keynesians provided a respectable critique of financial management during the depression. Cain has identified E. R. Walker as the first anointed Australian Keynesian economist. Walker returned from Cambridge University, where Keynes was intellectually hegemonic amongst economists, in 1933. While L. F. Giblin, one of the architects of the Premiers' Plan, had already begun to advocate public works as an anti-depression policy in 1932, Walker criticised orthodox deflationary policy in general and promulgated the latest theoretical Bulls from Cambridge. Over the next few years many influential university economists and others accepted the new Keynesian orthodoxy.⁸² Keynes's *General Theory of Employment, Interest and Money* published in 1936 had a prompt appeal in academic circles, winning converts

77. L. F. Fitzhardinge *The Little Digger 1914-1952: A Political Biography of William Morris Hughes* Angus and Robertson, Sydney 1979 pp644, 649; L. Watson "The United Australia Party and Its Sponsors" in C. Hazlehurst (ed.) *Australian Conservatism* Australian National University Press, Canberra 1979 p86, G. Sawyer *Australian Federal Politics and Law 1929-49* op. cit. p100-1.

78. S. de Brunhoff *The State, Capital and Economic Policy* Pluto, London 1978 pp66, 75, also see P. Mattick Marx and Keynes Merlin, London 1974 pp130-2.

79. See L. F. Giblin *The Growth of a Central Bank* Melbourne University Press, Melbourne 1951.

80. Schedvin *Australia and the Great Depression* op. cit. p218.

81. Keynes recognised the importance of the rate of profit to continued growth under capitalism and the need to sustain it:

"Unemployment, I must repeat, exists because employers have been deprived of profit. The loss of profit may be due to all sorts of causes. But, short of going over to Communism, there is no possible means of curing unemployment except by restoring to employers a proper margin of profit."

He knew which side of the barricades he was on: "The class war will find me on the side of the educated bourgeoisie." To these insights he added the established British ruling class virtues of xenophobia, anti-Communism and anti-semitism: Commenting on the mood of oppression in Russia he said

"In part, perhaps, it is the fruit of some beastliness in the Russian nature — or in the Russian and Jewish natures when, as now, they are allied together."

J. M. Keynes *Essays in Persuasion* Macmillan, London 1931 pp275, 323, 310. On Keynes's relations with the academic community see D. Winch *Economics and Policy* Walker and Company, New York 1969 p175, who also points out that G. D. H. Cole, who made policy recommendations similar to those of Keynes belonged to the tradition of Ruskin and Hobson, which was alien to Keynes and the academic establishment. For an excellent exposition of the reasons for Keynes's appeal see R. Skidelsky "Keynes and the Reconstruction of Liberalism" *Encounter* 52(4), April 1979.

82. See N. Cain *Australian Keynesian: The Writings of E. R. Walker 1933-36* Working Papers in Economic History No. 13, Australian National University, Canberra 1983 p18.

amongst the younger generation of economists as well as more established economists.⁸³ They were reinforced by overseas trained economists fresh from English Keynesian seminars.⁸⁴ Walker interpreted *The General Theory* for the Royal Commission on Banking. By way of private contacts and official arrangements, such as the Commonwealth Government's advisory Finance and Economics Committee, established in 1938, Keynesian ideas came to influence public policy making. This process was accelerated during World War II as professional economists were increasingly recruited to the Commonwealth Public Service.⁸⁵ For a brief outline of the major tenets of Keynesian theory and its efficacy see the appendix to this chapter.

The first major impact of Keynesian economics on Australian society took place through the Royal Commission on the Finance and Banking System, which dealt with the problems raised by depression financial policy and institutional arrangements. In the course of the 1934 Federal election campaign both the Country Party, seeking to mollify rural constituents adversely affected by the contraction of bank credit during the depression, and the ALP advocated the establishment of a Royal Commission on the banking system.⁸⁶ Late in the campaign, Prime Minister Lyons promised an inquiry. The Royal Commissioners, eventually appointed in October 1935 included a number of establishment personages and Ben Chifley, a former ALP Member of the House of Representatives and future Labor Treasurer. Influenced by the publication of J. M. Keynes's *General Theory* in 1936, the *Report of the Royal Commission Appointed to Inquire into the Monetary and Banking Systems at Present in Operation in Australia* (the Banking Commission Report) of 1937 recommended a significant strengthening of the Central Banking role of Commonwealth Bank, including its ability to supervise the activities of the trading banks. As well as structural changes in the financial system, to be implemented by means of legislation, the Report argued for new counter-cyclical policies, including the use of expansionary credit by the Commonwealth Bank to "raise the level of business activity and employment" when necessary. The Report embodied a belief in the perfectibility of capitalism but cautioned that monetary reforms were not a cure-all.⁸⁷

Despite the far from radical credentials of the Royal Commissioners and the reemergence of some of the factors that had led to the economic crisis of 1929-33, UAP Governments to 1941 were unable to bring themselves to implement their recommendations. Some changes to the financial system were drafted into Bills, but these were allowed to lapse after objections from the trading banks. Eventually, and only under the coercive influence of the War, the Fadden Government reached a voluntary agreement with the private banks which embodied in enfeebled form some of the controls the Banking Royal Commission had recommended for the Commonwealth Bank.⁸⁸

The question of social insurance was another area in which UAP Governments proved incapable of implementing reforms necessary for effective economic management and also desirable for the containment of the class struggle. During the late 1930s UAP politicians and Treasury officials saw proposals for a national insurance scheme, with a range of new benefits, as a means of covering the transition from the funding of old age pensions from consolidated revenue to a contributory arrangement. Without additional means of raising revenue, old age pensions were predicted to become a ruinous drain on Commonwealth Government resources, especially in the context of growing economic difficulties after 1937.⁸⁹ Moreover,

"If the financial implications of a growing pensions burden provided a core motivation for introducing national insurance in 1938, other factors were also at work. Certainly one of the other key features was the role of progressive conservatives within the government who argued for a version of Disraelian reform to win the Australian working class to the UAP."⁹⁰

A dispute over the proposed national insurance legislation was the occasion for Deputy UAP leader Menzies's resignation from Cabinet in March 1939. Despite continuing Cabinet discussions to 1941, conservative governments were not able to bring forward legislation for such a scheme. Differences between and inside the United Australia and Country Parties over the costs of national insurance for employers, as well as the hostility of Friendly Societies and the British Medical Association contributed to the demise of the proposals. The conservative governments of 1939 to 1941 were not able, as a consequence, to lessen the financial burden of old age pensions on Commonwealth revenue or to take this step to promote the illusion that workers had a stake in the system, which warranted dying for it. The Curtin Government was able to act effectively on both problems.

Divisions emerged in the UAP over domestic economy policy to complicate those over defence questions and while they and various "personal" rivalries no doubt existed in some form throughout the period of Lyons's administration, they began to disrupt the effectiveness of conservative government more seriously from 1938,

83. H. C. Coombs *Trial Balance* Sun Papermac, Melbourne 1983 pp4-5.

84. The imports included Colin Clark and W. B. Reddaway.

85. B. S. Stevens, shortly after his fall from the post of Premier of NSW in 1939 wrote a more or less Keynesian tract *Planning for War and Peace* Angus and Robertson, Sydney 1940. Cain *Australian Keynesian* op. cit. p22-3, Coombs *Trial Balance* op. cit. pp5-6 for the careers of some of these economists.

86. This account of the Royal Commission draws on Love's useful summary, *Labour and the Money Power* op. cit. pp144-8.

87. *Report of the Royal Commission Appointed to Inquire into the Monetary and Banking Systems at Present in Operation in Australia* Commonwealth Parliamentary Papers 1937 pp204, 205.

88. Giblin *The Growth of a Central Bank* op. cit. pp260, 284.

89. In 1934 Country Party leader E. Page had been explicit in calling for a new system of national insurance to keep down the costs of social welfare expenditure, U. Ellis *A History of the Australian Country Party* op. cit. pp233-4.

90. R. Watts "The Origins of the Australian Welfare State" in R. Kennedy (ed) *Australian Welfare History* Macmillan, South Melbourne 1982 p235. Watts provides an excellent study of the issues at stake in the national insurance proposals. Also see J. Curtin *Why Labor Opposed the Lyons Government's National Insurance Scheme... and How It Could Be Improved* People's Printing and Publishing Co., Perth 1938? pp7-12.

against the background of the deteriorating military and economic situations.⁹¹ Geoffrey Grimwade, a business backer of the UAP commented in 1943 that

"The political forces opposed to socialism suffered from two great handicaps -- parties and leaders which were short of a policy and out of touch with the people and with reality, and controlling party organisations which were virtually defunct."⁹²

The structure of the UAP further hindered its ability to develop a coherent direction in the face of these difficulties. In the course of the 1930s the extra-parliamentary organisations of both the UAP and the Country Party declined. In any case throughout the period United Australia "party membership was small". At the federal level, UAP organisation went little beyond Lyons's co-ordinating activities.⁹³ The Party was financially dependent on state-based committees of big businessmen which were outside its formal structure except in South Australia. This arrangement was a major obstacle in the way of an effective Party organisation.⁹⁴ The finance committees had helped cohere different anti-Labor organisations during the early 1930s when the problem (Labor Governments) and the solution (deflationary policies) seemed clear. Later in the decade the problems appeared more complex. Differences amongst capitalists made the identification of straightforward policy options more difficult for the Government.⁹⁵ So no substantial party bureaucracy existed to help sort out the policy issues, options and leadership conflicts. Instead Lyons came to perform a mediating role between factions and cliques. The conflicts deepened to the extent that by the time of his death he was crucial to their containment.⁹⁶ With Lyons gone the UAP-Country Party coalition broke up for about a year. In 1941 Menzies was replaced as Prime Minister by A. Fadden and then as UAP leader by W. M. Hughes. Both conservative parties lost support in the 1940 federal elections and were decimated at the 1943 poll. A decade of conservative government of the Commonwealth was ended on the votes of a dissident farmer and a dissident businessman.⁹⁷ Lonie sums up the crisis of conservative politics at the end of the 1930s:

"The decline into corridor politicking, back-stabbing and vitriolic character assassination was a consequence of the way the United Australia Party had been established, the way it was run and the broad situation of inter-imperialist rivalry which it could neither properly comprehend or manage."⁹⁸

By the beginning of the 1940s, a decreasingly effective Government was faced with the persistence of the general economic crisis, expressed in the downturn of the late 1930s, and military problems, in addition to the demands of a working class at least partly reorganised during the recovery. These problems and the Government's response to them were important in shaping the economic thought of the labour movement.

91. G. Fairbanks "Menzies Becomes Prime Minister, 1939" *Australian Quarterly* 40(2) June 1968 p19 and J. Lonie "From Liberal to Liberal: The Emergence of the Liberal Party and Australian Capitalism" in G. Duncan (ed.) *Critical Essays in Australian Politics* Edward Arnold, Port Melbourne 1978 pp66-7, for the conflict between Lyons and the Western Australia UAP over protection policy. Also see P. Hasluck *The Government and the People: 1939-1941* Australian War Memorial, Canberra 1965 pp106, 109; E. Page *Truant Surgeon* Angus and Robertson, Sydney 1963 p281.

92. Quoted in C. D. Kemp *Big Businessmen* Institute of Public Affairs, Melbourne 1964 p76.

93. D. Aitkin *The Country Party in N.S.W.* Australian National University Press, Canberra 1972; Watson "The United Australia Party and Its Sponsors" op. cit. pp80; P. Hart "The Piper and the Tune" in Hazlehurst *Australian Conservatism* op. cit. p133.

94. R. S. Parker "Group Interests and the Non-Labor Parties since 1930" in C. Hughes (ed.) *Readings in Australian Government* University of Queensland Press, St Lucia 1968 p389.

95. *ibid.* p388, Hart "The Piper and the Tune" op. cit. p137; Lonie "From Liberal to Liberal" op. cit. p65.

96. Hart "The Piper and the Tune" op. cit. pp124, 133 and C. Lloyd "The Formation and Development of the United Australia Party 1929-37" PhD Thesis Australian National University 1984 p459-63. For some of the details of Cabinet infighting during the late 1930s see U. Ellis *A History of the Australian Country Party* op. cit. p237.

97. The decline of conservative politics also affected state parties. J. McCarthy "After Lang: 1932-35" in H. Radi and P. Spearritt (eds) *Jack Lang* Hale and Iremonger, Sydney 1977 p189 argues that B. Stevens was deposed as UAP Premier of NSW in 1939 because:

"Recession was deepening into another depression in NSW, and it is possible that the party's managers had decided that Stevens had not been quite firm enough"

in his attacks on the working class. Also see J. R. Robertson "1930-1939" in F. Crowley (ed.) *A New History of Australia* Heinemann, Melbourne 1976 p440 for divisions in the Victorian Country Party.

98. Lonie "From Liberal to Liberal" op. cit. p70. See also R. W. Connell and T. H. Irving *Class Structure in Australian History* Longman Cheshire, Melbourne 1980 pp288-9.

Working Class Politics

The process of economic recovery in Australia created difficulties for employers inside their own businesses, in addition to the obstacles to continued capital accumulation presented by the international military and economic situation or the problems of national economic management. An obstacle at the core of the production process itself was the working class whose self-confidence and militancy were renewed during the second half of the 1930s. This development made the prospects for placing the burden of the economic down-turn after 1937 and then the war effort onto the working class more difficult.

In some parts of the world governments took a universal anti-depression measure to its logical conclusion. Not only were attempts made to cut real wages and erode working conditions, in order to boost profit rates, but working class organisations were smashed. Such a process increased the rate of surplus value for over a decade in Germany after 1933 and Austria after 1934. The effects were even more long lasting following the assault on workers' rights in Russia of the early 1930s. Despite the spectacular, but brief career of the fascist New Guard in NSW, no attempt was made to eradicate working class organisation in Australia during the 1930s. Even the persecution of the CPA was not significantly harsher than during subsequent decades or the 1920s and pales when compared to the measures used against the Industrial Workers of the World during the First World War. Employer harassment, starting with the disputes in the stevedoring, coal and timber industries in the late 1920s, and high unemployment smashed some unions for a period. Yet the legal status of trade unions was not significantly altered. Although unemployment was very high, the dimensions of the economic crisis and the weight of the petty bourgeoisie were not sufficient in Australia to sustain the kind of mass fascist movement necessary if the working class was to be atomised.

Because of the obvious powerlessness or even demise of official trade unions and the inadequacy of their leaders, the Communist dominated Minority Movement was able to rally and harden militant forces in the unions between 1930 and 1934. The Communist Party's influence and membership grew rapidly during the depression and the first stage of the recovery, while the Labor Party was still disorganised by the differences over economic strategy which had emerged after 1930.

The emergence of certain manufacturing industries as the leading sectors of the recovery meant increased employment in enterprises where workers were concentrated in large numbers and educated in coordinated activity by the production process itself. The iron and steel industry is a good example, but the same principle applied to a number of other areas of the metals industry. In some areas, such as coal mining and stevedoring, the defeats of 1928 to 1930 had severely weakened union organisation but had not eradicated long traditions of solidarity and militant industrial action. As the economy picked up, workers reasserted these traditions in some older industries and developed them in some newer ones. The textiles industry was one of the first to recover from the depression. Its largely female workforce engaged in a number of militant and at least partially successful strikes in 1932 and 1933.¹

The pattern of industrial disputes is an indicator of the revival of working class confidence.

1. Schedvin *Australia and the Great Depression* op. cit. p303. J. Stone "Brazen Hussies and God's Police: Feminist Historiography and the Depression" *Hecate* 8(1) 1982 p14.

Table 2. Industrial Disputes 1930 to 1941

Year	number	workers involved	days lost
1930	183	54 222	1 511 241
1931	134	37 667	245 991
1932	127	32 917	212 318
1933	90	30 113	111 956
1934	155	50 850	370 386
1935	183	47 322	495 124
1936	235	60 587	497 248
1937	342	96 173	557 111
1938	376	143 954	1 337 994
1939	416	159 830	459 154
1940	350	192 597	1 507 252
1941	567	248 107	984 174

Source: Commonwealth Bureau of Census and Statistics *Labour Reports*.

The level of industrial disputation, in terms of number of disputes, workers involved and total days lost started to rise from 1934. The rate of unionisation rose over the same period. The Commonwealth Bureau of Census and Statistics reported no industrial disputes of "outstanding magnitude" in 1933 or 1934, but the four month Wonthaggi coal miners' strike of 1934 marked an important point in the recovery of the Miners' Federation, and presaged its major campaigns of 1937, 1938 and 1940.² The second half of the 1930s saw hard fought and increasingly successful disputes in the textiles, metal, rubber gas and even biscuit making industries. Australian coal miners and gas workers adopted the militant tactic of the "stay-in" (or "sit-down") strike, pioneered by French and US workers.³ During 1938, 1,500 iron workers at Lysaghts were out the gate for fourteen weeks. Dunlop's rubber workers at its Drummoyne operation were in dispute for six weeks in 1939. The militancy continued after the start of World War II: in November 1939 NSW meatworkers struck for two weeks, while almost two and a half thousand munitions workers at Lithgow won a six day strike in 1940.

In the face of the revival of trade union activity, employers were largely successful in persuading the Conciliation and Arbitration Court to limit the growth of the Basic Wage. The depression cut of ten per cent. was only fully restored in 1937 and there was no further increase until 1946, although war loadings were widespread after 1941. Some workers, however, won substantial increases in their awards and even above award rates of pay. The continuation of substantial levels of unemployment remained an important factor in industrial relations after the depression. But unemployment in some industries declined considerably. For example, only three per cent. of Amalgamated Engineering Union members were unemployed in 1938. In 1936 the AEU had already succeeded in winning above award pay in Melbourne. Sydney engineers forced the Metal Trades Employers Association to recommend a 3/- overaward payment to its members in 1938.⁴ Even where improvements in the employment situation were not so dramatic, they could improve the morale of unionists. While the amount of full-time work rose, the number of coal miners only increase from 21,300 in 1931-32 to 22,011 in 1938-39.⁵ Yet the Miners' Federation won a restoration of the Harvester ratio of 10:7 (between the wages of skilled and unskilled workers) in 1937, for the first time since the early 1920s. Through its campaigns the union also restored miners' wages to predepression levels, gained further pay rises, pensions, annual leave and the forty hour week for most members.⁶ Printers in Melbourne won shorter hours in 1936, Brisbane meatworkers in 1937 and Brisbane printers in 1939.⁷ They also won annual leave in 1936 and the steel workers achieved this goal in 1939.⁸

Increased working class combativity after the depression was accompanied by changes in the leadership of a number of trade unions and the balance between the CPA and the ALP in the wider labour movement. These developments are considered in the remainder of this chapter.

2. *Labour Reports 1933 and 1934*.

3. E. Ross *A History of the Miners' Federation of Australia* Australian Coal and Shale Employees Federation, Sydney 1970 pp369, 371; D. Gillies "The Gasworkers' Strike" *Communist Review* October 1937 pp1-2.

4. T. Sheridan *Mindful Militants* Cambridge University Press, Cambridge 1975 pp130-38.

5. J. Hagan *The History of the ACTU* Longman Cheshire, Melbourne 1981 pp65-6 for changes in employment levels.

6. E. Ross *A History of the Miners'* op. cit. pp374-5.

7. J. Hagan *Printers and Politics* Australian National University Press, Canberra 1966 p258; *North Queensland Guardian* 31/7/37 p1; L. Donald "Forty Hour Week" *Communist Review* September 1938.

8. R. Murray and K. White *The Ironworkers* Hale and Iremonger, Sydney 1982 pp96-8.

From Red Leader to Trade Union Leader

The accession of Communists to senior union offices was more an effect than a cause of rank and file militancy.⁹ Indeed, although Communists were elected as union secretaries, presidents, organisers and executive members because they were among the best militants in leading and supporting disputes, the CPA's approach to work in the trade unions was much more conservative after 1934 than before. The change primarily derived from a shift in Russian foreign policy, but the responsibilities of office also militated against the more irresponsible sloganising of the Third Period. The victories of fascism in Germany and Austria, which both owed a great deal to the sectarian policies promoted by the Comintern between 1928 and 1933, constituted a threat to Russia's security. In order to off-set this threat, Stalin sought alliances with other world powers and, to that end, Russia joined the League of Nations.¹⁰ The "Third Period" line of revolutionary phrase-mongering was dropped by the Comintern in favour of the Popular Front. For a Third Period approach to advertising Christmas celebrations see Cartoon 2. The new line was consecrated at the Seventh Congress of the Communist International in 1935 and called for the national unity of all anti-fascist forces, as a prerequisites for an international front of democratic countries. The Comintern leadership made it clear that

"From the point of view of the prospects of the revolution, what was essential was not to wage the revolutionary struggle in the capitalist countries but to ensure the development of the USSR."¹¹

The very existence of the USSR led to the

"possibility of creating a broad front of the working class, of all working people, and of entire nations against imperialist war."¹²

Nationalism, even in imperialist countries, could therefore play a progressive role. The desire of the old colonial powers to defend their territories against Germany would force them into an alliance with Russia.¹³ In Australia, the Popular Front strategy meant attempting to secure the election of a Labor Government committed to anti-fascist policies, pursuit of changes to the foreign policy of the British Empire and attempting to win sections of the Australian bourgeoisie to this cause.¹⁴ Taken to its logical extreme, the Popular Front line meant opposing workers struggles where these threatened progressive regimes or relations with Russia. Hence the role of the French Communist Party in demobilising the militant workers' movement in May-June 1936 and the preparedness of the Spanish Party to physically liquidate revolutionaries during 1937 and 1938.¹⁵

As early as 1928 Trotsky drew attention to the implications of the theory of socialism in one country which justified making the defence of Russia the first priority of the Comintern. His analysis throws important light on the CPA's behaviour, especially in its trade union work after 1934. On the one hand, Trotsky argued, the Communist Parties would tend to become "frontier patrols" for Russia -- simply instruments of Russian foreign policy. On the other hand the theory of socialism in one country could justify non-revolutionary, national paths to socialism for the Communist Parties outside Russia, i.e. the same kind of "social patriotism" that characterised most of the parties of the Second International.¹⁶ Davidson, in his history of the CPA makes a similar point:

"Stalinist theory was turning away from the notion of world revolution toward the notion of proletarian revolutions that could be made on a national basis. But, more important was the fact that the Comintern had become a "branch" of the Russian foreign office, and was no longer in a position to conduct world revolution anyway."¹⁷

The logic of social patriotism was compatible with a Communist Party giving priority to the defence of Russia where this entailed collaboration with the local bourgeoisie to persuade it of the value of an alliance with Russia.¹⁸ So a Communist Party's social patriotism and role of "frontier guard" could complement each other.¹⁹

After 1934 (until the mid-1960s), the CPA's combination of social patriotism and the pursuit of Russian interests had straightforward implications for its attitude to Australian foreign policy. The Communist position could be read off current Comintern (i.e. Russian foreign) policy. In every case the Party argued that Australia's national

9. J. Merritt 'A History of the Federated Ironworkers Association, 1909-1945' PhD Thesis Australian National University 1967 p256 points out that

"Communist agitation was significant at shop floor level, but there was unrest in many sectors of the metal industries where communist influence was negligible. . . Men in all metal unions, leaders and rank and file alike, had scores to settle, and there were plenty of non-communist advocates for direct action."

Merritt documents the progress of CPA influence in the FIA. For other gains see R. Gibson *The People Stand Up* Red Rooster Press, Melbourne 1983 p293.

10. On the origins of the Popular Front policy see F. Claudin *The Communist Movement* Penguin, Harmondsworth 1975 p182-3; B. Pearce "From 'Social Fascism' to People's Front" in M. Woodhouse and B. Pearce *Essays in the History of Communism in Britain* New Park, London 1975 206-12.

11. F. Claudin *The Communist Movement* Penguin, Harmondsworth 1975 p189.

12. Executive Committee of the Communist International "Mayday Manifesto 1936" in J. Degras (ed) *The Communist International 1919-1942: Documents Volume 3* Cass and Co., London 1971 p390.

13. Seventh Congress of the Communist International in Degras *The Communist International* op. cit. p366, Claudin *The Communist Movement* op. cit. p197.

14. See, for example, R. Dixon *France at the Cross Roads* Modern Publishers, Sydney 1936 p2; T. Wright *We Defend Peace* Modern Publishers, Sydney 1938(?) p4; Communist Party of Australia *Unite for Peace, Freedom, Democracy Draft Resolutions for the 12th National Congress, Communist Party of Australia* November 1938 p9.

15. For France see Claudin *The Communist Movement* op. cit. pp199, 210, for Spain see F. Morrow *Revolution and Counter-Revolution in Spain* Pathfinder, New York 1976. A Communist slogan in France was "The Popular Front is not the revolution".

16. L. Trotsky *The Third International After Lenin* Pathfinder, New York 1982 pp61, 72. J. Molyneux uses the term "frontier patrol" in his admirable discussion of Trotsky's position in *Leon Trotsky's Theory of Revolution* Harvester, London 1981 pp147-8.

17. A. Davidson *The Communist Party of Australia* Hoover Institution, Stanford 1969 p73.

18. Trotsky *The Third International* op. cit. p61.

19. See Molyneux *Leon Trotsky's Theory* op. cit. p248, footnote 15.

interests would be served best by a foreign policy in accord with Russia's international interests.²⁰ But where the Party could most influence the course of Australian events, in the trade unions, matters were not as clear cut. There the Party was not pulled in just two directions, by its frontier guard role towards the Russian ruling class and by its social patriotism towards the Australian bourgeoisie, but in three. Like the ALP, the Communist Party's base of support in Australian society was a section of the working class and, increasingly, a section of the trade union bureaucracy. The actions of neither party can be explained without reference to their attempts to retain their mass bases and the pressure of their working class supporters on them.²¹ The adoption of the Popular Front line meant that the Party had to adjust its policy in the area most important to the maintenance of its working class base: industrial strategy. It is worth considering Communist industrial strategy in some detail, as it was very influential in determining how large a problem increased working class militancy would be for the Government and capitalist class, during the late 1930s. The CPA's Popular Front strategy helped direct working class militancy along the lines of restrained direct action, focusing on reform within the system, rather than of a challenge to Australian capitalism.

The CPA's industrial work during the Third Period was mainly conducted through the Minority Movement.²² It had three key aspects: first Communists stressed the importance of independence from trade union officials. Militants were encouraged to organise through Militant Minority units, i.e. caucuses, or through shop committees. In this way they could initiate action in defence of wages and conditions whether or not union officials supported it. Secondly, Communists supported workers in struggle and even encouraged them when they made demands which both employers, union officials and ALP leaders thought outrageous, unrealistic or unreasonable. Finally, the CPA/Minority Movement strategy was directed towards the initiation of a general strike. While this was undoubtedly a mechanical response to any industrial dispute, the slogan did embody a general approach to working class politics -- the need for militancy and to extend disputes in order to win them. It provided a link, however crude, between routine industrial struggles and revolution, because the Party still believed that the class (rather than trade union or sectional) solidarity and organisation required for the overthrow of capitalism could be shaped in the course of day to day struggles over wages and conditions. Cartoon 3 is the front cover illustration of the first issue of *Red Leader*, the Minority Movement's newspaper. During the depression the most basic demands could often only be won by means of militant and generalised struggles. The miners, timber workers and wharfies had all been defeated in the depression or the late 1920s, without the active, as opposed to financial, support of other workers. To workers unsatisfied with the capitulation of most trade union leaders, the Minority Movement, organised across unions and industries, committed to rank and file control and direct action, embodied a credible alternative approach.

Lloyd Ross summed up the CPA's industrial policies during the Third Period :

"Only by constant pressure can the capitalist system be overthrown. If one demand is satisfied, the militants press for another, and must keep on pressing until capitalism collapses."²³

During the Popular Front period, on the other hand, the defence of Russia no longer required revolution in capitalist countries, but the winning of whole nations as allies for the Soviet motherland.²⁴ The trade unions offered the best opportunities for the CPA to enhance its influence in Australian society. Communists could win support from rank and file workers and hence union office by demonstrating that they were more capable of delivering the industrial goods than their opponents. Official positions could then be used to propagate Popular Front policies to rank and file unionists, the public and within the ACTU or ALP. Economic struggles were essentially means to political ends:

"The struggle on these immediate issues must be intensified, and the working class roused, organised and brought into action as the most effective means of hastening the end of the Lyons administration and securing its defeat in the next elections."²⁵

Yet, in winning control of trade unions Communists were concerned not to antagonise the bulk of the Labor and union bureaucracies as the CPA sought to secure the election of a Labor Government and win the ALP to its

20. See, example, D. Morey "Mr. Curtin and the Defence of Australia" *Communist Review* May 1936 pp31-2.

21. Molyneux *Leon Trotsky's Theory* op. cit. p238 tends to conflate the Communist tendencies to social patriotism with the fact that it had a following in the working class, but the Party's most extreme phase of social patriotism, between 1941 and 1945, saw it lose support in some strongholds of working class support, such as the coal fields, see chapter 5. On the other hand the Party grew much more rapidly during its still internationalist Third Period phase, despite its sectarianism, than during the subsequent Popular Front period. The CPA had less than 300 members in 1929, over 2,800 in 1934 and about 4,000 in 1940, Davidson *The Communist Party of Australia* op. cit. pp69, 82. P. Morrison 'The Communist Party of Australia and the Australian Radical Socialist Tradition, 1920-1939' PhD Thesis University of Adelaide 1975 p312 argues that the CPA's growth during the second half of the 1930s was largely a consolidation of the periphery built earlier in the decade.

22. This account relies on T. O'Lincoln's excellent, but unfortunately unpublished, pamphlet *Rank and File* 1983 and his forthcoming *The Minority Movement*. Also see R. Gibson *The People Stand Up* Red Rooster Press, Melbourne 1983 p38.

23. Quoted in Hagan *The History of the ACTU* op. cit. p100.

24. Miles "New Guinea" op. cit. p50 put it this way:

"The major issue at the moment is not to end capitalist exploitation in New Guinea or Australia, but to fight fascism and its allies."

The Popular Front in Australia went through a number of stages, as the CPA sought to increase its influence and the prospects of having Russian foreign policy's assumptions accepted) by recourse to substitutes for the working class, more and more removed from the working class itself. The process started with a "united Front" overture to the ALP in 1933 and a concomitant softening of the Party's position on trade union officials after Hitler's rise to power, Davidson *The Communist Party of Australia* op. cit. pp64, 58-9.

25. L. L. Sharkey "Questions of the Day" *Communist Review* December 1936 p16. Also see J. B. Miles "For a Better Life in Australia" *Communist Review* April 1937 p8:

"Economic problems provide a starting point so essential to the organisation of the united front for peace."

policies. Since the CPA sought to win trade union office from ALP supporters and to win friends amongst them at the same time, the industrial policies of the Third Period did not fit the bill²⁶.

There was a way out of the Party's dilemma: a policy of sectional militancy. Certainly the policy would not take maximum advantage of the renewed confidence of the working class, inspired by the economic recovery. But it did relate to and encourage those struggles without incurring the drawbacks of the Minority Movement strategy. Independent rank and file organisation across industries was a challenge to the authority of established union officials and thus a handicap in winning friends amongst the better elements of "reformist" officialdom.²⁷ Now, rather than defying them, the Party either wanted to win them over politically or defeat them in union elections. Laborite officials were no longer the "left-wing of fascism", in fact they could be vital in the anti-fascist movement. It was necessary to "help them overcome their reformism, and break the last threads linking them to class collaboration."²⁸ This approach had a number of successes, with some longstanding union officials joining the CPA.²⁹ Because union leaders varied in their sympathies with the CPA, Communists came to adopt different degrees of collaboration with them in their industrial work, rather than upholding the principle of the independent organisation of militants. Moreover, where CPA members already held senior union positions, rank and file groups could be a fetter on their freedom to implement the policies and compromises they thought necessary, both in the areas of industrial tactics and wider politics.

Sectional militancy had another advantage over the politics of the Minority Movement when victory in union elections replaced defiance of recalcitrant reformist officials on the shop-floor as the main priority. The consistency of Communist support for militant action could have the lowest common denominator appeal necessary for winning union elections only in a few circumstances. Sectional militancy stressed the need for self-sufficient industrial action to win disputes, rather than the need for extension to other workers and for active solidarity with those on strike, even if it condoned sympathy action in some circumstances. During industrially quiet periods, this approach had a much greater electoral appeal to many union members, beyond the militants than that of the Minority Movement.³⁰ As a corollary, the task of winning elections became primary, there was a tendency to regard rank and file militancy as following on from a change in the leadership of a union rather than vice versa:

"Where militants have won the leadership of the workers' organisations there is to be observed greatly increased activity on the parts of the workers concerned."³¹

The change in the CPA's industrial orientation was indicated by the liquidation of the Minority Movement in 1935 and the change in the name and format of its newspaper. In August 1935 *Red Leader* became the monthly journal *Trade Union Leader*, which only survived until November 1936.³²

The experience of the Seamen's strike of 1935-36 seemed to confirm the CPA's turn towards sectional militancy.³³ Communists were prominent on the rank and file strike committee which directed the three month dispute over cuts in wages and conditions in a new award.³⁴ It became obvious that only extension of strike action

26. J. B. Miles maintained that

"If Labor Party leaders, if trade union leaders really fight for the interests of the masses, we do not want to replace them."
Workers Weekly 16/6/36 p3

27. F. Farrell *International Socialism and Australian Labour* Hale and Iremonger, Sydney 1981 p215.

28. R. Dixon "The Rise of the Strike Movement in Australia" *Communist Review* April 1937, O'Lincoln *Rank and File* op. cit. p25. G. Baracchi described the content of the Popular Front, on leaving the Communist Party in 1939 in 'Baracchi Replies to CPA CC Questions' December 1939, Baracchi Papers National Library of Australia folder 7: during the late 1930s there was a

"degeneration of the 'united front' into truckling to trade union bureaucrats and Labor politicians, on the ground that the 'leftward movement of the masses was pushing them towards us. . . As if the trade union bureaucrats had really been coming leftwards to us, instead of the actuality that we were going rightward to them!."

29. For example Fred Lowden, President of the Southern District of the Miners' Federation, who joined the CPA in 1936, see L. Richardson 'The Labour Movement in the Wollongong-Port Kembla Region 1929-41' PhD Thesis Australian National University 1974 p252. Also see R. Dixon "Industrial Policy in the 30s" *Australian Left Review* 27 October-November 1970 p28.

30. R. Dixon *Towards Militant Unionism* Modern Publishers, Sydney 1935 p5, O'Lincoln *Rank and File* op. cit. p23. Also see B. A. Mitchell 'A History of the Public School Teachers' Organisations in New South Wales 1855-1945' PhD Thesis Australian National University 1969 and R. Gollan *Revolutionaries and Reformists* Australian National University Press, Canberra 1975 p76 for the secrecy of Communist work in the Teachers' Federation. Some prominent leaders of the Seamen's Union only "joined" the CPA after they had been elected to office during this period, B. Fitzpatrick and R. Cahill *The Seamen's Union of Australia 1872-1972* Seamen's Union, Sydney 1981 p109.

31. R. Dixon *Towards Militant Unionism* op. cit. p5. (the work would be better titled "Towards Less Militant Unionism".) Also see L. L. Sharkey *The Trade Unions* NSW Legal Rights Committee, Sydney 1942 p27.

32. For a debate between protagonists of the CPA's old and new industrial strategies see *Common Cause* 9/11/35 p4 and 7/12/35 p6.

33. Even before the Seamen's strike, Communist union officials had been hesitant about calling for the extension of disputes. During the Wonthaggi strike Orr had delayed spreading the dispute, despite support for such a move among Victorian miners and workers in Melbourne, P. Cochrane "Wonthaggi Coal Strike 1934" in J. Mackinoly (ed.) *The Wasted Years* Allen and Unwin, Sydney 1981 pp85, 90. In 1936, Orr did not warm to the idea of extending the Port Kembla ironworkers' strike to Newcastle, even though South Coast miners and wharfies had already extended it locally. During this dispute the CPA's formal position had been for extension, but this was regarded as a question of tactics, the delay of trade union officials in extending the strike to Newcastle was excused by their laudable "unity" with Communist officials during the strike, "Mac" "The Port Kembla Steel Workers Strike" *Trade Union Leader* May 1936; E. A. Knight "We Enter Our Second Year" *Trade Union Leader* September 1936 p36. In the absence of extension to Newcastle, the iron workers failed to have compulsory overtime abolished, the main objective of the strike, although they did make some other gains.

34. There are three significant recent, published accounts of the strike. B. Fitzpatrick in Fitzpatrick and Cahill *The Seamen's Union of Australia* op. cit. pp80-1 believes that "the union should have been wiser after the events of 1928-30" and that the policies of the rank and file strike leaders, who had formed the core of the Minority Movement in the union, were disastrous. For L. Louis "Recovery from the Depression and the Seamen's Strike of 1935-6" *Labour History* 41 November 1981 p86 the conduct of the strike represented a miscalculation by the CPA of the level of hostility of reformist trade union officials and provided "valuable lessons" for "a more realistic policy". Hagan *The History of the ACTU* op. cit. p104 sees the episode and its aftermath as illustrating the difference between Third Period and Popular Front Communist strategies. All three therefore work within the frame work of Popular Front assumptions that the entire approach of the Third Period was disastrous. The problem with Communist strategy in the dispute is that it straddled the strategies of the Third Period and Popular Front. It is

to other groups of workers could win the dispute, despite the solidarity of Seamen's Union members.³⁵ In the face of hostility from the ACTU, the CPA and its members leading the Miners' Federation called for sympathy action.³⁶ In 1934, thanks to the efforts of the Miners' Minority Movement, which they had helped build, Communists Bill Orr and Charlie Nelson had been elected General Secretary and General President of the union while CPA members won control of the Victorian District. Subsequently the Miners' Movement had been allowed to run down.³⁷ Despite its leadership of the Federation, the membership rejected the proposal, except in Victoria where the experience of the 1934 Wonthaggi strike had left a particularly militant tradition and stronger commitment to rank and file organisation.³⁸ The miners' decision can be attributed in large part to the decline of the Minority Movement in the coal mining industry.³⁹ There was no longer any organisation, extending across the boundaries of unions and industries which could effectively attempt to mobilise rank and file support for the Seamen. The practice of cossetting reformist officials and letting Communist union leaders get on with the job, without having to worry about an independent organisation of militants, was adequate to the CPA's Popular Front industrial perspective of sectional militancy, but was not suited to a perspective of extension in the face of hostile union bureaucrats and adverse public opinion.

In the absence of solidarity action by other workers the seamen were defeated. The CPA attributed the defeat to a neglect of the importance of unity with union leaders including through official structures such as the Labor Councils and the ACTU and to insufficient propaganda on the coal fields.⁴⁰ Already set on the path of Popular Front policy by the Comintern, the Seamen's strike led the CPA to recognise that it had to be consistent in its perspectives. Given its rejection of the Minority Movement strategy for overcoming sectionalism, the Party was now satisfied with sectional struggle or extension achieved only through pressure on or preferably unity with reformist officials. This meant a more modest approach to industrial campaigns:

"Before any sectional stoppage is consciously commenced, the possibilities of achieving unity, of enlisting support of being able to extend the struggle, must be carefully considered before the struggle is embarked upon. Where it is seen that, after efforts have been made to achieve unity and extend a sectional struggle in a given department or factory, we have not succeeded, and the employers are procuring scabs, we must be fearless, even in the face of opposition from the strikers themselves, in calling and working in the interests of a return to work, despite the achievement of no results."⁴¹

After the Seamen's strike "the Party withheld support of large disputes for some years."⁴² The Miners' Federation's campaigns of the 1930s were conducted in the light of experience of the Seamen's strike so as to avoid the need for extension, even if this meant dropping some demands.⁴³ Communist leaders of the Waterside Workers' Federation (WWF) even opposed extending the 1938 strike over the shipment of pig iron to Japan, even

quite clear that the Communist Party still recognised the role of the trade union officials and their hostility, though this was expressed in more moderate language than that of the high Third Period. After a preliminary dispute R. Cramm "The Seamen's Strike" *Communist Review* October 1935 p30 commented:

"The reformist bureaucrats of the Seamen's Union and their prototypes in allied unions were exposed to the wide masses of seamen and other workers as agents of the employers within the workers' ranks, following the same line as the shipowners, the Government and the press to force return to work."

For the increasing hostility of the right wing of the labour movement to the strike see *Labor Daily* 9/1/36 p1 and 10/1/36 p1; *Labor Call* 29/8/35 p8, 12/12/35 p8, 19/12/35 p8, 16/1/36 p8, 23/1/36 p6, 30/1/36 p6, 27/2/36 p3.

35. During the dispute the Party remained committed to the Third Period policy of extension. The weakness of its position was its advocacy of Popular Front means – pressure on and if possible collaboration with reformist officials – to achieve it, e.g. R. Dixon "Report on the Economic Struggles and the Tasks of the Communists in the Trade Unions" *Communist Review* February 1936 p37. The winding up of the Minority Movement four months before the strike started was a sign that the policy of extension could not be carried through.

36. For the position of the Miners' Federation leaders see *Common Cause* 11/1/36 p1.

37. A. P. Reeves 'Industrial Men: Miners and Politics in Wonthaggi 1909-1968' M.A. Thesis La Trobe University 1977 p265 observes that:

"Communists had won control of the Victorian District through the M.M. in 1934, and wielded that control as District Officials. Under such circumstances the rank and file job organisation languished."

O'Lincoln *Rank and File* op. cit. p26 quotes E. F. Hill, a Victorian Party leader from the late 1930s: "The persons elected to the leading positions were never too keen about maintaining that organisation." Also see R. Dixon "Industrial Policies in the 30s" op. cit. p30.

38. Reeves "Industrial Men" op. cit. p159, 172.

39. This was most obvious in Miners' Federation discussions about sympathy action:

"Each aggregate meeting was addressed by a member of the Miners' central Council and a representative of the Seamen's Disputes Committee, who urged an immediate cessation of work, while from the body of the hall chief opposition was voiced from leading lodge officials, whose attitude received emphatic endorsement." *Labor Daily* 9/1/36 p1.

Even allowing for the political bias of the *Labor Daily* against the strike, the report, which included accounts of a number of Miners' Aggregate Meetings tallies with the course of events.

40. R. Dixon "The Seamen's Strike" *Communist Review* May 1936 and R. Cramm "Lessons of the Shipping and Port Kembla Strikes" *Communist Review* July 1936 pp44-5 for the inadequacy of coal fields propaganda. They did not consider that there may have been anything inadequate about the means for delivering that propaganda i.e. from the top of the union down. During 1936 the CPA stressed that union amalgamation was a prerequisite for successful struggles on the waterfront, L. L. Sharkey "One Big Union on the Waterfront" *Trade Union Leader* February 1936; "E. J. R. "Unity on the Waterfront" *Trade Union Leader* March 1936. This new preoccupation reflected the Party's concern to achieve unity through the official structures of the unions rather than on the basis of rank and file solidarity through unofficial organisations like the Minority Movement. The leaders of the Miners' Federation adopted a position like that of the Communist Party. They also acknowledged that there was a "definite weakness as far as the relations between the central and district and lodge authorities was concerned in carrying out Federation policy". See *Common Cause* 18/1/36 pp1, 4, 5, 8 and 29/2/36 p4.

41. Cram "Lessons" op. cit. p51.

42. Davidson *The Communist Party of Australia* op. cit. p88. Baracchi 'Baracchi Replies' op. cit. p41-2 offers a critique of the Party's response to the strike from the left. His doubts about Stalinism were awakened when

"the support of the Miners our press confidently promised the Seamen. . . was not forthcoming and by the lack of open self-criticism on the part of the C. C. after the defeat of the strike. . . Since that time, however, it has seemed to me on more than one occasion, e.g., in the case of the Miners, as if the lessons drawn by the C. C. itself from the defeat of the Seamen had been to sheer off from really serious class struggle in future."

43. For the moderation of Miners' Federation leaders, compared with sections of the rank and file see *Common Cause* 7/8/37 p5, 21/8/37 p5,, 24/9/38 p5; *Workers Weekly* 30/7/37 p1, 3/8/37 p1.

though the issue involved was something closer to Communist hearts than bread and butter issues like wages and conditions -- influence over Australia's foreign policy.⁴⁴ One of the most widespread campaigns during the late 1930s was that for shorter hours. Under the laborite leadership of the labour movement it mainly took the form of demonstrations, resolutions and delegations to Governments. The CPA took a rhetorically more militant position, but was not prepared to lead a campaign of generalised direct action which was necessary if the 40 hour week was to be achieved for all workers, preferring to concentrate on those sections, like the miners who might win it unassisted.⁴⁵

Communist industrial practice during the Popular Front period was not distinguishable from that of the laborite leaders of a number of unions. The AEU, for example conducted a number of militant campaigns during the 1930s, but did not have a Communist holding a full-time union position until 1942. Like Communist led unions, the AEU used a mix of claims in the Arbitration Court and direct action to win its demands and was generally successful. Unlike any Communist led union, the AEU was deregistered by the Arbitration Court for a period. It also encouraged action by shop committees to win local over-award payments.⁴⁶ Sectional militancy allowed the CPA to accommodate and extend its base in the working class and thus win the kind of influence it sought inside the union bureaucracy and the ALP. By 1937 Communists held twenty top level union positions and 1,000 lower level posts (presumably shop steward or similar offices) out of a Party membership of around 4,000.⁴⁷ Unions controlled by the CPA or where the Party wielded considerable influence by the late 1930s included the NSW ARU, Seamen's Union, FIA, WWF, Miners' Federation and Sheetmetal Workers Union. Even though CPA and union leaders did not take advantage of the economic recovery after the depression to organise for the overthrow of capitalism and Australian employers were able to accommodate their demands for wages and conditions to some extent, their activities did exacerbate the economic problems presented by the international situation and cyclical economic difficulties.

According to Hagan, the economic recovery after the depression presented the ACTU with two choices:

"Was the ACTU to use the improved bargaining position of the trade union movement to concentrate on recovering wage losses by action through the Arbitration Court? Or was it to exploit the economic recovery for the purpose of overthrowing capitalism."⁴⁸

Clearly the ACTU opted for the former perspective. The recovery offered the CPA a similar choice. It could use its ability to relate to the renewed militancy of rank and file workers as a means of winning official union positions for Communists and of pressuring the ALP into progressive policies, especially on international issues, or it could attempt to build workers' combativity into a challenge to the capitalist system. The Party's commitment to Russia determined that it would no more seek to exploit the new situation to end capitalism than the ACTU, even if it declared that its policies were "revolutionary" in the light of capitalism's inability to meet ordinary trade union demands and calls for democratic rights.⁴⁹

At the beginning of the Popular Front phase, Australian Communists pinned their hopes for social change (and a pro-Russian foreign policy) on a Labor Government, involving the CPA as an affiliate to the ALP. Later when the ALP rejected all overtures and the European situation was becoming more desperate, the CPA clutched at straws, calling for a Government of the ALP and dissident UAP and Country Party members.⁵⁰ In Australia, however, the

44. L. Richardson "Dole Queue Patriots" in J. Iremonger (ed.) *Strikes* Angus and Robertson, Sydney 1973 p157 points out that:

"Rank and file militants demanded a general strike of miners and industrial workers in Port Kembla, but strike leaders made no call for such a move. McHenry [Communist Secretary of the Port Kembla Ironworkers] was adamant that the dispute should be confined to the waterfront."

After BHP had extended the dispute by dismissing 4,000 steel workers, WWF officials tried to persuade their members to return to work on terms offered more than a month earlier. They only succeeded at the second mass meeting held in three days to discuss the issue. For other accounts of the strike see E. W. Campbell "No Pig Iron for Japan" *Communist Review* January 1939 and J. White "The Port Kembla Pig Iron Strike of 1938" *Labour History* 37 November 1979. See also Merritt 'The FIA' op. cit. p257 on an abortive dispute at Lysaght's in Newcastle in 1938.

45. The Communist leadership of the Miners' Federation was even concerned to restrict the spontaneous action of the miners to secure shorter hours. e.g. *Common Cause* 24/9/38 p5. An example of the implications of a sectional approach to the hours issue was the case of Castlemaine Brewery workers in Brisbane who occupied their workplace to achieve shorter hours in September 1937. They were then evicted and locked out. The Queensland Trades and Labor Council Disputes Committee took charge, but did not call for solidarity action. The workers were totally defeated as a result. The Trades and Labor Council then scape-goated the majority of the Disputes Committee, although the constituent unions, some strongly influenced by Communists, could have taken solidarity action on their own accord. For an account of the dispute see the Report of the "militant" minority on the Disputes Committee, *North Queensland Guardian* 27/11/37 p3 also in *Advocate* 15/11/37 pp15-6, which concluded that the failure of the official leadership to extend a dispute "means sure defeat".

46. For the AEU's activities during this period see T. Sheridan *Mindful Militants* op. cit. pp130-3. The Moulders Union had a similar record for militancy, W. J. Hargreaves *History of the Federated Moulders' (Metals) Union of Australia 1858-1958* Sydney no date pp77-9. Before the depression a variety of unions had behaved the way Communist led unions did later. The Miners' Federation, the Queensland ARU, the Meatworkers' Union and the Waterside Workers Federation all had reputations for sectional, if not a more class conscious, militancy.

47. R. Dixon "The Rise of the Strike Movement" *Communist Review* April 1937 p56.

48. Hagan *The History of the ACTU* op. cit. p100.

49. See F. Claudin *The Communist Movement* op. cit. p196 and R. Dixon "New Developments in the Labor Party" *Communist Review* June 1936 p45.

50. For the CPA's initial Popular Front position see E. J. Docker "United Front Perspectives" *Communist Review* December 1935. Compare to R. Dixon "Towards a People's Front" *Communist Review* September 1938 p55 who accused ALP leaders of "crass sectarianism and narrowness" for their attitude to malcontents in the UAP and Country Party. Also see Communist Party of Australia *Unite for Peace* op. cit. p6; *Workers Weekly* 17/8/38 p1. In Victoria the CPA moved from opposing Labor support for the Dunstan Country Party Government, J. D. Blake "A Victorian Country Party Government with Labor Support" *Communist Review* May 1935 p14, through approving of the ALP's behaviour, R. Dixon "Towards a People's Front" op. cit. September 1938 p59 and *Workers Weekly* 8/4/38 p2, to the demand that the ALP enter into a formal coalition with the Country Party, J. D. Blake "Victorian Country Party and a People's Front" *Communist Review* February 1939 p76. For a retrospective justification of these shifts see E. J. R. "The Political Situation in Victorian" *Communist Review* September 1942 pp3-4.

combativity of the working class was, if anything, rising. The potential of the situation for revolutionaries is indicated by the growth of the Trotskyist Communist League of Australia during 1939 and 1940.⁵¹ After a period of confusion, the Hitler-Stalin Pact and the outbreak of World War II led the CPA to return to the rhetoric of the Third Period. On the invasion of Russia by Germany, however, Australian Communists reverted to an exaggerated version of the Popular Front.

A Party Fit for Office

The orthodox explanation of the ALP's transformation from the strife ridden organisation of the early 1930s into the Party of Government in 1941 is summed up by Hasluck:

"It was the work of Curtin in gradually restoring coherence to the party from 1935 onwards that, perhaps more than any other single factor, prepared it for wartime responsibility."⁵²

This "great man" explanation has also been accepted by historians of a less conservative bent than Hasluck, who served as a Minister in Menzies Governments of the 1950s and 1960s.⁵³ Whatever Curtin's merits in pulling himself and the Party together, after giving up the drink, there were more objective factors at work too: the economic recovery, the reassertion of their influence in the ALP by a section of NSW union officials, the resolution of many conflicts over foreign policy in a united response to the war and the deterioration of conservative politics. The behaviour of the Communist Party was also an important factor in the revitalisation of Labor. The order of exposition in this chapter has given the CPA priority for this reason. Between 1934 and 1940 Communists played a more marked role in shaping developments inside the ALP, especially in NSW where the divisions were deepest, than at any other time. In other chapters the ALP is considered first, in view of its greater weight in Australian society.

The course of the economic recovery was a vital factor in the revival in the ALP's fortunes. The fact that economic growth could still take place meant that the working class could again win some concessions from the system. As unemployment fell and wage levels rose reformism became more credible.⁵⁴ The belief that gradual legislative reform was no longer viable, because capitalism was on the verge of collapse, had been associated with the rise of the Socialisation Units and consequent divisions in the NSW ALP.⁵⁵ By the mid-1930s such a perspective was less credible.⁵⁶

Curtin's election to the leadership of the ALP in September 1935 marked the accession of new figures to prominent positions in the Federal Labor Party, displacing some of those most closely associated with the debacle of the Scullin Government. To some extent any new face would have done in electoral terms. At the same time the memory of the deepest political split in the ALP, that of Lyons and his followers in January 1931, faded as he came to embody conservative politics.

With Labor in opposition in NSW and the Commonwealth there were fewer concrete issues to divide laborites. The Lang and Official Parties had parted ways in March 1931 over the implementation of the Premiers' Plan, when Labor was in office at the State and Federal levels. The reunification of the Party in NSW, essentially on the basis of the liquidation of the Official Party into Lang's, owed a great deal to the recognition by the ALP Federal Executive that they had failed to build an electorally credible alternative to Lang's machine. On the other hand Crisp argues that the Lang Party's financial and political difficulties prompted it to seek readmittance.⁵⁷ Certainly the poor showing of both Labor Parties in the 1935 NSW elections cannot have enhanced Lang's standing in his Party. The mantle of recognition by the Federal Executive and the dissolution of a rival Party, which may have had attractions to dissidents in his own ranks, would have appealed to Lang as a means of strengthening his position.

Probably the most important factor in the normalisation of the ALP's internal regime in NSW was associated with the reassertion of their rights in the ALP by trade union officials. During the depression officials had used their relationship with a popular Lang to legitimate their claims to union office, when they could not deliver the goods by leading trade union struggles. They therefore tolerated and even reveled in Lang's firm grip on the Party. The economic recovery and decline in unemployment improved the prospects for trade unions to rebuild their organisations and their capacity to win concessions through industrial action and arbitration. This new situation helped restore the image of trade union officials as successful defenders of workers' interests. Inside the ALP the

51. See *Militant* for this period.

52. P. Hasluck *The Government and the People 1939-1941* op. cit. p74. Also see Fairbanks "Menzies Becomes Prime Minister 1939" op. cit. p20 and F. Alexander *Australia Since Federation* Nelson, Melbourne 1976 p20.

53. For example B. McKinlay *The ALP: A Short History of the Australian Labor Party* Heinemann, Melbourne 1981 pp71-4.

54. Reeves 'Industrial Men' op. cit. p224.

55. R. Cooksey *Lang and Socialism* Australian National University Press, Canberra 1976 p47.

56. The Socialization movement inside the Victorian ALP started in 1933 and was initially disrupted by the CPA, see R. Gibson *My Years in the Communist Party* International Bookshop, Melbourne June 1966 p23. By 1934, the Victorian ALP leadership felt confident enough to thwart the Central Socialization Committee by means of inaction and financial constraint, C. A. Rasmussen 'Labor Politics in Coburg: 1919-1940' M.A. Thesis Melbourne University 1978 pp115-6. In September 1938 the Central Executive moved decisively against the Socialization Committee, see K. White 'John Cain and Victorian Labor, 1917-57' PhD Melbourne University 1979 p202.

57. L. F. Crisp *Ben Chifley* Angus and Robertson, Sydney 1977 p100. Crisp's sympathy for Chifley, a prime mover in the Official Party, leads him to over-dramatise the weaknesses of the Lang Party.

position of union leaders was thus improved as against that of Lang and his machine. Lang's electoral performance between 1934 and 1938 also eroded his charismatic pretensions.⁵⁸ A section of the union bureaucracy were moving into opposition inside the Lang Party during 1935.⁵⁹ They thwarted Lang's attempt to win control of the Labor Council's radio station 2KY in 1936. In January 1938 they set up the Industrial Labor Party, sometimes known by the name of its leader in the NSW Parliament, R. J. Heffron, to secure Federal intervention into the NSW ALP. In February 1938, they took control of the *Labor Daily* out of Langite hands.⁶⁰ Early the following year the Heffron Party demonstrated its viability to Federal ALP authorities and vacillating Members of the NSW House of Assembly by winning two NSW State by-elections against Lang candidates. The NSW ALP Conference of August 1939 was held under Federal auspices and gave control to the reunited Party to former Heffronites.⁶¹ Federal authority was thus reestablished in NSW and survived two splits in 1940. In April a small Langite group split to the right to form the ALP(Non-Communist), whose lack of success led to a return to the official Party in March 1941. A State Labor Party, sympathetic to the CPA, was set up by some former leaders of the Heffron Party and a minority of its members in August 1940.⁶² Its leadership fused with the Communist Party at the beginning of 1944, though a majority of its members found their way back into the ALP.⁶³

The ALP was deeply divided over foreign affairs issues during the second half of the 1930s. The Victorian Labor Anti-War Committee's *Labor's Case Against War and Fascism*, issued early in 1935 to counteract Communist influence on foreign affairs questions, found widespread support in laborite circles. But the ambiguity of its assumptions soon became apparent in responses to the Italian invasion of Abyssinia and as the CPA moved to support rather than denounce national defence.

⁶⁴ In 1935 differences over the Abyssinian crisis were papered over in an official policy of isolationism. The ACTU adopted a similar policy.

The ALP retained a policy of nationalist isolationism throughout the interwar period, embodied in hostility to the despatch of any troops overseas. But in Victoria several branches of the ALP had affiliated with the Victorian Council Against War and Fascism (VCAWF), set up by the CPA in 1933, and continued to adhere to it when it adopted the Popular Front principle of collective security.⁶⁵ The foremost representative of the liberal internationalism, as opposed to the isolationism of the Party leadership or the pro-Sovietism of Communist sympathisers, in the ALP was Maurice Blackburn, a Federal Parliamentarian. He was expelled from the ALP for continuing his membership of VCAWF, after it had been proscribed by the ALP leadership. Reinstated thanks to the support of rank and file ALP members in his electorate, he was again expelled over the issue of conscription for overseas service during the war.⁶⁶

The Communist approach to foreign affairs also found support amongst laborite union leaders. The ACTU had adopted an isolationist attitude to the invasion of Abyssinia, but supported collective security in 1937, under the impact of the Spanish civil war.⁶⁷ Deep divisions emerged in the Labor Party between Catholic supporters of Franco and leftist supporters of the Republic.⁶⁸

The Labor Party's lack of unity on foreign and defence policies continued after the start of World War II. The German offensive of April-May 1940, the rising prospect of Japanese aggression and the departure of those closest to the (now anti-war) CPA in August helped to overcome the differences. The ALP's underlying nationalism had dissolved tactical disagreements, when it became clear that Australia's "national interests" were under threat.⁶⁹

The CPA played a significant role in the rehabilitation of the fortunes of the ALP and the reassertion of their influence in the Party by NSW union officials. The Communist industrial policy of sectional militancy reinforced

58. D. W. Rawson 'The Organisation of the Australian Labor Party' PhD Thesis, Melbourne University 1954 p277. Lang's lack of electoral success had also turned rightwing laborites interstate against him, e.g. *Labor Call* 9/12/37 p16, 3/2/38 p13, 10/2/38 p3, 17/2/38 pp1, 3, 3/3/38 p7 et seq. for a campaign against Lang.

59. M. Goot "Radio LANG" in H. Radi and P. Spearritt *Jack Lang* Hale and Iremonger, Sydney 1977 p135. For example, O. Schreiber, Secretary of the Furnishing Trades Union, had been a Langite during the depression but had moved into opposition by 1936, see F. Farrell "Dealing with the Communists" in Radi and Spearritt *Jack Lang* op. cit. pp61-2, 67-68 for his political trajectory and, for his hostility to Lang, *Furnishing Worker* 1/5/36 p2, 5/11/37 p1; *Labor Daily* 26/10/37, 8/3/38. The AWU also joined the union chorus against Lang.

60. For the history of the *Labor Daily* see R. B. Walker *Yesterday's News* Sydney University Press, Sydney 1980, especially pp90-103.

61. Crisp *Ben Chifley* pp105-8. Even Langite union officials were concerned with the need for unity at the 1939 Conference, see E. J. McFarlane 'The Hughes-Evans Labor Party in NSW during the Years of Office 1939-1940' M. A. (Qualifying) Thesis, Department of History, Australian National University 1969 pp4, 18. It should be noted that the differences between the Lang and Heffron Parties, in terms of formal policies, were minimal, see Baracchi 'Baracchi Replies' op. cit. p47, compare the policies in *Labor Daily* 8/3/38 p1 and 9/3/38 p1.

62. Crisp *Ben Chifley* op. cit. pp124-7, 133.

63. G. Petersen "The Labor Movement and World War II" lecture 7/12/80 p9, transcript held by E. Petersen. D. W. Rawson 'The Organisation of the Australian Labor Party' PhD Melbourne University 1954 p360 points out that

"If it was impossible to build a successful Labor Party without the support of union officials, those officials would not be interested in belonging to a party which could never win elections. The same men had removed Lang principally because he was an electoral liability. Now they acquiesced in the ousting of Hughes and Evans for the same reason."

64. Rose 'Anti-War Organisations' op. cit. pp82-3, 164.

65. White 'John Cain' op. cit. p198, Rasmussen 'Labor Politics' op. cit. p147, 172.

66. See Rasmussen 'Labor Politics' op. cit. pp176-9

67. Hagan *The History of the ACTU* op. cit. pp105-6.

68. B. McKinlay *The ALP* Drummond/Heinemann, Melbourne 1981 pp72-3.

69. Dedman "Defence Policy Decisions" op. cit. p336-7, Mansergh *Survey* op. cit. p174-5, E. M. Andrews "Australian Labour's Foreign Policy" *Labour History* 9, November 1965 p31. For the evolution of Labor views see J. Curtin *Australia and the War* Australian Labor Party Federal Executive 1939 and J. Curtin *National Unity: Where Labor Stands* Federal Parliamentary Labor Party, May 1941.

the laborite conclusions that could be drawn from the economic recovery: workers could improve their conditions through limited struggle within the capitalist system. The Party's increased influence in the trade unions also put it in an excellent position to foster more specific illusions in the ALP. During the 1920s and Third Period the CPA had explained that the Labor Party's attacks on the working class were a consequence of its commitment to using the capitalist state to bring about gradual changes in capitalism. With the Popular Front, Communists discovered for the first time that the ALP could be won to a "really working class programme".⁷⁰ As the ACTU, state Labor Councils and elements inside the Labor Party came to accept the same positions on foreign affairs as the CPA, and Communists themselves moved towards an industrial practice of sectional militancy, the CPA argued that "class collaboration is falling into discard".⁷¹ It promoted the idea that assaults on the working class, like those of the depression Labor Governments were unlikely to be repeated. With Communists at the head of an extra-Parliamentary movement, a future "labor Government will be impelled by the militant masses to fulfill their immediate demands".⁷² The approach envisaged was more than mass struggle forcing a government to make concessions. Communists believed that the Labor tabby could change its stripes and suggested that ALP leaders recognise:

"The need to depend more on unionism and the actions of the masses than on a Labor Party majority in parliament."⁷³

In the late 1930s, the Communist Party identified the problem with the ALP as simply its "right wing" or a "little clique" of leaders, rather than its electoral strategy and the organisational structure premised on it. Once the clique had been defeated, the CPA believed, the way would be open for the adoption and implementation of progressive policies.⁷⁴ At the root of Communist support for the ALP was the objective of electing a Labor Government committed to a "progressive", i.e. pro-Russian, foreign policy.

When the ACTU adopted a policy of collective security for Australia the fight was "to make the policy of the trade unions the policy of the Labor Party".⁷⁵ With the failure of its applications to affiliate to the Labor Party, the CPA conducted its fight to change the ALP and its policies from the inside. Communists holding union office had a voice inside the Labor Party, by virtue of union affiliations to the ALP. The CPA also had secret members inside the ALP. Together Communist union leaders and covert Communists played an important role in the fight against Lang and the reestablishment of Federal authority in the NSW ALP, by seeking and obtaining federal intervention.⁷⁶ L. Ross, Secretary of the NSW ARU, fell into both categories and became "one of the principal framers of Labor's policy in New South Wales."⁷⁷ The President and General Secretary of the NSW ALP after the 1939 unity conference were both members of the CPA. They helped to strengthen Federal control over the NSW Branch even further by removing themselves from the scene, when they led the left wing out of the Party in 1940.⁷⁸

The Popular Front line meant that the election of the ALP to office, rather than the struggle for workers' power became the main focus for CPA activity:

"From now on the centre of all our campaigns relating to economic demands and democratic liberties must be the election of fighting Labor governments."⁷⁹

70. L. L. Sharkey "The State Elections" *Communist Review* March 1938 p16. For this reason the CPA sought affiliation to the ALP. See Davidson *The Communist Party of Australia* op. cit. pp75-6.

71. R. Dixon "New Developments in the Labor Party" *Communist Review* June 1936 p49. In 1936 the ACTU endorsed the policy of collective security, favoured by the CPA.

72. J. B. Miles "All Together! For the Line of the Central Committee" *Communist Review* June 1937 pp13-4. D. Rose 'A History of Anti-War Organisations in Victoria, 1933-1939' M.A. Thesis, La Trobe University 1976 p158 cites a similar statement by J. D. Blake in March 1937.

73. J. B. Miles "Federal Conference of the Australian Labor Party" *Communist Review* September 1936 pp16-7. This perspective was revived during the second half of the 1970s under the heading of the Alternative Economic Strategy. Compare A. Hopkins and R. Curtain "The Labour Movement and the Protection versus Restructuring Debate" *Journal of Australian Political Economy* 12/13 June 1982 p87 with e. W. Campbell "What Is Needed" *Communist Review* December 1938 p3:

"What is needed is vigorous mass action outside Parliament to support the activities of the Labor representatives within."

74. R. Dixon *Labour in Queensland* Communist Party of Australia, Brisbane 1937, L. L. Sharkey "The Federal Elections" *Communist Review* December 1937 pp3, 7.

75. Sharkey "The State Elections" op. cit. p16. Curtin repudiated the ACTU's decision, as the Federal Labor Party supported rearmament for isolationist national defence, Hagan *The History of the ACTU* op. cit. pp171-2.

76. For example see *Workers Weekly* 11/4/39 p1.

77. Rawson 'The Organisation of the ALP' op. cit. p321.

78. On the CPA's role inside the ALP during this period and the 1940 split see E. Ross *Of Storm and Struggle* Australian Publishing Cooperative, Sydney 1982 p67, C. Johnson "The Communist Party and Labour Unity" *Labour History* 40 May 1981 pp88-9, Petersen "The Labour Movement" op. cit. p7, P. Weller et al. "State Power and Federal Intervention" in Radi and Spearritt *Jack Lang* op. cit. p226. N. Willis *Shades of Red* Communist Arts Group, Lota 1980 p35 says Jack Hughes "Was the legal voice of the CPA", when it was banned in 1940, in his capacity of leader of the ALP (State of NSW). See the security service's attempts to identify Communists in the ALP, Australian Archives CRS AA 1984/260. Communists were also encouraged to work inside the ALP in Victoria during the late 1930s, Communist Party of Australia *Draft Resolution on the Inner Situation and the Tasks of the Victorian District Communist Party of Australia* probably 1938, Mitchell Library. In 1939, for example there were five or six CPA members in the Coburg Branch of the ALP, Rasmussen 'Labor Politics' op. cit. p219. Rupert Lockwood stayed in the ALP on joining the CPA in Victoria, R. Lockwood "The Making of an Australian Communist" *Interview Politics* 9(1) May 1974 pp10, 14. In WA a Communist actually set up a branch of the ALP in an isolated country town in 1937, S. Macintyre *Militant* Allen and Unwin, Sydney 1984.

79. S. Mason "The Next Task of the Australian Communists" *Communist Review* September 1936 p27.

While the Party still officially denied the possibility of a non-revolutionary road to socialism, its fellow travellers could be forgiven for drawing the opposite conclusion from its pronouncements.⁸⁰ On the terrain of reformism the ALP had two major advantages over the CPA: its larger size and its freedom from arbitrary policies determined overseas.⁸¹ The recovery of the ALP was thus aided by the CPA's Popular Front politics and the consequent absence of a serious revolutionary alternative to reformism, ready to take advantage of rising levels of struggle and declining credibility of conservative politics during the second half of the 1930s.

The modification of Labor economic thought also played a part in the improvement in the Party's fortunes during the late 1930s. This development is considered in the context of the discussion of laborite economic ideas in chapter four.

80. L. H. Gould "Through Democracy to Socialism" *Communist Review* February 1939 p108 argued that "The securing of such rights [to work, education, peace and so on] in capitalist democracy, which could only result out of persistent struggle against capitalism, opens up the path from capitalist democracy to the million-fold greater democracy of socialism."

Gould did not mention that a revolution might intervene in this process. Arguing from the same premises on many issues, including that of national defence, the CPA had some problems in distinguishing itself, from the ALP, to outsiders and even its own members, Communist Party of Australia "Draft Resolution. . . Victorian District" op. cit. p1, E. W. Campbell "The Nationalisation of Banking" *Communist Review* May 1937, R. Dixon "The Rise of the Strike Movement" op. cit. p59. Lloyd Ross followed through the reformist logic of the Popular Front, leaving the CPA over the implications of the Hitler-Stalin Pact to become a stalwart of the ALP. See L. Ross Transcript of Interview 1973, National Library of Australia TRC 236.

81. The CPA held that an arms build up under the UAP was bad, but would be acceptable under a Labor Government. See R. Dixon "Oppose Lyons War Plans" *Communist Review* June 1938; E. W. Campbell "Betraying Australia" *Communist Review* October 1938 p1; R. Dixon "The Fascist Danger" *Communist Review* December 1938 p10; L. Ross "Defence of Australia" *Australian Left News* February 1939 p5. This was quite consistent in terms of Russian foreign policy, but the CPA tried to justify it on the basis of Australia's defence needs. The ALP's defence policy, on the other hand, allowed it the consistency of supporting rearmament for national defence under any government -- after all the weapons would not dissolve on election day. There was also ample evidence that collective security was a very weak cornerstone for Australia's defence policies.

Appendix to Chapter 3: Keynesian Economics

Keynes's theory has been outlined on numerous occasions since the publication of the *General Theory*. Accordingly only the briefest of outlines is offered here, to draw attention to the policy variables Keynes thought relevant to economic management. His theory holds that an economy will be in equilibrium, i.e. without a tendency for aggregate income to rise or fall, when the amount spent on investment is the same as the amount saved. The rate of an individual's saving from his or her income is primarily determined by the level of that income. The higher the individual's income, the more is likely to be saved rather than spent on consumption goods. The amount people want to invest is determined by the rate of profit they expect to recoup on investment, compared to the rate of interest on money they need to borrow to make the investment or, alternatively, on the money they have which can either be invested or lent to someone else. The lower the rate of interest, compared to the expected rate of profit, the more investment will take place. The rate of interest, in turn, is determined by the demand for and supply of cash, as opposed to other forms in which wealth can be held. When the amount people wish to invest is greater than that they wish to save, total income will rise to a level at which savings equal investment. As more resources are called into action to produce the new, higher level of income the number of people employed rises. Full employment sets a maximum limit to the rate of expansion of income through this process. There is no reason why savings and investment should equilibrate at the full-employment level.

The above framework can be used to justify policies operating through a variety of mechanisms. Keynes was particularly concerned with policy action by Governments. The options include state intervention to:

- 1) change the rate of interest, e.g. through a change in the money supply;
- 2) change the level of effective demand (consumption plus investment expenditure), e.g. in the form of supplementary state expenditure or tax cuts. Such measures may be implemented by means of unbalanced budgets;
- 3) change society's propensity to consume (the ratio of consumption to savings in out of total income), including the redistribution of income. Redistribution from low consumers/high savers (the rich) to high consumers/low savers (the poor) would increase total consumption and decrease total savings.
- 4) change the expected rate of profit e.g. by granting a wage increase.

The complexity of the *General Theory*, the variety of interpretations it allows and the different weights that can be given to various variables within it provided ample scope for "Keynesians" to proffer divergent and even contradictory policy advice in any given context. The theory's appeal was not universal, but its flexibility could make it most things to most people. As we have seen, by the late 1930s the foremost adherents of the previous economic orthodoxy in Australia had been converted.

Keynesianism provided a general justification for state intervention into national economies in a consistent and coherent way. Unlike earlier rationales for such activity, which were generally produced by people on the left, it also incorporated a profound respect for the rate of profit and the vitality of the capitalist system. In the circumstances of the depression and after when "Interventions in the economy [had] been forced on capitalist governments by circumstances beyond their control"¹ in a novel peace-time context, Keynesian economics provided a close to ideal rationalisation for state action. Amongst the main forces at work was the degree of concentration of capital by the 1930s. The size of the most important units of capital meant that the restoration of profit rates through bankruptcy of some capitals became a risky operation. Some units were so large that their bankruptcy could disrupt an entire national economy. So the state stepped in to secure the continuation of national capital accumulation, by taking over some of the functions of the market. Instead of the market determining the redistribution of surplus value amongst capitals (through the equalisation of profit rates across different sectors of the economy) and the capitals which would go to the wall, the state also took a hand through taxation and subsidisation. We have seen the Australian state extending its role in this area during the 1930s. State intervention in the financial system sought to prevent monetary developments from exacerbating crises of production and distribution. Deficit financing was a means of mortgaging the future to the present, or, in de Brunhoff's words "indefinitely deferring final settlement".² So long as the economy improved within a reasonable time, the immediate effects of a recession could be off-set. If it did not the eventual recession was likely to be even worse. Keynesianism was therefore more of an effect than a cause of the pattern of post-depression economic development:

"All the monetary and fiscal policies suggested by Keynes had already been employed at different times by various governments to safeguard themselves and the society over which they presided. By bringing the changed capitalist practice of his day into the frame of economic theory, Keynes supported the expanding government control both practically and ideologically."³

While Keynesian policies could not overcome the underlying problems of the tendency of the rate of profit to fall or the international planlessness of capitalism, they were an important means of coping with their effects and with

1. P. Mattick *Marx and Keynes* Merlin, London 1974 p132.

2. De Brunhoff *The State, Capital and Economic Policy* op. cit. p180.

3. Mattick *Marx and Keynes* op. cit. p114.

the changing structure of capitalist production. The need for state intervention and "economic policy" to secure the continued accumulation of capital in Australia was similar to that in other private capitalist countries. Hence the conversion of academic and political representatives of capital to measures, such as expanded state expenditures and reform of the financial system which had previously been more identified with the ALP. In turn, as the next chapter demonstrates, moderate laborites began to absorb the new Keynesian economic orthodoxy.

CHAPTER FOUR

PREPARING FOR OFFICE

After the depression, as before, nationalism was a prominent feature of many of the labour movement's perspectives. Nationalism was the common denominator of laborite economic ideas. It was therefore a theme running through the discussions of laborite thought on Australia's place in world capitalism, the class structure of the economy and the nature of economic crises. The map of Australia's relations with the rest of the world was defined in nationalist terms. Attitudes to foreign investment and protectionism are the clearest examples of how nationalism oriented laborite economic thought in this way. Nationalism also meant that the ALP regarded the advancement of the national interest as a primary goal. So it coloured laborite views of the class anatomy of Australian capitalism, both the explicit one of radical Money Power theorists and the more tacit assumptions of moderate Labor supporters. The pursuit of the national interest also shaped laborite analyses of economic crises and of the most appropriate solutions to them.

Stifling Freetrade Aspirations in the Interests of Solidarity

During the second half of the 1930s, as today, capital and commodity flows were the most important links between Australia and the world economy. The amount of capital sent out of Australia to be invested overseas was negligible compared with investment in, or lending to Australia. It was not, therefore a matter of major concern in laborite circles.¹ Most ALP supporters, on the other hand, conceded that national prosperity depended on the success of the export trade, although many would have been happier if exports could have been diverted to a larger home market. Most laborite concern about capital and commodity movements was directed against capital inflows, which took the form of Government borrowings more than they do today, and imports.

The experience of the depression had heightened hostility to foreign borrowing by Governments and public indebtedness to private lenders in general.² When the Government proposed to recommence overseas borrowing in the 1937, Scullin alluded to the consequences of the Bruce-Page Government's borrowing program and his opposition to it. By trying to reduce the interest burden, he maintained, his own administration had taken measures to extract Australia from the economic mess the loans had created. But now,

"When I see our nation indulging again in the dope of overseas borrowings, after having been, as I thought, cured of the evil, I am alarmed."³

He was fearful that Australia would add to its burden of interest and repayments, mortgaging its future to overseas lenders. Borrowing would give overseas interests a lever with which to influence Australia's policies and economic development.

During the 1930s new overseas borrowings never even approached the levels of the previous decade, but a number of loans were converted, i.e. rolled over. *Labor Call* expressed the fear that the 1937 loan conversion negotiations in London could be used by Britain to force down the level of Australia's tariffs, themselves a means of reducing dependence on the foreign borrowing.⁴ In 1934 J. Beasley, then the leader of Lang Labor in the Commonwealth Parliament, had also expressed faith in tariffs as an antidote to overseas loans as well as imports:

"Australian industry must be protected by a scientific tariff designed to promote industry. . . The entire basis of the future Australian economy must be built around the local Australian market, instead of, as in the past, around our external interest bill."⁵

Laborites had regarded tariffs as serving the national interest for decades. The period before World War I had been the decisive one in winning the bulk of the labour movement to protectionism. G. Meudall was too modest (and patronising) in his estimation of the extent of support for protectionism but expressed the widespread belief in the efficacy of tariffs:

"A trifling section of the Labor Party from the outlying districts of the continent, who represent shearers and miners, profess freetrade, but the Labor representatives from the coastal regions being greatly superior in intellect, will stifle freetrade aspirations in the interests of solidarity. The Labor Party represents Trades Unionism in politics and Trades Unionism works hand in hand with

1. Communists did object to Australian imperialism in the Pacific, which included the investment of Australian capital in the islands.

2. See, for example, *Labor Call* 15/4/37 p4 and 19/5/38 p12.

3. *Commonwealth Parliamentary Debates (CPD)* 154, August 1937 p312. See F. M. Forde *ibid.* pp302-3 and J. Curtin *CPD* 155, December 1937 p70 and *Labor Call* 7/1/37 p8 for other expressions of Labor opposition to overseas borrowing. Note that there were two budgets during 1937, due to an election.

4. *Labor Call* 7/1/37 p8:

"Given reasonable tariff protection and a better balance between primary and secondary industries, we can avoid repudiation [national insolvency]."

5. J. Beasley "Policy Speech" in D. B. Copland and C. V. Janes (eds) *Australian Trade Policy* Angus and Robertson, Sydney 1937 p400. Beasley argued that if the level of tariff protection were higher, there would be a greater domestic purchasing power to buy primary produce now being exported. Also see *Labor Daily* 17/1/34 p4.

protection. The ruling principle of both is to restrict competition in wages, hours and conditions of work."⁶

Cartoon 4 demonstrates the relationship laborites saw between protectionism, full employment and the national interest.

Several arguments, some economic, some political, were used to justify protectionism. Amongst the most important were the assessment that manufacturing industry offered the greatest scope for expanding employment and the assumption that tariffs raised the level of wages. After the depression the employment argument came to the fore. The aims of Queensland Labor Governments since 1915 had been to develop the State and its employment opportunities. These led them to pay particular attention to the promotion of agriculture. At a national level, on the other hand, manufacturing had a greater potential to provide openings for jobs and better wages for workers, so Labor leaders looked more to it. Lower unemployment, higher immigration and improved markets for primary products were all seen as the outcome of greater protection of manufacturing industry:

"A prohibitive tariff must be placed on all goods that can be manufactured locally. . . In a short time the demand for local goods would be so immense that everywhere new factories would spring into existence."⁷

Despite the failure of tariffs to cure unemployment during the depression, most protectionists in the labour movement saw tariffs as an unalloyed good. The Lang Labor Party did, however make the infant industry argument, recognising that inflation and "unnecessary exploitation" could result from permanently high levels of protection. That, fortunately, would not be required because, once they had been nurtured behind tariff barriers, Australian industries would be able to compete successfully with imports. As an added precaution the Lang Party also favoured the "New Protection", still a plank in Official Labor's Platform too, as a guarantee for workers' living standards.⁸

Some laborites justified Australian tariffs in terms of trends towards protectionism in the world economy:

"We must face facts and try to get out of the mess that the delusion of international trade being the road to salvation has got us into. . . our only hope is in the expansion of secondary industries, and the development of our internal markets."⁹

In the best traditions of the nationalist double standard, an article written during the debate over trade diversion condemned "economic nationalism" (what other countries do) and praised "self-sufficiency" through tariffs (what Australia should do). Trade diversion was condemned not for its goal, but for its lack of success.¹⁰ H. E. Boote, editor of the *Australian Worker* produced a "socialist" apologetic for protectionism along the lines of the "if others do it we must too" argument, dignifying it with the status of an inexorable law of capitalism:

"In capitalism's world of fierce competition tariffs have become as necessary as guns and bombs.

"Australia can no more ignore this fact than other countries do.

"It has to protect its industries against imported products. . .

"Industrial protection is thus an important element in an historical process that can only end in the total collapse of the capitalist regime."¹¹

Boote thus did his customary job of providing a left veneer for the policies of the AWU. But elsewhere *Australian Worker* maintained that the well-being of "our own industries" was worth protecting in the national interest, hardly a position consistent with a view of protectionism as progressive because it brought about the demise of capitalist industry.¹²

Boote tried to justify tariffs by combining an economic fatalism, of the type subscribed to by the Second International, with overt nationalism, which the International had eschewed until 1914.¹³ Maurice Blackburn remained more faithful to the pre-World War I spirit of the International. From the left wing of the ALP, he opposed the Ottawa Agreement and the British Empire as means by which

"an association of white self-governing nations within the British Empire. . . [were] in partnership to control and exploit the subject people of the Empire."

Blackburn concluded that an "internationalisation of the underdeveloped territories of the world" was necessary.¹⁴ This stance, favouring peace through the collective exploitation of colonies by imperialist powers, rather than their

6. *Labor Call* 18/4/35 p13, also see his article in *Labor Call* 11/4/35. By the 1930s the AWU and its numerous members in Parliaments in fact usually took as protectionist a stance as the stalwarts of the Melbourne Trades Hall Council, like Meudall, whose predecessors had pioneered collaboration with manufacturers in the labour movement, see, for example *Australian Worker* 1/1/36: "The feeling is fairly general that we have been too lenient to the importer, and not sufficiently mindful of the interests of our own industries," my emphasis.

7. *Labor Call* 26/4/34 p2. Also see Senator Gordon Brown "Economic Nationalism" *ALP Debaters Bulletin* (Brisbane) August 1938, Senator J. Collings "Senator Collings Expounds Labor's Immediate Policy" *ALP Debaters Bulletin* April 1939. Note that there was opposition to immigration (in addition to support for the White Australia policy) by some laborites when any unemployment existed in Australia, e.g. *Labor Call* 2/2/39 p6, 25/5/39 p5.

8. Special Tariff Committee of the Executive, Australian Labor Party (State of NSW) "The Australian Tariff: Labor's Constructive Programme" in *Labor Daily Year Book 1934-5* Sydney 1935 p135.

9. *Labor Call* 8/11/34 p13, emphasis in the original. Also see *Labor Call* 24/9/36 p7.

10. *Labor Call* 4/6/36 p9.

11. *Australian Worker* 27/5/36 p3, also see 1/7/36 p3.

12. *Australian Worker* 1/1/36 and also Editorial 1/7/36 p3 where Boote refers to "our own industrial development".

13. See R. Luxemburg's critique of the position of the largest party of the International, the German Social Democrats, in her *Rosa Luxemburg Speaks* Pathfinder, New York 1970 pp250-6.

14. *CPD* 158, November 1938 pp2138, 2140.

national self-determination, had a great deal in common with K. Kautsky's theory of ultra-imperialism.¹⁵ World War I had punctured that particular "peace utopia".

The increased tensions of the late 1930s gave added weight to military arguments for protectionism, which the ALP took up. Curtin's 1937 election statement maintained that

"No longer is that doctrine of self-sufficiency merely an industrial ambition. It is now the supreme national necessity. Self-sufficiency has become increasingly a question of industrial preparedness."¹⁶

Some unions expressed their support for protectionism in (moderate) deeds, as well as words. They made submissions to the Tariff Board for higher tariffs to ensure Australian self-sufficiency in products such as starch flour, gas meters, tiles and sanitary ware.¹⁷ State Labor Governments took protectionism to the boundary of parochialism in their preferences to local industry.¹⁸ After the depression, however, protectionism was essentially a conservative doctrine for many laborites and especially Federal ALP Parliamentarians. They were primarily concerned to defend the achievements of the Scullin Government.

Its tariffs were widely regarded in the labour movement as the Scullin Government's enduring contribution to Australia. This was certainly the case for F. M. Forde, a high tariffist in the Scullin Ministry and subsequently deputy leader of the Parliamentary ALP. He denied that the Lyons Government had made any contribution to the recovery. On the contrary the reasons for the improvement in the economy to 1937 lay in circumstances outside the control of the Commonwealth Government (an accurate point) and in the actions of the previous Labor administration: "Foremost amongst them was the Scullin Government's tariff policy."¹⁹ While increased protection did help boost manufacturing industry, the outstanding reason for the recovery in Australia was the improved international situation. However, given the dominant view within the ALP that the Scullin tariffs had started Australia on the road to recovery, there was a widespread fear that the Lyons Government with its pronounced British sympathies, was intent on undoing this good work and "Liquidating Australia's Tariff".²⁰

Until 1938, Labor Party leaders believed that the Ottawa Agreement was a weapon in the fight against "reasonable tariff protection".²¹ This is the main point of Cartoon 5. Portraying itself as the true defender of the national interest the ALP could not credit the Lyons Government as a proponent of balanced and rapid economic development. The entry of the Country Party into the Government in 1934 was a protectionist's nightmare, as is indicated by a *Labor Call* headline:

"'Tariff Wrecking': Earle Page Triumphant: Australian Secondary Industries Sacrificed to the Importer: More Unemployment in the Offing"²²

The basis for laborite hostility to the Ottawa Agreement was the assertion that it provided for "the wholesale flooding of British imports into Australia".²³ But the Agreement did not provide for even equal competition between British and Australian manufacturers, as the Anglo-New Zealand Ottawa Agreement did. The Anglo-Australian Agreement provided for a margin of advantage for Australian products on the domestic market.

While laborites could agree that the Ottawa Agreement was detrimental to Australian interests, they differed on the desirability of the Empire preference in general. Scullin and Curtin favoured it.²⁴ At the time of the trade diversion episode, *Australian Worker*, *Labor Daily* and the Labor Premier of Queensland all affirmed their support for some measure of preference for Britain.²⁵ Forde accurately identified the dynamic of trade diversion,

"The bungling policy of the present Government, which has tried to please both free-traders and protectionists, and has succeeded in pleasing neither section."²⁶

15. For comments on Kautsky's theory see V. I. Lenin *Imperialism the Highest Stage of Capitalism* in his *Selected Works Volume 1* Progress Publishers, Moscow 1977 pp722-3 and R. Day *The 'Crisis' and the 'Crash'* New Left Books, London 1981 pp15-7.

16. J. Curtin *To Build and Defend a Happy and Self-Reliant Australia* Australian Labor Party, Sydney 1937 p15. In *Labor Call* 27/10/38 p5 Curtin wrote

"the primary need in Australia is the building of industries until every possible requirement to self-defence can be supplied within the Commonwealth."

Also see *Labor Call* 6/10/38 p6. *Labor Daily* 9/10/37 p9 harked back to the voluntarist protectionism of the Australian Made Preference League in its exhortation to purchase local products "For National Safety and Personal Security".

17. *Labor Call* 6/4/39 p9, 14/5/36 p11, 17/2/38 p1, 3/6/37 p12, respectively.

18. See, for example, *Labor Call* 3/8/39 p8 (reprinted from *Westralian Worker*) for the State Minister of Land's "Stirring appeal to Westralians to buy locally made goods".

19. *CPD* 154, August 1937 p295. Also see Curtin *CPD* 151, 1936 p337 for his similar list of reasons for the recovery.

20. Headline of Editorial *Labor Daily* 17/1/34 p4.

21. E.g. Scullin in Copland and Janes *Australian Trade Policy* op. cit. p90, "Implementing Ottawa" in *Labor Daily Year Book 1934-5* op. cit. pp141-2, *Labor Call* 3/6/37 p12.

22. *Labor Call* 13/12/34 p10. Labor publicists sometimes even argued that the Ottawa Agreement was not was not of significant benefit to primary producers, e.g. *Labor Daily* 25/1/34 p4:

"The Australian delegation to Ottawa sacrificed our secondary industries for ephemeral and inconsequential export concession."

Also see *Labor Call* 5/7/34 p4.

23. *Australian Worker* 27/5/36 p7 also Scullin in Copland and Janes *Australian Trade Policy* op. cit. p91, 102, Forde in *ibid.* p114, G. Sawyer *Australian Federal Politics and Law, 1929-1949* Melbourne University Press, Melbourne 1963 p98.

24. *Labor Call* 1/4/37 p3, Scullin in Copland and Janes *Australian Trade Policy* op. cit. pp90-1, Forde *CPD* 154, August 1937 p301.

25. See Copland and Janes *Australian Trade Policy* op. cit. pp317, 318, 323.

26. Forde *CPD* 154, August 1937 p295. Also see *Labor Call* 7/1/37 p11; *Labor Daily* in Copland and Janes *Australian Trade Policy* op. cit. p308; W. J. C. Riordan *CPD* 154, September 1937 p346, Scullin *CPD* 154, August 1937 p313.

There was also a recognition amongst laborites that the Anglo-American Agreement went against Australia's interests.²⁷

Some took their hostility to the Ottawa Agreement further than the Labor moderates who still supported British preference. In 1934, *Labor Call* had argued that through Ottawa "Britain Sucks Australia Dry".²⁸ The following year Lang Labor seemed to oppose differential treatment of trade with Britain:

"Long term tariff preferences are detrimental to the development of new trade markets, while the security they give to the recipients of preference tends to stagnate old markets."²⁹

Boote attributed the undesirable policies of the Lyons Government to British imperialism,³⁰ an argument illustrated by Cartoon 6, the front cover of an issue of *Australian Worker*. E. Ward saw the British connection in similar terms.³¹

Although the main concern of laborite protectionists was manufacturing industry, the ALP also favoured state intervention to assist primary producers. The Scullin Government had attempted to establish a guaranteed minimum price for wheat, although Labor opposed the Lyons Government's finance of such a scheme by means of a tax on flour rather than through Commonwealth Bank credit.³² In 1935 Forde summed up the general laborite position on marketing legislation by labelling it "a form of socialism".³³ There were differences within the laborite labour movement over the appropriate attitude to the Government's 1937 marketing referendum. After some legal problems in the administration of one marketing scheme, the Government attempted to extend federal powers over in a referendum to change the Constitution. The ALP was divided in its attitude. While there was a general endorsement of the principle of state intervention into primary produce markets, there were differences as to how this should be secured.³⁴ It is likely that the Labor "noes" were to some extent influenced by the calculation that any defeat for a Government initiative would be a good thing.

27. E. Ward CPD 158, 1938 p1975, *Labor Call* 11/1/38 p3, reprinted from *Westralian Worker*.

28. *Labor Call* 26/4/34 p1. Also see *Labor Call* 2/8/34 p10 and 28/1/37 p1.

29. *Labor Daily Year Book 1934-5* op. cit. p135.

30. *Australian Worker* 3/6/36 p3. Also see *Australian Worker* 1/7/36 p3.

31. E. Ward CPD 154, September 1937 pp422-3 attributed trade diversion to "domination by the British capitalistic interests".

32. Scullin in D. B. Copland and C. V. Janes (eds) *Australian Marketing Problems: A Book of Documents 1932-1937* Angus and Robertson, Sydney 1938 pp289-91.

33. Forde in Copland and Janes *Australian Marketing Problems* op. cit. pp11-2.

34. See *Australian Worker* 27/1/37 p11 and 24/2/37 for the different Labor positions.

From Money Power to Monopoly

The ideas of moderate laborites about the class anatomy of Australian capitalism were often not explicitly expounded during the 1930s. But such ideas were apparent in the moderates' commitment to the national interest, in matters such as defence policy, or in their analyses of the ills of capitalism. Economic problems were usually identified as being due to defective, but remediable financial, distributive or industrial mechanisms, rather than inherent contradictions associated with class relations or conspiracies by a section of society. At their best strong supporters of improvements in working class living standards, moderate laborites saw action to improve the apparatus of capitalist growth as a means to that end. On the other hand, advocates of Money Power theory were much more explicit about their views on the structure of Australian capitalism. Their left nationalist position are considered in this section. Different approaches to the repair of capitalism's defects, including those embodying the moderates' assumptions about the significance of classes in Australia, are specifically examined in the following section on laborite analyses of economic crisis and anti-depression policy.

There was a shift in the emphasis of laborite economic thought towards Money Power theories during the depression. Not all laborites subscribed to the idea that the crisis was the result of a conspiracy of the financial oligarchy, involving foreign interests and successful attempts to cut purchasing power. But Money Power theory seemed to explain a great deal of Australia's depression experience and therefore rapidly attracted a large following.

The version of Money Power theory which gained greatest popularity during the depression was less sophisticated than Frank Anstey's earlier expositions. Jack Lang became the rallying point for those opposed to the financial oligarchy. His agitation focused on the Money Power to the virtual exclusion of the role of monopoly under capitalism, to which Anstey had paid considerable attention. Lang, a real estate agent and formerly a mainstream, if particularly vigorous, Labor leader played down the socialist arguments associated with Anstey's and H. E. Boote's presentations of the Money Power theory. That aspect only emerged in the NSW ALP's pronouncements in an attenuated form as the "socialisation of credit", when Lang's machine moved against the popular Socialisation Units. By stressing hostility to the Money Power, rather than support for socialism, the ALP maximised support amongst layers of society with a stake in capitalism but adversely affected by the depression. Lang's appeal to the petty bourgeoisie was complimented by his novel mix of traditional Labor policies and a crusading style, which attracted support from workers hoping he would restore jobs and wages when their confidence in their ability to do this through industrial action was at a low ebb.

After 1934 Money Power ideology declined in step with Lang's waning popularity because Lang's Party in NSW remained for several years an institutional locus for the theory. But the "conception of the Money Power as the commanding force in modern capitalism" continued to have currency in the labour movement until the 1950s as a distinctive interpretation of the class anatomy of Australian capitalism. Denunciations of the Money Power were a step in the development of a modified conspiracy theory, already apparent in laborite circles during the late 1930s, which focused on the role of monopolies. The CPA took the development of this new anti-monopolism farthest, by drawing on older Money Power traditions in the labour movement.

H. Lazzarini, Langite MHR, spelt out the nature of Australia's subordination to the financial oligarchy in 1934 in terms similar to those used of multinational corporations today:

"These big capitalists in Britain do not represent the British people, but consist of a hybrid breed of internationals of classes, colours and creeds, whose aim is that Australia shall remain nothing more than a wheat field or a sheep walk. . ."¹

According to Money Power theory, the domination of society by financiers underlay all other problems. For a view of the global influence of the Money Power see Cartoon 7. Arbitration and governments were the tools of the financial institutions, which restricted the purchasing power of the people through their operations.² A distinctive feature of Money Power theory was its tenet that the financial conspiracy had brought about the depression. The Money Power was opposed to the interests of the vast majority of society, even the

"Manufacturing or Employing Class -- is now subservient to the small but more powerful group, the 'Financial Oligarchs'."³

Economic reconstruction was primarily a matter of restoring to Parliament the "power that has been usurped by a number of private banking companies".⁴ This could be secured by nationalising financial institutions and the operation of the nation's credit by the Commonwealth Bank, under government direction.⁵ Like moderate laborites, Money Power theorists had an instrumentalist view of the state, as a neutral tool: the grip of the Financial Oligarchy over "all governments" could be broken, if only a Labor Government introduced a few simple financial reforms.

1. H. Lazzarini CPD 145, 1934 p370, also see J. Garden *ibid.* pp191-4.

2. *Railroad* (newspaper of the NSW ARU) 10/5/34; J. Garden CPD 145, 1934 p830; H. Lazzarini CPD 147, 1935 p802.

3. *Railroad* 10/4/34 pp1-2

4. Report of J. Beasley's election policy speech *Labor Daily* 17/8/34 p1.

5. See, for example, H. Lazzarini CPD 147, 1935 p805.

At the height of the Lang movement or when expounded by particularly consistent interpreters, Money Power theory offered an explanation that could accommodate the other aspects of Labor economic thought: tariffs were necessary to stem the tide of imports, loosed by the financial oligarchy; it was the Money Power that contrived the underconsumption which resulted in the depression. With the immediate crisis of the depression passed, Money Power theory proved inadequate to deal with complicated problems of economic management. It did not provide any guidelines for the conduct of a detailed fiscal, trade or even monetary policy. The emphasis in laborite economic thinking shifted back to underconsumptionism and protectionism. While his views probably had not changed, even Lang himself used less Money Power rhetoric on the hustings. His policy speeches for the 1935 and 1938 State elections omitted any reference to the Money Power or concepts based in Money Power theory.⁶ During the 1938 elections it was difficult to distinguish the policies of the Lang and Industrial Labor Parties.⁷ As trade union officials moved into opposition to Lang they could replace denunciations of the Money Power (or abstract marxist denunciations of the evils of capitalism, for that matter) with real achievements and campaigns in which there was a chance of success. For example, the *Railroad* carried a large amount of material against the Money Power during the depression, but from late 1934 began to publish more marxist and moderate laborite material, although the editorship had not changed.⁸

When Lang Labor was received back into the fold of the Federal ALP in 1936, a new financial plank was agreed for the Federal Platform. It was a compromise between the positions of the two Parties.⁹ But even after the demise of the Lang Party there were enthusiasts who continued to propagate Money Power ideas. The *Australian Worker*, edited by H. E. Boote, kept up its long-standing crusade against the Money Masters. Handbills printed in the newspaper during the 1937 federal election campaign were lurid in their presentation of the issues:

"STICK UP YOUR HANDS!. . . Vote a Labor Government into Power and put a stop to the hold-ups of the Usury Bandits. . . The whole nation is being robbed by their extortionate interest charges."

"A SECRET JUNTA DICTATES THE POLICY OF THE LYONS-PAGE GOVERNMENT. . . They represent THE INNER CIRCLE OF THE MONEY MASTERS. . . the head and font of Money Power. . . the shipping companies, the beef barons, the wool kings, and other commercial, importing, mining and financial concerns."¹⁰

An official 1937 ALP election leaflet, authorised by Beasley, did not take up any Money Power ideas, even when it dealt specifically with the Commonwealth Bank and financial reform.¹¹ *Australian Worker* used Money Power flourishes in its election material, but otherwise it tended to reserve it for financial questions. So the Financial Oligarchy was excoriated over the proceedings of the Loans Council, the conduct of the Government's borrowing policy and the crimes revealed in the Banking Commission Report, but was not mentioned in the context of the trade diversion controversy.¹²

Although laborite Money Power ideas were most strongly represented in NSW, because of their association with Lang Labor, they continued to be expressed elsewhere in Australia after the depression. In Melbourne, F. J. Conway still maintained in 1939 that the people must be told

"that nothing that they require -- food, clothing, shelter, social services, all the amenities of life -- need they be deprived of but for one, the financial monopolists. It is the financial monopolists that perpetrate misery, privation and untold suffering."¹³

Labor Call drew attention to the New Zealand Labour Government's successful policies for dealing with the Money Power, through greater state control over the financial system. The moderation of the New Zealand measures, falling far short of the "socialisation of credit", and their consistency with a wide spectrum of economic theory indicates that Money Power ideas constituted more of a view of the economic structure of society than a practical guide to action.¹⁴

A Western Australian "farmer-Laborite" clearly expressed the instrumental theory of government and the state embodied in Money Power ideas in 1940:

6. J. T. Lang "Policy Speech" typescript, 26/4/35, Mitchell Library Q329.31/L and J. T. Lang *Policy Speech of the Australian Labor Party* 26/3/38, authorised by J. J. Graves, Mitchell Library 329.31/21B1. Lang still used Money Power ideas in other contexts, however. At the West Maitland ALP Conference in February 1936 he said overseas financiers were planning to sabotage the coal industry and that Niemeyer was still influencing Australian developments, *Labor Daily* 10/12/36 p1.

7. Compare *Labor Daily* 8/3/38 p1 and 9/3/38 p1.

8. *Railroad* 10/10/34 p4 carried a critique of fetishism of the banks similar to those produced by the CPA.

9. P. Love *Labour and the Money Power* Melbourne University Press, Melbourne 1984 pp144-6.

10. *Australian Worker* 13/10/37; H. Lazzarini CPD 165, November 1940 p297 still held that the private banks had caused the depression.

11. The publication is at Mitchell Library Pamphlet File 329.21-329.3/A.

12. *Australian Worker* 27/5/36 p8, 3/6/36 p3, 4/8/37 p7, 18/8/37 p1. Also see *Australian Worker* 3/6/36 p3 explained attempts by the UAP Premier of NSW, B. Stevens, and Lyons to solicit investment finance from Britain as a consequence of their complete subservience to the banks. The same editorial calls British capital "a governing class twelve thousand miles away" rather than referring to British Money Power, finance or banks. For a discussion of trade diversion see *Australian Worker* 27/5/36 p7.

13. *Labor Call* 23/3/39 p8, also see *Labor Call* 4/11/37 p5, 24/4/41 p3. For some Queensland comments in a Money Power vein see *ALP Debaters Bulletin* April 1939 J. Collings "Senator Collings Expounds Labor's Immediate Policy" and S. F. Allen "Hands Off the Commonwealth Bank" May 1939 pp1, 3.

14. e. g. *Labor Call* 2/6/38 p7, 28/7/38 p3, 21/9/39 p12.

"Unfortunately the policy of the Government of this theoretically democratic nation is not directed by those who elect the legislators, but by the secret power of international finance, which moves unseen behind the visible activities of every government."¹⁵

His sentiments were characteristic of a layer of rural petty bourgeois who subscribed to Money Power theory, in the version propagated by the ALP or by Douglas Creditors and later the League of Rights. In Tasmania, the State with the smallest working class and a sizable small farming community, the influence of Douglas Social Credit ideas on the ALP was more pervasive than elsewhere.¹⁶ With the labour movement's Money Power theory, shorn of class rhetoric and bolstered by pseudo-scientific analysis, Douglas Credit ideas provided a rationale for the petty bourgeoisie in the face of the depression, even if it could offer no real solution to its problems. To the extent that Douglasites effectively exposed and publicised the contradiction of "poverty amid plenty", which affected all subordinate classes, they were able to attract some working class following.¹⁷

The increased militancy of the working class during the late 1930s and the early part of the War, encouraged the renewed expression of radicalism in the labour movement. Some looked back to Money Power ideas of the depression for a suitable rhetoric, but others found a newer approach, although one which had affinities with and roots in earlier denunciations of the Financial Oligarchy.

Anstey's studies of the Money Power had included an analysis of the role of monopolies in Australian capitalism. He believed Australian industry was dominated by three monopoly "rings". These, in turn were dominated by financial interests, a corollary of subordination of productive capital, primary producers and manufacturers, to the Money Power. During the depression the main focus of hostility was the Money Power rather than the monopolies. But the monopolies still came in for a share of criticism.¹⁸

The depression accelerated the concentration and centralisation of Australian capital. We have briefly examined how BHP expanded through this process. Further, the recovery saw a decline in the importance of money capital, especially overseas loans, in the Australian economy. Where the whole of the Labor Party favoured financial reforms, more radical laborites revived their interest in monopoly. Monopoly, though primarily that in land, had been a major preoccupation during the early years of the Party.¹⁹ Now monopoly in industry was the main concern. This interest in monopoly was apparent amongst laborites, but found an organisational expression in the Popular Front Communist Party, a development examined in chapter four.

In 1934 *Labor Call* published an article called "'Sharing the Sacrifices': How It Pans Out". It featured a table of the paid up capital, share value, reserves and undistributed profits of companies in major industry sectors.²⁰ A good example of anti-monopolism along these lines was also argued in the Federal Parliament during the same year. F. Baker, a moderate on monetary questions, documented the existence of the same three trusts, to which Anstey had drawn attention, and argued that they should be nationalised.²¹ Others, still clearly within the Money Power tradition, kept the issue of monopoly alive in subsequent years. J. J. Simpson reminded his readers that the money market was behind the monopolies, who in turn forced manufacturers to lower prices, speed-up production and sack workers.²² So, despite the focus on monopolies, they were identified with the Money Power and manufacturers were still let off the hook.

Shifts in Money Power theory opened the way to a radical critique of capitalism which centred on monopoly, a feature of the system now more salient than the power of the Financial Oligarchy. W. F. Ahern, still not averse to damning conservative governments for their relations with the Money Masters, in 1936 preferred to identify the NSW UAP Government with profiteers, the combines and big business.²³ When Labor opposition leader John Cain (the first) attacked the Victorian Government's proposed companies bill, *Labor Call* documented the holdings of the Baillieus, Howard Smith and Burns families.²⁴ During the late 1930s Lazzarini, who had by no means given up on the Financial Oligarchy, also attacked the "capitalistic profit mongers of the world", especially BHP. He still saw governments as the puppets of outside interests, but now the monopolies too were identified with the Money Power

15. *Labor Call* 30/5/40 p7 reprinted from *Westralian Worker*. Also see G. W. Martens, a Queensland MHR with an AWU background CPD 151, 1936 p1159:

"the banks still determine the policy of this country, irrespective of the Government in power."

16. For a brief account of Labor and Social Credit in Tasmania see R. Davis *Eighty Years' Labor 1903-1983* Sassafras Books, Hobart 1983 pp24-6. The relationship between Douglas Credit and the ALP, strongest before 1934-35 when State Labor Parties proscribed membership of the Social Credit movement, is discussed in *Love Labour and the Money Power* op. cit. pp133-40 and B. Berzins "Douglas Credit and the ALP" in R. Cooksey (ed.) *The Great Depression in Australia, Labour History* 17, 1970 pp148-60. C. B. Macpherson *Democracy in Alberta* University of Toronto Press, Toronto 1953 for an excellent explanation of the class basis of Social Credit theory.

17. See *Love* *ibid.* and Berzins *ibid.*. Because Douglas Credit's main appeal was not to workers it is not examined in further detail in this study, however, for examples of its currency amongst some sections even of more skilled and organised workers see *Railroad* 10/6/34 p5, 10/7/34 p13, 10/2/35 p9 and *Amalgamated Engineering Union Journal* June 1939 p16, September 1939 pp17-9 and October 1939 pp9-12.

18. See, for example, J. Curtin *Australia's Economic Crisis and the L55,000,000 Interest Bill* *Westralian Worker*, Perth 1930.

19. L. G. Churchward "Introduction" in N. Ebbels *The Australian Labour Movement 1850-1907* Hale and Iremonger, Sydney 1983 pp12-3, 23; M. Davitt in *ibid.* p52 and R. Gollan *Radical and Working Class Politics* Melbourne University Press, Melbourne 1976 p105.

20. *Labor Call* 22/3/34 p3.

21. F. Baker CPD 145, November 1934 pp514-9.

22. *Labor Call* 3/1/35 p1.

23. *Australian Worker* 26/2/36 p8

24. *Labor Call* 13/8/36 p8.

"The plain fact is that a huge monopoly which dictates the policy of the Government is, apparently, to be allowed to export pig iron and iron ore wherever it wished to do so. . . Woe to the money changer and the profit monger when science is applied properly to government."²⁵

Lazzarini deprecated the soullessness of limited liability companies compared with owner operated concerns. Also appealing to a petty bourgeois audience, M. M. Nolan, who saw the "money machine" as the *primus inter pares* of the monopolies, advocated the injection of credit "through the people who carry on the community's work, whether they be producers or traders".²⁶ The appearance of F. Lundberg's *America's Sixty Families*, with its detailed analysis of the activities of monopolies in the USA, received a favourable reception in some quarters of the laborite labour movement, as did some local Communist publications along similar lines.²⁷

Eddie Ward still expressed his greater orientation to the working class than Nolan or Lazzarini in his attacks on the monopolies during the late 1930s:

The representatives of the vested interests who comprise the [Commonwealth Bank] board are anxious for this country to be defended, because they want their wealth and privileges protected. Their privileges include the control and ownership of the means of production, and the power to exploit the workers."²⁸

Laborite anti-monopolism flowered between the outbreak of World War II and Pearl Harbour. The working class, whose bargaining position had been enhanced by the war, was expected by the Government to do some belt-tightening. The CPA encouraged militant resistance to this, while the Federal ALP was supporting the War in a half-hearted way. Most Labor Parliamentarians and moderate laborites were unprepared to condone widespread industrial action but many responded to the situation and the ineffectiveness of the Government with a radical rhetoric. The ACTU endorsed the recommencement of the miners' campaign for shorter hours in 1940 and used material on the monopolies in a number of its publications.²⁹

Labor Parliamentarians and publicists expressed concern that monopolists and profiteers would take advantage of the war and Government patronage. During the 1939 budget debate Lazzarini suggested that

"All profit making should be suspended until the war is over. . . No indication is given in the budget speech of any intention by the Government to deal with the real profiteers in this country who are the banks and private companies."³⁰

Even moderates like Curtin were caught up in the radical rhetoric. He maintained that "In peace the interests of monopoly and big business are paramount with a Government of the Menzies type" and that the War would make matters worse.³¹ By the time of the 1940 elections he judged it opportune to declare

"There must be no hesitation to assume control of the means of production where that is essential in the public interest."³²

By December 1940, Curtin's rhetoric was lagging behind that of the recently split Lang Party and some dissidents, like Ward, who remained inside the Official Party. They opposed the budget, which had Curtin's imprimatur, and called for the nationalisation of some industries.³³ An article by C. A. Morgan MHR reprinted from a Douglasite publication as a pamphlet outlined the activities and holdings of BHP, Electrolytic Zinc, General Motors Holden and other large companies. Morgan attacked the Money Power and called for the nationalisation of munitions industries and control of credit by the Government.³⁴ In his hands the Money Power was a subset of the monopolies rather than vice versa. This also seemed to be the case in an ARU pamphlet of 1941.³⁵ As the Government's difficulties increased during the second half of 1941, laborite attacks on the monopolies continued. Even F. M. Forde made the appropriate noises, calling for a Government takeover of BHP.³⁶

Pearl Harbour and then the advent of the Curtin Government dampened industrial militancy as well as the radical rhetoric of Labor politicians and journalists. The "national emergency" was used as an excuse to drop earlier proposals. Dissidents, some more principled than others, remained in the Federal Parliament, to continue with

25. H. Lazzarini CPD 158, November 1938 p1948, also see his speech at CPD 154, August 1937 p404.

26. *Labor Call* 6/4/39 p13.

27. See, for example, the review in *ALP Debaters Bulletin* August 1938 p2.

28. E. Ward CPD 158, 1938 pp1978-80. Ward still retained a concern for the well-being of the petty bourgeoisie. His attacks on the Anglo-American Agreement of 1938 were centred on its consequences for Australian primary producers, rather than workers.

29. See the discussion of these in chapter four below.

30. H. Lazzarini CPD 161, September 1939 pp517-8. M. M. Nolan *Labor Call* 11/1/40 p5 continued to make an appeal for petty bourgeois support for the ALP on the basis of anti-monopolism:

"Through their UAP Governments, therefore, they ["big business leaders"] are initiating a series of moves which are designed to squeeze out the small traders and harness Australian industry along lines closely resembling the worst features of the huge trusts against the stranglehold of which America has been fighting for generations."

Also see *Labor Call* 30/5/40 p5 which was a reprint from *Australian Worker* 15/5/40; *Labor Call* 13/6/40 p2, 12/12/40 p2, 28/3/40 p5. During the 1940 election federal campaign *Australian Worker* oscillated between anti-monopolist and Money Power rhetoric when denouncing the Government, e.g. *Australian Worker* 21/8/40 p3, 28/8/40 p1, 11/9/40 pp1, handbills pp10-1, handbills 18/9/40 pp10-1.

31. *Labor Call* 15/2/40 p1.

32. J. Curtin *The Policy of the Labor Party* Australian Labor Party, Melbourne 1940 p7.

33. E. Ward CPD 165, December 1940 pp494-503 for a detailed account of how well the large companies were doing. See also M. Falstein *ibid.* p552; T. Sheehan *ibid.* p702; and F. M. J. Baker *ibid.* for the Government as a tool of big business. Ward restated his position during the debate over the 1941 budget, CPD 168, October 1941 p699.

34. C. A. Morgan *Monopolies and the War Effort* United Electors, Melbourne 1941?, reprinted from *New Times*.

35. T. Moroney and J. F. Chapple *Trade Union Plan for Post-War Reconstruction* Australian Railways Union 1941 p9. The pamphlet only mentioned Money Power in the context of financial policy. It argued for socialism and moderate reforms in the mean time.

36. See the report in *Labor Call* 7/8/41 p1, also *Labor Call* 24/7/41 p12.

militant language. Late in 1941 A. Calwell referred to Anstey's analysis of the three rings and made calls for the immediate abolition of the Commonwealth Bank Board and the eventual nationalisation of banking.³⁷ His stance rapidly returned to that when he was a leader of the ALP right in Victoria before entering Parliament, after he had achieved a place in the Ministry, in 1943. Ward continued to talk about nationalisation of basic industries for some time. His radicalism was put to good use when he was assigned the task of curbing industrial militancy for the Government, as Minister for Labour and National Service.

There was no clear cut transition from Money Power theory to anti-monopolism. Partly this was an organisational question as the CPA was the main inheritor of the left nationalist tradition during the late 1930s and the 1940s. Moreover, some laborites, like Lazzarini, slipped between the two approaches, giving more emphasis to one at some times, to the second at other times. But some important assumptions underlay both approaches and remain a feature of contemporary left-nationalist ideology.³⁸ They all identified the main problem of capitalism with a small section of the capitalist class, not by virtue of its constitution as capital, i.e. the exploitation of wage labour, but on the basis of other criteria -- their size, manipulation of financial markets or foreignness. So conspiracy, rather than the dynamics of capitalist accumulation and its interaction with political and ideological developments, was used to explain developments in Australian politics and the economy. These ideas, like the mechanical meliorism of laborite moderates, all had an appeal to workers and sometimes also to employers. But their rhetorical anti-capitalism could generate greater support from workers disillusioned with the established order than moderate laborite thought, with its more obvious commitment to minor and piecemeal change. It was also often possible, with a little imagination and stretching of definitions, to characterise any employer in particular as a "multinational corporation", "monopolist" or lackey of the "Money Power" and thus to justify a specific industrial struggle as a just fight. Proponents of these left nationalist ideologies, on the other hand, could portray them as taking the interests of the petty bourgeoisie and some capitalists into account and attempt to win their support, because they focused hostility on only a section of the capitalist class. The potential of this appeal could only be realised, however, if the anti-capitalist rhetoric was toned down, as the Langites did during the early 1930s, so as not to scare off members of the respectable classes. Unfortunately for Lang, the enthusiasm of his supporters, looking for a substitute for their own lack of industrial strength, eventually intimidated most of the middle classes, even though he was not a proponent of socialism himself.

37. L. F. Crisp *Ben Chifley* Angus and Robertson, Sydney 1977 p144; Labor Call 20/11/41 pp3-4.

38. Ideas that very clearly derive from Money Power theory, pure and simple, still sometimes surface; for example see N. Dorney "An Open Letter to the Prime Minister of Australia: Why Not Finance Job Creation by Restoring the People's Bank?" *Modern Unionist* December 1983 pp23-5.

Underconsumptionism: A Hundred and One Varieties

The recurrence of cyclical economic fluctuations under capitalism has been a topic for study by economists for centuries. It is also a matter of direct concern to the working class, who are more often thrown out of work by depressions than are professional economists. In all but a very few cases, professional economists, especially those at universities, have been wedded to the existing order by their privileged status, remuneration and working conditions and by the definition of appropriate behaviour for them by academic authorities. Making proposals for improvements in the mechanisms of capitalism has been regarded as one of the profession's legitimate activities. The circumstances of working class life have not similarly restricted the labour movement's economic thinking. In fact they have encouraged a practical antagonism to the capitalist system on the shop floor. But countervailing factors, such as the ideological influence of other classes, experiences of industrial defeat and periods of prolonged prosperity, have encouraged the acceptance of the capitalist order by sections of the labour movement. The depression of the 1930s raised the issue of cyclical economic fluctuations for the working class in a particularly harsh fashion. The way the labour movement explained economic crises had important implications for working class strategy -- it was crucial in determining if a perspective of reform was credible. All currents supporting the ALP after the demise of the socialisation movement believed that a strategy of reform was viable. Underconsumptionist analyses of the depression, in one form or another, were the basis of this belief. Different underconsumptionist theories, however, had divergent implications for the practical action of the labour movement and of Labor Governments. Chapter one introduced a number of ways of classifying underconsumptionism: governmental, trade union, radical and catastrophist. In order to understand the theories of crisis current amongst laborites during the second half of the 1930s, it will be useful to take a further look at the classification of underconsumptionist analyses.

Stated crudely, the idea of underconsumptionism is that the productive potential of society is not matched by its purchasing power or effective demand. At times resources -- machinery, land and labour power -- are idle, even if social needs remain to be satisfied. Underconsumptionist theories differ over the reasons for the deficiency of purchasing power and the best solution to the problem. Most of the theories can have at least a superficial appeal to the working class, on the basis of the identification of inadequate purchasing power with workers' concern to improve their own living standards. Macpherson's comments on Social Credit theory's attraction for workers has a wider application to underconsumptionist ideas in general:

"No doctrine could have been better designed to appeal to the middle class, whether independent producers, small shareholders, or managers and professional people; even wage earners were offered a vision of shorter hours and an unearned income."¹

Contemporary orthodox economics classifies underconsumptionist theories on the basis of their internal consistency, rigour and self-validation. Nemmers, for example, maintains that

"Underconsumption theory has followed two broad paths of development, not always separated. The first is the so-called 'real' explanation giving primary emphasis to the role of income maldistribution or glutability of consumption wants as the causal factor of underconsumption. The second is the so-called monetary explanation giving primacy to the role of defects in the 'price-system' interpreted as monetary phenomena, particularly the alleged existence of money costs not matched by money income."²

He made Hobson the epitome of the real and Keynes of the monetary schools.

Strachey, in his marxist phase of the 1930s, used a different taxonomy. He designated all non-marxist economics as "capitalist" and divides economists we describe as underconsumptionists into "professionals" and "amateurs", essentially on the basis of whether they held academic posts and their adherence to the analytical concepts accepted as orthodox in universities.³

The following discussion interprets underconsumptionist theories according to their relationship with the life experiences of social classes, in the context of a broad classification based their internal structure, Nemmers's main taxonomic principle. Strachey goes some way to such a class based approach in his references to "capitalist economics". But his dismissal of underconsumptionism in general as "capitalist economics" is far too broad a statement for a number of reasons. First, Strachey argues that it is possible to divide all economics between "capitalist" and marxist theory.⁴ He makes a valid distinction between marxist and underconsumptionist theories and therefore places all of the former into the "capitalist" basket. This, however, leaves out of account the radical underconsumptionist arguments of Communists and some social-democratic currents during the 1920s and 1930s,

1. Macpherson *Democracy in Alberta* op. cit. p116.

2. E. E. Nemmers *Hobson and Underconsumption* North Holland Publishing Co., Amsterdam 1956 p1.

3. J. Strachey *The Nature of Capitalist Crisis* Gollancz, London 1935 p22.

4. Strachey's approach has much in common with the ideas that "relatively to [the working class] all other classes are only one reactionary mass", criticised by Marx in *The Critique of the Gotha Program* Foreign Languages Press, Peking 1972 pp18-20. Also see F. Engels's letter to August Bebel *ibid.* pp38-9. Strachey's position derives from his sharing the sectarian, Third Period assumptions of the British Communist Party when he wrote *The Nature* in 1934. He applied his analysis to the economics of the British Labour Party:

"This counsel is the deadliest of all poisons which can be administered to the workers." (p371).

which were touched on in Chapter One. These theories argued that underconsumption was inevitable under capitalism and that it should therefore be replaced by socialism. They theories are not marxist, but neither do they fit into Strachey's definition of "capitalist economics", which supposedly

"Accept, consciously or unconsciously, the capitalist system of the private ownership of the means of production, their operation for profit, and of the distribution of the products of exchange, as the immutable data of their inquiries."⁵

How then are we to categorise the non-marxist, non-capitalist theories?

The second problem with Strachey's approach is that although it may be legitimate to regard some underconsumptionist theories as capitalist under his definition, this would distort the class character of these theories. Douglas and Hobson accepted the capitalist system and regarded economic crises as incidental rather than inevitable. But there are important distinctions between the class implications of their theories and the underconsumptionism of I. Fisher (with whom Strachey deals at some length) and Keynes, let alone the deflationary approach of an economist like L. von Hayek (whom Strachey also discusses). Under capitalism more than one class, the bourgeoisie, has an interest in the continuation of the system. Draper calls the petty bourgeoisie the "Janus class", facing in two directions: living by his or her own labour, rather than by the labour of others, the petty bourgeois can identify with working class opposition to the iniquities of capitalism. But as an owner of means of production and possibly as employers of a few workers, he or she has an interest in accumulation and the survival of the system.⁶ Douglas's underconsumptionism reproduced the contradictions of petty bourgeois production, because it expressed their desire to preserve capitalism, but if implemented it would have undermined it by reducing the rate of profit, through income redistribution or disruptive monetary measures.

Classes other than the bourgeoisie and the petty bourgeoisie also have an interest in the continued existence of capitalism, most significantly the "new middle class" which has a position in the relations of capitalist production, performing some functions (especially supervisory ones) on behalf of capital in return for wages and conditions above those of workers.⁷ The function of trade union officials is only possible under capitalism, where wage labour is a commodity and organisations, with their own managers, arrange its wholesaling. Like the petty bourgeoisie, these groups also want to abolish certain aspects of capitalism and, in the case of union officials, especially to improve the well-being of workers.

Thirdly, Strachey's designation of all underconsumptionist theories as capitalist ignores their social consequences, ultimately the most important criterion in a marxist assessment of an ideology. Thus "trade union underconsumptionism", legitimising wage and other working class struggles, was certainly not in the immediate economic interests of the capitalist class. It is not useful to describe as "capitalist" such underconsumptionist theories, which only help to maintain capitalism through a process of mystification -- especially those that appeal to classes other than the bourgeoisie -- often by holding out the hope that capitalism can be perfected. The term is better reserved for economic theories which justify policies, developments and political practices in accord with capital's material interests. Strachey correctly points out that professional economists tend to produce theories of this kind. During the 1930s, the more orthodox of them, like Hayek, called for cost (i.e. wage) cutting measures by means of money and real wage cuts. Underconsumptionist professional economists, like Fisher and Keynes, advocated real rather than money wage cuts as more realistic and legitimised greater intervention by the state which, unlike Douglasite proposals for example, could have real benefits for capitalism even if they could not cure it of cyclical crises.

Real Underconsumptionism

The economic thought of the labour movement has been particularly concerned with the question of income distribution. Workers themselves, the union officials and politicians who represent them have sought to increase the share of national income going to the working class. Real underconsumptionism, of which trade union underconsumptionism discussed above was a subset, provided an expression of this concern and linked it to the problem of economic crises. Hobson's version of real underconsumptionism was widely used, usually unacknowledged, by laborites.⁸ It is worth examining his own presentation as he dealt with the arguments in a more coherent, sophisticated and thorough way than most Australians who borrowed from him ever did. Hobson maintained that

"The possession of an excessive proportion of 'power to consume' by classes who, because their normal healthy wants are already fully satisfied, refuse to exert this power and insist upon storing it

5. Strachey *The Nature* op. cit. p17, footnote 1.

6. See H. Draper *Karl Marx's Theory of Revolution, Volume II The Politics of Social Classes* Monthly Review, New York 1978 p291.

7. For a discussion of this class and the literature dealing with it see A. Callinicos "The 'New Middle Class' and Socialist Politics" *International Socialism* 2(20) 1983 pp82-119.

8. The currency of Hobson's ideas in the Australian labour movement was probably similar to his influence in Britain, described by B. Wootton *Plan or No Plan?* Gollancz, London 1934 p124:

"It is, I think, no exaggeration to say that Mr. Hobson has converted to his views practically the whole body of left-wing liberal and right-wing socialist opinion as dabbles in economic theories at all."

For Hobson's (Douglas's and R. F. Irvine's) influence on Lang see D. Clark "Was Lang Right?" in H. Radi and P. Spearritt *Jack Lang* Hale and Iremonger, Sydney 1977 p152, 154, 156. Hobson's thinking, along with Douglas and various other monetary underconsumptionists, also struck a chord with R. F. Irvine who helped E. Theodore draft his alternative to the Premiers' Plan, B. McFarlane *Professor Irvine's Economics in Australian Labour History* Australian Society for the Study of Labour History, Canberra 1966. See J. A. Hobson *Confessions of an Economic Heretic* Allen and Unwin, London 1938 p126 for his career. He made a transition from Lib-Lab to Lab-Lib politics in the course of World War I.

in unneeded forms of capital is directly responsible for the slack employment of capital and labour. If the operation of industrial forces threw an increased proportion of the 'power to consume' into the hands of the working classes, who will not use it to postpone consumption but to raise their standard of material and intellectual comfort, a fuller and more regular employment of labour and capital must follow. If the stronger organisation of labour is able to raise wages, and the high wages are used to demand more and better articles of consumption, a direct stimulus to the efficiency of capital and labour is thus applied."⁹

The starting point of the analysis is modern capitalism and the relationship between wage labour and capital. This clearly distinguished his position from those of petty bourgeois underconsumptionists like Douglas, in whose analyses the wage labour relationship, and often the working class, was absent. Hobson believed that the taxation of the "surplus income" of the wealthy to provide social services and public works would help alleviate depressions and unemployment in much the way higher wages would.

Hobson's arguments were used by many laborites to explain a variety of economic phenomena and, in particular, to justify better wages and shorter working hours. Early in 1934, R. Cheney explained the causes of poverty over radio station 3KZ using a Hobsonian analysis:

"The unequal distribution of income is also a potent cause of trade depression, inasmuch as the impoverishment of the masses causes a disproportionate accumulation of capital goods and a corresponding tendency to stultification of production and consumption of goods. There is thus a chokeage in the social circulatory system occasioned by the insufficient purchasing power of the masses".¹⁰

A similar argument was used to prove that wage cuts were not in the interests of profit making, although it failed to explain why, in that case, employers sought them.¹¹ It is expressed in Cartoons 8 and 9. In addition to favouring higher wages, *Labor Call* also advocated income redistribution through state controlled banking (a "monetary" means of achieving a "real" end) higher taxation of money capital and incomes, greater expenditure on national undertakings and social services. These were all means by which idle capital could be used "for the purpose of raising the workers' living standard". The political implications were that:

"Labor's policy must be to tax idle money or capital and use it to stimulate employment and improve the position of the workers."¹²

Real underconsumptionism also had negative implications. It was used to denigrate the arguments of Douglas and others hostile to the ALP.¹³

In less specific terms than laborite journalists, Labor politicians expressed their adherence to real underconsumptionist solutions to economic problems. During the 1934 Federal elections, the Official ALP promised that a Labor Government would raise living standards as a means of increasing purchasing power.¹⁴ Lang undertook to increase the purchasing power of the community by raising the basic wage if he regained office in NSW. Underlying his promise and Curtin's reference to "the problem of maintaining the consumptive capacity", lay the idea that the expansion of wages would benefit the whole of society.¹⁵

Union officials used the same argument. In a series of articles in the *Sydney Sun* during 1935 and republished as a pamphlet, *The Wages Policy of Organised Labor* Oscar Schreiber, Secretary of the NSW Furnishing Trades Union and President of the NSW Trade Union Secretaries Association, presented a lucid and relatively extended underconsumptionist analysis of the causes of depression. Schreiber was much more forthcoming than most laborite union officials about the theoretical foundations of his position though not politically distinguishable from many of his fellows. It is, therefore, worth examining his pamphlet in some detail as representing a significant current of opinion:

9. J. A. Hobson *The Evolution of Modern Capitalism* Allen and Unwin, Fourth Edition, London 1965 p375. The first edition appeared in 1894, but Hobson continued to propound his analysis in a series of publications over more than forty years, e.g. *The Economics of Unemployment* Allen and Unwin, London 1922, *Poverty in Plenty* Allen and Unwin, London 1931.

10. *Labor Call* 25/1/34 p3. Also see All-Australian Trade Union Congress 1934 *Policy* Melbourne p2; D. McLeod "Educate, Organise and Control" *Amalgamated Engineering Union Journal* February 1936 pp7-9. For references to Roosevelt's policies to justify higher wages see *Labor Daily* 6/1/34 p8, 13/1/34 p8; *Labor Call* 15/3/34 p6; and O. Schreiber *Labor Call* 28/6/34 p7.

11. *Labor Call* 1/3/34 p1, 26/4/34, editorial 11/6/36 p4, 18, 6, 36 p4; *Australian Worker* editorial 15/1/36, 30/12/36 p6. For an unconvincing attempt to reconcile employers' support for wage reductions with real underconsumptionist theory see *Labor Call* 26/1/34 p8.

12. *Labor Call* 21/6/34 p8, 28/6/34 p8, 26/3/36, 5/7/38 p8. Coming close to a Keynesian position *Labor Call* 11/1/34 p8 supported the state borrowing surplus capital, if it could not be taxed.

13. *Scrutator Labor Call* 21/3/35 p1 pointed out, for example, that

"Greater efficiency in production has not been stabilised and balanced by a corresponding efficiency in distribution. The absence of that has brought about the present dislocation of the profit-production system.

"Attempts are being made — the Douglas Credit theory is, apparently one — to overcome the difficulty without dispossessing the capitalists. . .

"These mermaids of economic phantasy are making more frequent appearances along troubled shores of disputation as the Capitalist crisis sharpens.

"Shoals of them have been disporting themselves off the coasts of the U.S.A.. They were branded N.R.A just where the fishy part of the creature joined the fleshy part. Professor Copland is said to have captured one, and another specimen is reported to have been secured by the official economist of the Bank of New South Wales. Another species is found all over the Fascist countries."

Hobson had sat on the British Labour Party's Committee on Douglas Social Credit in 1921, Macpherson *Democracy in Alberta* op. cit. p123.

14. *Labor Call* 23/8/34 pp1-4, also 3/5/35.

15. J. Curtin *CPD* 147, 1935 p800. He contrasted the increase in productivity with the decline of the "wages fund".

"The most outstanding and significant feature of our present economy is the definite and persistent tendency of production to outrun consumption.

"ROOT CAUSE

"In this almost invariable trend lies the root cause of unemployment and underconsumption accentuated, of course by financial policy imposed sometimes acutely and at all times restrictively, upon both industry and the community.

"This consequence is due to the economically depressing effect of the low wages upon which the greater portion of the people are compelled to exist the ultimate outcome being that industry is restricted and trading activities depressed."

The demand for higher wages was a solution to the underlying problem,

"That there is a lopsided or maldistribution of the national income and that this is economically bad and without justification."

Schreiber thought the state should play a key role in the redistribution of income, with the Commonwealth Parliament setting the level of the basic wage. This could counteract the effects of the "unearned increment" of the employers which

"Is not used except to a very limited extent in the purchase of consumption goods, no matter how abundantly this section lives.

"Much of this surplus goes into investment, where it is largely superfluous and in the modern financial era being no essential service to production."

Credit deflation only "accentuates" the underlying problem in the maldistribution of income.¹⁶ Schreiber's concern that the Government should take action to increase wages was shared by other moderate union officials, who found greater comfort in the thought of a Labor administration than a militant rank and file capable in winning improvements for themselves.¹⁷

Given the absence of a Federal Labor Government, laborites tried to convince the Conciliation and Arbitration Court of the efficacy of its real underconsumptionist theories. Apart from demonstrating industry's capacity to pay, P. W. Clarey maintained in the 1937 Basic Wage case that

"Because of the structure of the capital market, finance was more readily available for capital formation than for purchasing power; hence, he said, investment funds should be restricted so as to make available more for consumption."

He contended that it was in the employers' interests for wages to rise.¹⁸ The Court called an academic economist, W. B. Reddaway, to provide it with expert advice.¹⁹ On the basis of a Keynesian analysis, he recommended an increase in wages similar to that the unions had applied for. The Court accepted this advice and, despite union opposition, his suggestion that the increase be made in increments over a period rather than all at once. Reddaway's testimony and the Court's "resulting" decision made a considerable impact on laborite attitudes to professional economists and were widely reported in the labour press. During the Basic Wage case itself, the ACTU advocates made much of Reddaway's evidence, which justified higher wages as a means to dampen employers' expectations in a boom situation.²⁰ Yet their arguments were quite distinct from his. Where the ACTU regarded workers' purchasing power as the key variable, for Reddaway it was the employers' expectations of the rate of profit. In the ACTU's real underconsumptionist framework, income redistribution was a general answer to the economy's problems. Reddaway's Keynesian framework led him to believe that higher wages could provide a conjunctural solution to problems associated with a particular stage of the trade cycle. The ACTU bolstered its case by referring to the work of Professor Ryan, a follower of Hobson, and with a cable from the acting Prime Minister of New Zealand to the effect that in New Zealand,

"The restoration of purchasing power to the workers had quickly reflected in improved business, and was evidenced in increased customs returns."²¹

Apart from the economic rationales offered from traditional laborite and Keynesian perspectives by the ACTU advocates and Reddaway, the professional economist made an argument to the Court which went to the heart of the real forces behind its decision. He maintained that the threat of industrial unrest made some wage rise advisable. The prospects of industrial action in 1937 loomed much greater than they had during the several previous Basic Wage hearings.

16. O. Schreiber *The Wages Policy of Organised Labor* reprinted from the *Sydney Sun* pp2, 4, 13, 6, 10-1, emphasis in the original. Also see O. Schreiber *Unemployment -- From the Standpoint of Organised Labor* broadcast over radio station 2BL supplement to *Furnishing Worker* 1/5/34, reprinted from *Labor Daily*. In earlier chapters we saw Schreiber recommending Hobson, whose arguments he reproduced in the pamphlet, to the readers of his union's newspaper during the 1920s, as a staunch Langite during the early 1930s and then as an important figure in the fight against Lang during the late 1930s. His political trajectory was, in some respects, archetypically that of a laborite union official in NSW.

17. This was particularly true of the extremely bureaucratic AWU, see *Australian Worker* 30/12/36 p4:

"These very necessary adjustments in industrial conditions will have to be made by our Governments as matters of national necessity to restore the equilibrium of the nation's economic machine."

18. G. R. Dunkley 'The ACTU 1927-1950: Politics, Organisation and Economic Policy' PhD Thesis, Monash University 1976 p303. Also see a report of Clarey's argument to the Conciliation and Arbitration Court in *Labor Call* 10/6/37 p2. During the 1937 elections the ALP again favoured pay rises because "High wages mean more jobs, more spending power, more business for everyone", ALP leaflet, authorised by J. Beasley Campaign Director, Mitchell Library Pamphlet File 329.21-329.3/A.

19. Hagan *The History of the ACTU* op. cit. p141 implies that Reddaway was a union witness, but see Conciliation and Arbitration Court Registry Transcript of 1937 Basic Wage Applications; *Labor Call* 1/7/37 p8; and W. B. Reddaway "Australian Wage Policy, 1929-37" in J. Isaac and G. W. Ford (eds) *Australian Labour Economics Readings* Sun Books, Melbourne 1968 p120. Moreover the ACTU's initial economic arguments were distinct from Reddaway's and its advocates dissented from some of his recommendations.

20. Conciliation and Arbitration Court Registry Transcript op. cit. pp849, 891.

21. *ibid.* p961. Also see *Labor Call* 10/6/37 p2 for Clarey's argument for income redistribution and the cable from New Zealand.

The Court used the pretext of the War to adjourn the next Basic Wage case without awarding any increase. But in its preparations for the hearings, the ACTU Basic Wage Committee advised affiliated unions in February 1940 to prepare applications which included the point

"That the growing disparity between wages paid and the value of production diminishes the purchasing power of the community, and tends to increase unemployment."²²

Union leaders extended the Hobsonian case for better wages to the question of shorter working hours:

"Shorter hours would result in reabsorption of many now unemployed, and as a consequence there would follow a decided improvement in consumption-demand which, more than any other factor, was essential to the restoration of trade."²³

The ACTU never launched an industrial fight for the forty hour week, but it did conduct a vigorous propaganda campaign during the late 1930s for this very popular demand. The central case in the ACTU's very widely distributed pamphlet *Why the 40 Hour Week* combined a real underconsumptionist argument for the amelioration of capitalism with a "socialist" conclusion tacked onto the end. Its main propositions were

- 1) "Because the masses lacked purchasing power, the depression deepened. Under the present capitalistic system production has been developed without regard for the consumption possibilities. It has been a 'grab all, when and how you can,' by those who have speeded up machinery, and the worker has not had his proportionate share of the benefits. More goods could be purchased but the masses have not the money to buy those goods."
- 2) "The 40 hour week which Unionists demand as a step towards a real recovery means an increase in the total amount paid out in wages"
- 3) "Profits are rising and rising, and the only satisfaction [employers] get is by investing in avenues already overcapitalised, to produce more goods, for which there will be no market, thereby disturbing further the ratio of production and consumption."
- 4) "Under the existing system, Plenty is the father and mother of Poverty."²⁴

Railroad had put the relationship between socialism and shorter hours, hinted at in the conclusion to *Why the Forty Hour Week* more explicitly in 1934:

"Increased wages and shorter hours will help to national recovery, but only a new economic system will completely solve the problem."²⁵

The crux of Hobsonian real underconsumptionism, as opposed to the radical underconsumptionism of the CPA, was the assumption that the problem of inadequate purchasing power could be solved to the benefit of workers and capitalism. Unfortunately for social harmony under capitalism, the reduction of profits to create a market through higher wages also reduces employers' incentives to produce or invest at all. The reconciliation of the interests of capital and labour envisaged in real underconsumptionist theory paralleled the class position of trade union officials, whose function was to effect small reconciliations on a day to day basis. Many laborites also took from Hobson his preference for state action to redistribute income in the interests of greater purchasing power and economic stability. Believing, as Money Power theorists also did, that the state could be used by either progressive or reactionary forces, their economic arguments were focused on the program of the next Labor government or the next application to the Arbitration Court. That is not to say all laborite union officials argued the same positions. Especially in unions where Communist influence was strong, a few adopted a more radical stance.²⁶ Moreover real underconsumptionism provided rank and file workers with a rationale for seeking better wages, hours and conditions by means of direct action. A NSW Labor Council pamphlet spelt out the implications of real underconsumptionism for direct working class action:

22. *Labor Call* 29/2/40.

23. O. Schreiber *Labor Call* 26/9/35 p13, reprinted from the *Daily Telegraph*. For similar statements see *Railroad* 10/2/34 p2; "ACTU Propaganda Committee Report" in *Labor Call* 12/7/34 p13 19/7/34 p13; *Australian Worker* 30/12/36 p6, 1/9/37 p1; O. Schreiber *The Case for the Forty Hour Week, National Broadcast* (over 13 radio stations in five States), Supplement to *Furnishing Worker* 5/5/37. The AEU's shorter hours campaign included many articles, most arguing a Hobsonian case during 1935 in *Amalgamated Engineering Union Journal*. The International Labour Organisation (ILO) and Roosevelt (where his program was understood as one of higher wages and shorter hours) were also cited in support of better pay and the forty hour week as real underconsumptionist solutions to the depression, e.g. on the *ILO Labor Call* 21/6/34 p10, 4/3/37; on Roosevelt O. Schreiber *Labor Call* 28/6/34 p7, reprinted from the *Sydney Sun*; *Labor Call* 15/3/34 p6, which included references to Schreiber's arguments. Some Labor politicians also supported the demand for shorter hours, although those actually in Government, as in Queensland did nothing about it in their own states, see *Labor Call* 20/10/36 p6; J. Garden *CPD* 145, October 1934 p114, 154, September 1937 p579; R. James *ibid.* p603, H. C. Barnard *CPD* 158, November 1938 p1818. The Victorian Parliament, in which the ALP was supporting a Country Party Government, established a Select Committee on the Shorter Working Week in 1935. J. J. Holland, a Labor MLA chaired the Committee and campaigned outside the House for shorter hours. The Dunstan Government was not persuaded to reduce working hours, but officials from a number of unions were able to demonstrate their efficacy to their members by making submissions to the Committee, see, for example, *Australian Clothing and Allied Trades Union A Shorter Working Week for the Clothing Trades Workers*, Melbourne and N. Roberts *The Case for a Shorter Working Week in the Engineering Trades Amalgamated Engineering Union*, Melbourne.

24. Australian Council of Trade Unions *Why the 40 Hour Week* 1936 pp12, 14, 23, also published in *Amalgamated Engineering Union Journal* March, April and May 1937. The publication referred to authorities such as H. M. Vernon, Fred Henderson's *The Economic Consequences of Power Production*, Stuart Chase, an American underconsumptionist economist, and the ILO.

25. *Railroad* 10/2/34 p5.

26. See, for example J. F. Chapple General Secretary of the ARU *Railroad* editorial 10/2/34 p5. Chapple, much more sympathetic to the CPA, stood in as editor when the NSW Secretary, responsible for the *Railroad* cited in the previous footnote, died. Contrast, however, the situation in the Queensland ARU in which the CPA had a strong influence. The Secretary T. Moroney, argued for shorter hours as a means to increase purchasing power in *Advocate* 30/6/37 p3, a few pages after an article maintained that the significance of the fight for shorter hours was its contribution to the class struggle for socialism. "Industrialist", i.e. the Communist ARU education officer Gordon Crane, had previously made the latter case, *Advocate* 15/6/37 pp1-2.

"The logical course of the workers is to fight. The most effective check against the evil of falling prices is to prevent the further reductions of wages."²⁷

Whether the altruistic goal of working class militancy was the real underconsumptionist one of prosperity under capitalism or the Communist radical underconsumptionist one of a classless society the immediate, consequence could be the same: a heightened level of class struggle.

"Mermaids of Economic Phantasy"²⁸

The prominence of financial institutions and international financial issues in Australia's depression experience led to increased interest in monetary policy amongst laborites. Reform of the financial system had been a longstanding policy of the ALP.²⁹ The depression prompted some to adopt Money Power theories which attempted to explain capitalism in general in terms of the Financial Oligarchy's conspiracies. Others did not go quite as far, but came to place greater stress on the importance of financial reform, as a means for remedying the defects of capitalism, than they had previously. In the labour movement, monetary underconsumptionism was the justification of such reforms. Like the real underconsumptionist approach to economic policy, monetary underconsumptionism held that the main defect in capitalism was the inadequacy of purchasing power. The solutions it offered were monetary policies implemented by means of increased government control over the private trading banks, or their nationalisation, and greater powers for the Commonwealth bank, rather than the income redistribution of real underconsumptionism. There was, however, no clear dividing line between advocates of real and monetary underconsumptionist solutions. Many laborites regarded them as complimentary, proposing, for example, that Commonwealth Bank credit be used to finance public works as a way of redistributing income. Adherents of Money Power ideology, moreover, often incorporated underconsumptionist arguments into their theories to explain the mechanisms used by the financial conspiracy to effect the depression. By the same token moderate laborites sometimes had recourse to Money Power rhetoric when they wanted to emphasise a point in their program of financial reform.

The most sophisticated monetary underconsumptionist proposal to come out of the labour movement during the depression was the "Theodore Plan", proffered by Treasurer E. Theodore in 1931 as an alternative to orthodox deflationary policies. He advocated an expansionist monetary policy: the reduction of interest rates and budget deficits financed through central bank credit.³⁰ Historical research into the Labor Party's economic policies has tended to centre on the periods when Labor was in office. One could gain the impression from much of the literature (with the exception of Love's *Labour and the Money Power*) that the Theodore Plan was a prescient and distant anticipation of the Keynesian policies of the Curtin and Chifley Governments.³¹ The Theodore Plan was not, however, a speck of Keynesian gold amidst the dross of Labor economics. Even before the *General Theory* started having an influence on laborite thought (during the late 1930s rather than the War) there were significant similarities between the policies advocated by Keynes and those favoured by the ALP.

One of the obstacles to recognition of the continuity of thought between the Theodore Plan and the Keynesianism of the Curtin Government was moderate laborites' resort to Money Power rhetoric, for a period after the fall of the Scullin Government, and their apparent preoccupation with the mechanics of the banking system. The Government's collapse seemed to confirm suspicions about conspiracies. Even a number of marxists of the Second International variety in the ALP succumbed. Thus "Scrutator" proclaimed in 1934 that

"The responsibility for the present economic crisis can be laid on 'Big Money'."³²

Scullin, definitely a moderate, made similar statements:

"Unless the Government asserts its authority in regard to finance, we shall continue to be governed by the oligarchies of finance instead of the people's representatives."³³

These statements and those of Money Power theorists drew attention to a real weakness in Australian capitalism -- important levers of economic management still lay beyond the close control of the state, which could act in the interests of capital as a whole, because they were in the hands of the private banks. Interest rate, foreign reserves and credit policies which the banks regarded as in their own best interests may not have served the national interest of maximising capital accumulation in Australia. The division of labour under capitalism had constituted

27. Labor Council of NSW *The Basic Wage* Sydney 1934? p10.

28. This phrase was used by Scrutator in *Labor Call* 21/3/35 p1 to describe monetary solutions to the problems of capitalism. See footnote 13 in the "Real Underconsumptionism" section of this chapter for the context.

29. See Love *Labour and the Money Power* op. cit. pp20-55 for pre-World War I attitudes in the Labor Party.

30. C. B. Schedvin *Australia and the Great Depression* Sydney University Press, Sydney 1970 pp226-7.

31. B. McFarlane and D. Clark's useful studies of Labor policy during the depression focus on the question of who anticipated Keynes in Australia. See for example B. McFarlane *Professor Irvine's Economics* op. cit.; D. Clark "Was Lang Right?" in Radi and Spearritt *Jack Lang* op. cit.; D. Clark "Fools and Madmen" in J. Mackinoly *The Wasted Years* Allen and Unwin, Sydney 1981. In considering the Keynesianism of the Curtin Government, some of the contributors to the August 1981 Seminar on Postwar Reconstruction at the Australian National University emphasise the influence of Keynesian bureaucrats on the Curtin Government, to the virtual exclusion of the ALP's economic policies of the 1930s, e.g., A. Mamchak 'Central Economic Planning and Post-War Reconstruction'; S. Cornish 'Full Employment in Australia: the Genesis of a White Paper'; and S. Alomes 'The 1930s Background to Post-War Reconstruction', who draws attention to the acceptance of Keynesianism by the new middle class, but not by sections of the labour movement.

32. *Labor Call* 10/4/34 p1. The trauma of the depression also seems to have converted D. Cameron, the last Secretary of the Victorian Socialist Party and influential member of the Victorian ALP, to Money Power ideas.

33. J. Scullin *CPD* 145, 1934 p91, also see F. Forde *Labor Call* 13/9/34 p15. There was little difference between these statements and J. Beasley's, Langite position, e.g. J. Beasley in D. B. Copland and C. V. Janes *Cross Currents in Australian Finance* Angus and Robertson, Sydney 1936 p329.

the movement of money capital as a distinct circuit of capital, whose disruption could upset the process of accumulation through-out the economy. State intervention could prevent some of the worst effects of economic crises due to the internal structure of the financial system, for example, exacerbation of the depression by banks' restrictive credit policies. Although the crisis of the early 1930s did see an expansion in the role of the Commonwealth Bank, this was still limited and the Bank remained beyond the ready control of governments. S. McHugh's comment in the Federal Parliament in 1939 was an exaggeration rather than a distortion of the situation:

"The financial position of this country today is that nine banking companies control the monetary policies of the nation."³⁴

Without reform of the financial system events had demonstrated, the implementation of policies along the lines of the Theodore Plan and monetary underconsumptionist theory would not be possible. Hence the emphasis by moderate laborites, as well as advocates of Money Power theory, on the importance of reforms of the financial system.

The Official and Labor Parties shared some policies for reform of the financial system. These amounted to changes to the Commonwealth Bank so that it would be subject to closer Government direction and more able to control financial developments.³⁵ Cartoon 10 illustrates the relationship many laborites saw between the financial and productive systems. Such reforms had a different significance for the two currents, however. For Money Power theorists they were part of a program to smash the Financial Oligarchy and thus free the economy from its destructive and conspiratorial dictates. But another measure was vital to the success of any financial reform -- the nationalisation of all banking. If the evils of capitalism were embodied in the Money Power's conspiracy then the radical measure of bank nationalisation, sometimes equated with socialism, were wholly justified.³⁶ Moderate laborites, while supporting bank nationalisation as a good thing in principle, usually eschewed it as a short-term measure. They believed that a more limited financial reform could correct the faults in the financial mechanisms of capitalism. The reforms were means to the end of improved policies of economic management rather than make or break measures:

"Whilst it is obvious to those who have studied the problem of monetary reform -- excepting Douglas Credit and such like theorists -- that monetary reform of itself is not the remedy for all the evils from which the nation is suffering, I am convinced that it would be the most important first step."³⁷

The differences between the Money Power and moderate laborite approaches to financial reform were apparent when the ALP reviewed its policies, on the reunification of the Labor and Official Parties in 1936. The Plan of Action embodied in the new financial policy amounted to a modification of the structure of the Commonwealth Bank and an extension of its functions. The ex-Laborites twice attempted to amend the policy along the lines of "immediate" nationalisation of banking, both times unsuccessfully. F. M. J. Baker also sought to increase the role of the proposed Credit Advisory Authority.³⁸ The revised Federal Platform of the ALP still included bank nationalisation as a plank, like socialisation of the means of production distribution and exchange, to be implemented at some indefinite point in the future.³⁹ This compromise reflected the recovery of the fortunes of moderate laborites as the economy picked up again.

Following the formal resolution of the Party's differences over financial policy, the moderate view was clearly dominant amongst laborites. In 1937 *Labor Call* explained that

"National control of banking is the first long range remedy for depression and unemployment."⁴⁰

The implication was clearly that further remedies would follow. Similarly Curtin saw monetary reform as preliminary to the policies of general economic management:

"National control of banking policy and the instruments of exchange are the necessary first steps to all effective planning for: Industrial expansion, fully employed manpower, national defence, preparedness against depression, reduction of the interest burden on public utilities."⁴¹

Laborites cited a variety of international authorities and experiences -- the British Macmillan Commission's

34. S. McHugh CPD 161, September 1939 p410. Also see J. Curtin *Labor Call* 22/6/39 p6 and *Labor Call* editorial 18/8/34 p4.

35. See the Party Platforms throughout the 1930s and, for example, the 1934 Federal Executive Election Manifesto *Labor Call* 3/5/35.

36. For the argument that the Money Power had deliberately caused the depression see, for example, *Railroad* 10/4/34 pp1-2; J. Beasley in Copland and Janes *Cross Currents in Australian Finance* op. cit. p396; H. Lazzarini CPD 147, 1935 pp802-5; J. Garden *ibid.* pp830, 832-3; *Labor Call* 24/4/41 pp4, 8.

37. F. M. J. Baker CPD 147, 1935 p1249. J. Scullin, in Copland and Janes *Cross Currents in Australian Finance* op. cit. pp387, 389 made the obverse case that "an obsolete banking system" accentuated rather than "caused" the depression also see *Labor Call* 23/8/34 pp1-4. J. Dedman *Labor Call* 28/6/34 p10 took a slightly different view, but one also at odds with Money Power conspiracies, that "a faulty monetary and banking system is the root cause of the depression."

38. P. Weller (ed.) *Caucus Minutes, 1901-1949: Minutes of the Meetings of the Federal Parliamentary Labor Party Volume 3* Melbourne University Press, Melbourne 1975 pp139-42 and *Love Labour and the Money Power* op. cit. p144-6. The Credit Advisory Authority was a proposal which had its roots in Social Credit theory.

39. For this point see P. Love 'Labor and the Money Power, 1890-1950' M.A. Thesis, La Trobe University 1980 pp210-3 and F. M. J. Baker CPD 147, 1935 p1249. The socialisation plank did have its uses, to distinguish the Labor position from Douglasite or other monetary fixes, see e.g. *Labor Call* 21/3/35 p1, 16/4/36 p8; *Labor Daily* 16/4/36 p4. For a use of socialism by a Labor moderate, Queensland Premier Forgan Smith, to outflank radical Money Power theory see Love 'Labor and the Money Power' op. cit. p203. Unfortunately Love takes Smith's statement at face value when it was essentially a cynical manoeuvre.

40. *Labor Call* 28/1/37 p3 also see 3/9/36 p9: "Monetary reform is not a cure-all for the world's economic ills."

41. *Labor Call* 21/10/37 p6. Also see J. Curtin *The Policy of the Labor Party* op. cit. and *Labor Call* 5/9/40 p7.

Report, the New Deal, Swedish banking policies and the ILO -- to justify their proposals for financial reform.⁴² But the local Banking Commission Report of 1936 provided a vital reference point for the next ten years. It is worth noting that the majority report, with its advocacy of a stronger Commonwealth Bank, generally received more attention than Chifley's minority report. In accord with Labor's policy, Chifley adhered to most of the main Report's recommendations, but argued for the "ultimate" nationalisation of banking. He justified nationalisation on the basis of the national, i.e. capitalist interest:

"My criticisms are directed at the inability of any system which includes privately owned banks as an integral part to function in the best interests of the community."⁴³

The Report's initial reception was mixed. Some laborites regarded it as a justification for the existing order, while others thought it revealed some of the problems of the financial system and offered some sensible solutions to them.⁴⁴ But within a short period it had become a touchstone for sound financial reforms and policy, i.e. those of the ALP. W. F. Ahern, while using radical Money Power rhetoric, maintained that

"The Commission's report contains some very drastic recommendations for the better control of the private banking system, and for clipping of the claws of the Money Masters."⁴⁵

By 1939 it had become apparent that the UAP Government would not act on the Royal Commission's Report. Ward interpreted this as evidence of a conspiracy. Forde later gloated that "The labour party is the only party with a reform policy" for the financial system.⁴⁶ In November 1940 Curtin moved an amendment to the budget to promote, amongst other goals, regulation of the trading banks "on the basis of the Royal Commission on Banking. . ."⁴⁷ Although Menzies modified his budget to secure Labor support, controls over the banks like those in the Royal Commission Report were only promulgated in November 1941, after Labor took office. When the war time banking regulations were translated into law, in 1945, the Banking Commission's recommendations were still the standard against which they were constructed.⁴⁸

For moderate laborites, reform of the financial system was essentially a means to the end of more effective policies of economic management. So their monetary underconsumptionist ideas were most obvious when the proposals for such policies, rather than the preliminaries of financial reform, were discussed. Thus H. C. Barnard told the Commonwealth Parliament in 1935

"My belief is that the present economic trouble is the lack of purchasing power among the world's consumers. . . The solution of the difficulty lies in the creation of credits for the general mass, and not, as at present, for a privileged few."⁴⁹

Control over the financial system could ensure an equilibration of production and consumption:

"The Labor Party believes in the utilisation of the wealth of Australia. . . by national control of credit resources, and the establishment of an efficient medium of exchange between production and consumption. It believes that the control of the credit resources of the nation should be vested in the Commonwealth Bank. . . Employment and the expansion of social services should be so organised to ensure to the community the essential purchasing power whereby our primary and secondary industries could be developed and operated to the fullest capacity."⁵⁰

To support their case for monetary policies to finance public works to put people back in work and thus increase purchasing power, laborites cited ILO publications, Roosevelt's policies and those of the Labour Government in New Zealand.⁵¹

An individual laborite union official, journalist or politician might express real or monetary underconsumptionist beliefs, or both.⁵² The previous section concluded that there was a strong case for regarding real underconsumptionism as, in part, an expression of the pressure of the working class on the labour bureaucracy.

42. E.g. J. Garden *CPD* 147, 1935 pp830-3; W. J. C. Riordan *CPD* 158, November 1938 p1999; *ALP Debaters Bulletin* July 1936 p4.

43. *Report of the Royal Commission Appointed to Inquire into the Monetary and Banking Systems at Present in Operation in Australia* Commonwealth Parliamentary Papers 1937 p263-4.

44. Love 'Labor and the Money Power' op. cit. pp217-9.

45. *Australian Worker* 4/8/37. Curtin's 1937 election policy speech held that the

"Report and recommendations are a reinforcement of the Labor Party's views on this important subject. . . The Labor Party is determined that no groups of bankers, no coterie of private interests and certainly no instrumentality set up originally by the people for the people, shall stand in the way of bringing full industrial opportunity to every member of Australia's unemployed."

Also see *Labor Call* 14/10/37 p9, 19/10/39 p13, 29/8/40 p1, 5/9/40 p7, 17/7/41 p3; E. J. Holloway *CPD* 158, November 1939 p432; G. W. Martens *CPD* 161, September 1939 p512; W. P. Conelan *ibid.* p73, W. J. C. Riordan *ibid.* p521; T. Sheehan *CPD* 165, December 1940 p702.

46. E. Ward *CPD* 161 September 1939 p667, F. Forde *CPD* 165, December 1940 pp367-8, also Forde *CPD* 168, October 1941 p636. For a Money Power theorists response to the Government's proposed new banking laws in 1939 see S. F. Allen "Hands Off the Commonwealth Bank" *ALP Debaters Bulletin* May 1939 pp1, 3.

47. J. Curtin *CPD* 165, November 1940 p268. Also see Curtin *CPD* 165, December 1940 p483.

48. S. J. Butlin and C. B. Schedvin *War Economy, 1942-1945* Australian War Memorial, Canberra 1977 pp618-20.

49. H. C. Barnard *CPD* 147, 1935 p1142.

50. Secretary of the Metropolitan District Council of the Western Australian ALP *Labor Call* 21/8/41 p8. Also see J. Scullin's 3KZ broadcast in *Labor Call* 5/9/35 p13. See also *Labor Call* 3/9/36 p9, 18/8/38 p4, 28/9/39 p3, 16/11/39 p3; *Labor Daily* 20/1/34 p8, 27/1/34 p12, *Australian Worker* 13/1/37 p8; E. J. Holloway *CPD* 145, 1934 p534; N. Makin *ibid.* 669-70; W. J. C. Riordan *CPD* 158, 1938 p1999.

51. For comments on the ILO see *Labor Call* 14/3/35 p4; J. Curtin election policy speech *Labor Call* 23/9/37 pp8-9; *Advocate* 15/6/37 p3, 15/7/37 pp2-3; A. S. Drakeford *CPD* 147, 1935 pp1086-7; for Comments on Roosevelt see *Labor Call* 11/1/34 p8, 25/1/34 p1; and for comments on the New Zealand Labour Government *Labor Call* 7/1/37 p1, 1/6/39 p12; *Australian Worker* 11/8/37 p7.

52. For a combination of real and monetary measures see report of J. Beasley's policy speech for the 1934 federal elections *Labor Daily* 17/8/34 pp1, 10, ALP Federal Executive Manifesto "Labor's Policy for the Crisis" *Labor Call* 3/5/34 p15.

Monetary underconsumptionism, on the other hand, expressed their relationship with capital, whose need for more effective state management of the economy (especially of the financial system), labour bureaucrats recognised. They justified the need for state intervention to secure capitalist growth to their constituencies with the contention that a healthy economy would be capable of delivering the goods to the working class, in the form of increased purchasing power. Alternatively the labour movement was told that state control or ownership of banking was progressive or socialist per se.⁵³ Monetary underconsumptionist measures could appeal to workers and also to classes fearful of a dramatic redistribution of income, like the petty bourgeoisies. They could not be implemented through direct working class action but only by means of legislation. So monetary underconsumptionism had a specific attraction for Labor politicians. While the spiritual home of the real approach, therefore, was the union office, that of the monetary view was the Labor benches in Parliament. During the 1940s it was the politicians, aided by the Labor Party machines, who converted the mass of laborites to Keynesian economics. But even during the late 1930s, some laborites came to recognise the value of the "new" economics.

From "Elective Affinity" to Embrace

Arguments within the labour movement, as elsewhere, were often justified by drawing on the testimony of eminent authorities. Union advocates, labour publicists and ALP politicians cited the statements of respected figures, whose faith in the established order could not be doubted. This did not necessarily mean that the authority's entire position was accepted or even understood. During the early 1930s Keynes's opposition to cuts in money wages (though he favoured cuts in real wages) and support for public works made him a suitable authority for quotation.⁵⁴

Policies of which Keynes certainly approved, credit expansion and public works, had widespread currency in the labour movement during the 1930s. For this reason the relative paucity of references to Keynes was symptomatic. It indicated that, until 1937, laborites were not especially concerned with developments in academic economics and the systematic justifications for "new" economic policies Keynes and others were elaborating well before the publication of the *General Theory*. Laborites justified their positions with a loose ensemble of ideologies, including protectionism, real and monetary underconsumptionism, rather than the exposition of rigorous theory. In each case they identified the working class's with the national interest. A particular obstacle in the way of laborites accepting the analyses of academic economists, even those they cited in support of their own arguments, was the suspicion of the profession engendered by its behaviour during the depression, and the participation of some of its foremost representatives in the preparation of the Premiers' Plan.⁵⁵ Given laborite agnosticism towards academic economic theory until the late 1930s, the ILO, Roosevelt and the New Zealand Labour Government were more significant authorities in the labour movement than Keynes.

The appearance of the *General Theory* was an important development in the relationship between laborites and academic economists, although its immediate impact was not dramatic. The book provided a systematic justification for a series of laborite policies, which went beyond previous offerings from Keynes and the new economics. Its publication was also an important step in the popularisation and acceptance of Keynes's theories in respectable circles. References to Keynes could soon be expected to elicit a favourable response when dealing with the Conciliation and Arbitration Court or trying to convince swinging voters of the value of Labor's economic program. Cain gives E. R. Walker the laurels for being Australia's first academic Keynesian and for his interpretation of the new faith to the academic community and the Royal Commission on Banking. Walker's trade union counter-part was Oscar Schreiber. Shortly after his 1935 justification of higher wages in Hobsonian terms, Schreiber used the arguments of the *General Theory*, published only a few months before, to explain how unemployment could be fought:

"Mr. Keynes. . . says that it is essential to devise an economic order that will secure equilibrium on the basis of 'full employment', that the failure to do so is an inherent defect of the present economic system and can only be remedied by the State taking control of the supply of money to secure its adequacy, controlling the rate of interest and taking over or controlling the amount and direction of investment.

"The effects of these 'maladjustments in the economic system undoubtedly are --

- "(a) Inadequate standards of livelihood;
- "(b) Maldistribution of the national income;
- "(c) Underconsumption; and

53. E.g. *Labor Call* editorial 13/9/34 p8, 30/5/35 p8, 17/9/35 p8, 2/7/36 p3. By way of contrast F. Engels *Socialism, Utopian and Scientific* Foreign Languages Press, Peking 1975 pp90-1 explained that although "The state is constrained to take over the direction of production" this could in no way be equated with socialism".

54. For references to Keynes by Langites see Clark "Fools and Madmen" op. cit. pp180, 189, Clark "Was Lang Right?" op. cit. p157, J. Lang *Why I Fight* Labor Daily, Sydney 1934 pp153 (reference to "J. M. Keynes, British banker"), 290-3 (reference to "James Maynard Keynes" as the author of the *Treatise on Money*); *Labor Daily* 27/1/34 p12 mentions Keynes's position that loan expenditure to employ the unemployed would pay for itself by saving relief money and increasing tax returns. Also see Conciliation and Arbitration Court Registry 1933 *Applications for the Restoration of 10% Reduction of Wages, Transcript of Proceedings* pp218, 472 for references to Keynes by the ACTU advocates; *Labor Call* 6/9/34 p13.

55. That this suspicion affected some laborites' attitudes to Keynes was obvious in D. Wade's comment, *Amalgamated Engineering Union Journal* June 1935 pp9-10:

"The capitalists' economists in all countries have got themselves tied into knots. They are trying to save capitalism which has become obsolete and is so badly worn it is falling to pieces all round them. One of them Maynard Keynes, has said 'Men will not always die quietly' evidently he believes they are dying quietly now."

"(d) Economic insecurity of the community."⁵⁶

Schreiber's immediate program for full employment included public works and "national undertakings", financed by low or no interest loans, higher wages, shorter hours, later school leaving and earlier retirement ages. His position was not, therefore, dramatically different from that in his *Sun* articles and pamphlet of 1935. But there were some changes. In previous laborite analyses interest rates were generally understood in the context of income distribution (the bondholder taking an unjustifiable cut of the nation's wealth), Schreiber now recognised them as an important variable in economic management. He noted that the Commonwealth Bank was increasing interest rates to slow down the recovery. In his 1936 exposition Schreiber also replaced the Hobsonian analysis of overinvestment with a call for greater state direction of investment. This demand, as opposed to those for public works and state enterprises, seems to have been a Keynes-inspired innovation, taken up by moderate laborites during the late 1930s and linked with the traditional demand for greater state planning. Schreiber's conclusion was very much in accord with his earlier articles:

"There must be established an improved and progressively rising standard of living to ensure adequate and well-spread purchasing power -- the absence of which is a contributory and deep-rooted cause of economic depression and unemployment."

Although more slowly than Schreiber, other laborites came to recognise earlier monetary and real underconsumptionist themes and additional arguments with which to justify their favourite economic policies, in Keynesian theory.⁵⁷ Early in 1937, under the delightful headline "Carefully Concocted Conference Campaign: Figures Juggled to Blind Australia with Gladness", Keynes was invoked to support the contention that

"National control of banking is the first long range remedy for depression and unemployment."⁵⁸

After all, Keynes's "views command respect and fear", who better to testify for ALP policy. This reference, however, was essentially in the vein of those which preceded the *General Theory* and did not betray a secure understanding of its argument.

By itself the Australian impact of the *General Theory* was limited. But two local developments soon alerted laborites to the value of Keynesianism and allayed their suspicion of professional economists. The Banking Commission Report and Reddaway's evidence in the 1937 Basic Wage hearings both signalled in practical terms, that there had been a revolution in academic economics. They helped cement what R. Watts has called the "elective affinity" between the ALP and the Keynesian planners of the late 1930s.⁵⁹

Reddaway recommended an increase in the level of the Basic Wage, on the basis of the progress of the economic recovery and export price rises. Using Keynesian logic, he maintained that the economy was moving towards an unhealthy boom (despite eight per cent. unemployment). A larger rather than a smaller increase in wages was called for in order to dampen employers' expectations of profits and hence to restrict investment and the boom.⁶⁰ Reddaway's presentation, centering on profit expectations and their consequences in overinvestment had some resemblance to the Hobsonian concept of overinvestment. Professors Copland and Giblin, two of the architects of the Premiers' Plan, endorsed Reddaway's analysis. His testimony was greeted with elation by large sections of the labour movement. There were detailed accounts of it in several labour newspapers.⁶¹ The Melbourne Trades Hall Council's report on the Basic Wage case noted that

56. O. Schreiber "Remedies for Unemployment: Labor's View" *Labor Call* 9/4/36 p14. This article was probably a reprint from a Sydney newspaper, as others by Schreiber published in *Labor Call* were, so it would have been written very shortly after the release of the *General Theory*.

57. For a general, favourable comment on the "new economists" see R. Butler "Money Flows for War -- Why Not for Peace?" *Amalgamated Engineering Union Journal* January 1939 p18. T. Rowse *Australian Liberalism and National Character* Kibble Books, Malmesbury 1978 p28 suggests that

"A speech made by John Curtin in 1936 captures the transition to a Keynesian rationale [for Labor plans for social reconstruction]."

But this is not the case. The ALP had been committed to welfare policies for many years and Curtin's case for them is based on considerations of equity rather than of economic management to maximise growth. See the speech "The Census and the Social Service State" in G. V. Portus (ed.) *What the Census Reveals* Preece and Sons, Adelaide 1936 and *Australian Worker* 8/7/36 p8, 15/7/36 p8. Curtin accepted that unemployment was likely to "have a steadily rising normal volume". He saw social services as a means of protecting the existing order, by minimising the extent to which the unemployed "constitute a menace to the existing order". A comment on the speech, in Portus, made Curtin's perspective clear:

"Mr. Spicer (Vic) Mr. Curtin's paper was somewhat disappointing. It seemed to him [Spicer] to lay too much stress upon the necessity of relieving unemployment when one might have hoped for some contribution with regard to the problem: How to get rid of unemployment."

In Britain the *General Theory* received an occasionally rapturous welcome amongst sections of the labour movement and its academic supporters. For example A. L. Rowse *Mr. Keynes and the Labour Movement* Macmillan, London 1936 p12 maintained that

"What constitutes the political importance of the book, is that at every point, without a single exception, it is in full agreement with Labour policy in this country, and what is even more significant, expresses in proper economic form what has been implicit in the Labour Movement's attitude all along. Here at last is an economist of the first rank, indeed one of the foremost economist in the world, underwriting the whole Labour position in these post-war years and proving us to have been substantially right."

G. D. H. Cole, cited *ibid.*, called the *General Theory* "the most important economic writing since Marx's capital". Cole also thought that "most of the non-Marxist socialist economists swallowed Keynes whole, and became his fervent disciples", cited in D. Winch *Economics and Policy* Walker and Company, New York 1969 p349.

58. *Labor Call* 28/1/37 p3, original emphasis.

59. R. Watts "Revising the Revisionists: the A.L.P. and Liberalism, 1941-1945" *Thesis Eleven* 7, 1983 p72.

60. Conciliation and Arbitration Court Registry 1937 *Transcript* op. cit. pp871-3, Reddaway "Australian Wage Policy, 1929-37" op. cit. p126.

61. E.g. *Labor Call* 20/5/37 pp1, 8, 9, *Advocate* 31/5/37 p10.

"Secretary [of the ACTU] Crofts said he desired to pay tribute to the capable manner in which Mr. Reddaway had given evidence before the Court at its invitation, to show that an increase in wages would be desirable."⁶²

M. M. Nolan spelt out the implications of Reddaway's Court appearance:

"Evidence tendered to the Arbitration Court by Mr. A. [sic] B. Reddaway of Melbourne University, denotes a profound change in orthodox economic outlook since the professors so confidently advocated an all round wage reduction in 1931."

If Giblin and Copland had been in the witness box

"It would have been difficult for them to reconcile their present views with those which wrought such havoc at the time of the notorious ten per cent. cut in real wages."⁶³

Nolan employed Keynes's own designation of his orthodox predecessors as "classical", rather than "neo-classical" economists. There was a note of unease in his assessment of Reddaway's evidence on the importance of Australia's export trade and his stress on the national income. In accord with laborite protectionism, Nolan regarded tariffs as a means of minimising Australia's dependence on exports, by diversifying local production and expanding the domestic market.

Unease over Reddaway's, and Keynes's, conception of national income was fully justified. Contrary to Nolan's interpretation, Reddaway did not favour higher wages per se. His testimony explicitly recognised that a deterioration in the international situation might justify a wage cut.⁶⁴ Moreover, in a later article which explained the rationale behind his evidence to the Court, Reddaway concluded

"That the policy adopted by the Federal Court [of wage cuts during the early 1930s] was substantially correct and made a big contribution to recovery."

And that industry's capacity to pay was a sounder principle for wage fixation than the needs of the workers.⁶⁵

Gordon Crane, a Communist, produced an insightful critique of the academic economists' apparent change of heart and drew attention to the profession's unreliability as an ally:

"... The "brilliant" young economist", Mr. Reddaway, has been so effectively boosted (in trade union circles among others), as a champion of wage-restoration, that he can readily be used for the contrary purpose whenever needed.

"In this regard it is important to note that there is nothing incompatible in Mr. Reddaway appearing as a supporter of wage increases in 1937 and wage reduction in 1938."⁶⁶

Crane's was a lone voice. Even the Communist Party did not take up the critique of the new economics for several years.

Shortly after the 1937 Basic Wage case, the Banking Commission Report was published. It provided Keynesian justifications for even more laborite policies. Curtin's 1937 election policy speech cited the Report, using it to support established Labor policies and drawing on it for some innovations. He noted that

"It observed that during the depression the proper policy for the Commonwealth Bank was one of expansion, and has stated that if central bank control was to be successful in promoting recovery Government expenditure had to be the chief factor."⁶⁷

The policy tools he advocated for dealing with unemployment and increasing economic preparedness came out of the Keynesian kit: credit and interest rate control, and national direction of investment to promote balanced economic development.

During late 1937 H. W. Herbert explained the causes of and Labor's cures for economic fluctuations in essentially Keynesian terms, to readers of *Labor Call*. His acceptance that the key economic variable was the "unstable confidence of investors", of unbalanced budgets and that inflation had to be avoided -- all indications of Keynesian influence.⁶⁸ Herbert quoted the Banking Commission Report on the need to expand credit during a depression. A Labor Government would control credit so

"That there is productive work on good rates of pay assured for everyone, and yet credit is not increased to such an extent as to cause a rise in prices."⁶⁹

Although this kind of proposal had been made by Theodore in 1931, Herbert believed, presumably under the influence of Keynesian self-advertisement, that

62. *Labor Call* 1/7/37 p8.

63. *Labor Call* 27/5/37 p3.

64. Conciliation and Arbitration Court Registry 1937 *Transcript* op. cit. p875.

65. Reddaway "Australian Wages Policy, 1929-37" op. cit. p126, 129.

66. *Workers' Information* February 1938 p3.

67. *Labor Call* 23/9/37 pp8-9. After the elections *Common Cause* 30/10/37 reported

"Mr. Curtin speaking at Kalgoorlie referring to what Mr. J. M. Keynes, the noted economist, had to say, made a suggestion to Mr. Lyons that, regardless of politics, he had a duty to prepare Australia to meet the next depression."

Curtin explained his approach to economic management again in J. Curtin *The Policy of the Labor Party* op. cit. p40. Also see *Labor Call* 29/8/40 pp1, 10 and F. Forde *CPD* 165, December 1940 p364.

68. *Labor Call* 30/9/37 p8, the articles appeared until 11/11/37.

69. *Labor Call* 14/10/37 p9.

"The methods of controlling depressions have been fairly well worked out during the last few years."⁷⁰

By 1938 some laborites recognised that ALP policies, justified by Keynesian economics, resembled those of more conservative forces in Australian society. Thus *Labor Call* drew attention to a Bank of NSW circular which advocated credit expansion instead of increased taxation to finance L1,000,000 of deficit expenditure.⁷¹ F. M. J. Baker recognised that NSW Premier Stevens was advocating credit policies such as those of the ALP. He referred to both the ILO and E. R. Walker, "a well-known leading orthodox economist", to justify the expansion of credit to finance public works and quoted from Walker to the effect that Keynes grasped "the possibility of varying investment independently of voluntary saving".⁷² In 1940 a laborite expressed the convergence of the new economic orthodoxy with Labor's policies in his comments on the Theodore Plan:

"Since the time E. G. Theodore's plan was rejected at the behest of the trading banks and little Australians who had placed profits before country, the merit of the Theodore credit proposals has been recognised, but political bigotry and hatred are still being shown against the reformer -- E. G. Theodore."⁷³

During the 1940 budget debate one of the ALP's primary concerns was the danger of inflation. Old Money Power theorists like Lazzarini joined moderates such as Curtin, Scullin and Dedman in expressing fear that the Government's methods of financing the War would lead to inflationary credit expansion by the banks. Curtin called for the implementation of the Royal Commission's proposals for bank regulation so that inflation could be prevented.⁷⁴ The issue of inflation brought together older laborite preoccupations with monetary and banking policy, Keynesian ideas to bolster them, and the over-riding rationale of the national interest. Under the Curtin and Chifley Governments, the Keynesian analysis of inflation provided the ideological justification for the restriction of working class living standards.

The circumstances of the interwar period had produced in Keynesianism an ideology which sanctioned the elaboration of more comprehensive economic management of interest and foreign exchange rates, credit policy and fiscal policy by the state in the cause of capital accumulation. As Skidelsky points out, orthodox economists did not see the solution to depression in economic terms -- what they required was the reestablishment by political means of the conditions, such as the reduction of union power, social services and wages, under which economic laws would guarantee growth. Keynes turned the problems of the depression into technical, economic questions. Moreover,

"The Keynesian system avoided having to choose between Capital and Labour. Keeping demand buoyant would underwrite both profits and employment, thus easing the conflict over the distribution of wealth."⁷⁵

These characteristics endeared the new economics to laborites, who were also concerned to reconcile capital and labour, had no desire to see the short-term demise of capitalism and who welcomed the sanctification of many cherished policies by economic "science": not only did Keynesian economists support reform of the banking system, but Keynes himself had been critical of free-trade so the new faith was compatible with protectionism.⁷⁶ It stressed monetary factors, but admitted that income distribution, an important concern to many laborites, was an important economic variable. Moderate laborites found that the flexibility of Keynesianism facilitated the transition to the new theory, without requiring substantial shifts in the policies they advocated. This flexibility and the theory's acceptability to the capitalist class offered an important advantage for Labor leaders over earlier economic theories in the labour movement. For example, during the depression the ineffectiveness of Labor Governments and their complicity in anti-working class policies could not be justified in terms of the old theories. Lyons and his followers reacted by going over to the conservative parties and orthodox economics. Under the impetus of the political mobilisation of the working class Lang and others shifted to Money Power theory. Moderates had no real recourse besides simple embarrassment and a belated shift to Money Power rhetoric.⁷⁷ The adoption of Keynesian theory by moderate laborites meant that they could implement anti-working class economic measures -- especially wage restraint -- without suffering a crisis of ideology. Many of the left-right differences inside the ALP and the labour movement could be fought out within the framework of the new economics. Unlike the previous economic orthodoxy, its Keynesian successor was able to provide an ideology not only for the capitalist class, but also for those seeking to mediate between capital and labour by way of state intervention.

70. *Labor Call* 11/11/37 p7. H. W. Herbert *Labor Call* 30/9/37 p8, 11/11/37 p7 also advocated measures such as high transfer taxes on shares and property, to discourage speculation (a Keynesian concern); increased taxation of higher incomes, for the same reason and to pay off government debts incurred during depressions; and public works financed by the Commonwealth Bank. He extended the Keynesian enthusiasm for the euthenasia of the bondholder to the hope that private investors in general could be despatched.

71. *Labor Call* 22/9/38 p7.

72. F. M. J. Baker *CPD* 158, November 1938 pp2022, 2023. See *ibid.* p2026 and W. P. Conelan *CPD* 161, September 1939 p731 for references to the policies advocated in the Banking Commission Report.

73. *Labor Call* 11/7/40 p7.

74. J. Curtin *CPD* 165, November 1940 p268, also see H. Lazzarini *ibid.* p294 and M. Blackburn *ibid.* p300. H. V. Evatt *ibid.* p283 brought an article by E. R. Walker to bear on the question, while J. Dedman quoted Keynes's aphorism that "Practical men... are usually slaves to some defunct economist." Dedman probably lifted the quotation from T. W. Swan "Australia's War Financial and Banking Policy" *Economic Record* June 1940, also referred to by Evatt *CPD* 165, November 1940 p285.

75. R. Skidelsky "Keynes and the Reconstruction of Liberalism" *Encounter* April 1979 pp29-31.

76. See Keynes *General Theory* pp333-4 for a sympathetic account of mercantilism.

77. It is in this sense that L. Lewis's statement, taken up by Watts "Revising the Revisionists" *op. cit.* p72 is significant:

"The depression confirmed that the labour movement had not been (intellectually) equipped to deal with the depression."

Only with the end of the boom and the need for theories that justified harsher economic policies was Keynesian economics superseded.

CHAPTER FIVE

AUSTRALIAN NATIONALISM IN RUSSIA'S INTERESTS

During the 1920s the CPA had recognised that the idea of the "national interest" was class biased because the nation and its institutional expression in the state were constituted in the interests of the capitalist class. Support for the national interest therefore meant the subordination of all classes to the class holding state power.¹ After 1934, the subordination of the Party to the interests of the Stalinised Comintern entailed a rejection of this insight. The new "Popular Front line liberated the CPA from any over-riding, immediate concern with working class action to initiate socialism. The Party's role was to advertise the virtues of Russia's foreign policy and to promote Australian policies in accord with them, by influencing the ALP and securing its return to office on a suitable platform. Two lines of argument were used to justify this objective. First that Russia was socialist, a land of milk, honey, happy workers and peasants, and should therefore be supported. The CPA and its front organisations put this case, while the Friends of the Soviet Union was specifically established for the purpose. Secondly the CPA argued that it was in Australia's national interests to ally with Russia.² E. W. Campbell told the Central Committee in August 1938,

"Communists may understand their tasks and duties in relation to the Soviet Union, but I think we should make much more rapid progress if we set out to show that the policy of the Soviet Union not only protects the Socialist fatherland, but also is the best guarantee of keeping Australia out of war."³

The Party's acceptance of the concept of the national interest, as applied to Russia and Australia eventually led Communists to justify collaboration between the working class and "progressive" sections of the capitalist class. The enemy was limited to "the Lyons administration and the most reactionary sections of the ruling class".⁴

Where the ALP's nationalism permeated its economic theory, the CPA's affection for the Australian motherland during the Popular Front did not have similar effect on its economic ideas. The CPA's Australian nationalism was counterbalanced by an even greater commitment to Russia's national interests. This inhibited the expression of an unequivocal Australian nationalism. An interplay between loyalties to Russia and Australia ran through the various areas of Communist economic analysis discussed in this chapter. On questions of Australia's place in the world, discussed immediately below, the CPA's pursuit of the national interest was tempered by the hope that it could influence British foreign policy from within the Empire. Participants in the Popular Front milieu, who were not members of the CPA, might not be so constrained in their expression of the logic of Australian nationalism. The Party's anti-monopolism and studies of Australia's "rich families" were creations of the Popular Front period pervaded with nationalism and designed to have a wide appeal across classes. But even in this case Communists did not go to the same nationalist extremes as Money Power theorists, whose approach was in many ways similar. The process worked in reverse too. The CPA's theory of economic crisis, radical underconsumptionism, was in many ways an expression of loyalty to socialist revolution and the Soviet Union. The requirements of effective and practical Popular Front politics, however, led to a growing accommodation with reformism in the Party's underconsumptionist theory. In many of its activities the CPA was not only concerned with Australian and Soviet national interests, but also with those of the Australian working class, sections of which constituted its social base -- the foundation of its influence in Australian society. Concern for the interests of the Australia working class were often expressed in anti-monopolist terms and affected the Party's attitudes to industrial struggle. Concern to preserve its social base restricted the adoption of a reformist underconsumptionism which focused primarily on ameliorative action by the state, by Communists.

Between Motherland and Fatherland

Communist commitment to Australian nationalism during the Popular Front period did not have a decisively anti-British flavour, even though Britain was the imperialist power most closely involved in Australia. Russian foreign

1. On the Marxist theory of the state see V. I. Lenin *The State and Revolution* Foreign Languages Press, Peking 1970. As late as July 1935, the month of the Seventh Congress of the Comintern, L. Donald "The 'National Defence' Policy of the Labor Party" *Communist Review* p27 offered a Marxist critique of a vital component of the concept of the national interest -- national defence -- as "an open betrayal of the class interests of the workers and is in direct support of the class interests of the capitalists", emphasis in the original. For an account of the CPA's position on national defence see D. Rose "The Movement Against War and Fascism, 1933-1939" *Labour History* 38 May 1980 pp84-6 and Claudin *The Communist Movement* op. cit. pp176-80 for international developments.

2. See, for example, D. Morey "Mr. Curtin and the Defence of Australia" *Communist Review* May 1936 pp31-2.

3. *Workers Weekly* 11/8/36 p4.

4. S. Mason (probably a pseudonym of J. B. Miles) "A Program of Peace for the Australian People" *Communist Review* January 1937 "Communists are by no means indifferent to the fate of their country" and will fight to preserve Australian democracy against "external reaction even if the USSR was not involved in the conflict. Central Committee Draft Resolutions to the 12th National Congress *Unite for Peace, Freedom and Democracy* Communist Party of Australia, Sydney 1938 for the characterisation of the enemy of the progressive movement. Also see L. L. Sharkey "The Events in the New South Wales Labor Party and the Future" *Communist Review* July 1936 p8. Most of the CPA's important pronouncements were made by a small group of leading members on the Central Committee. Their names will recur frequently in the following discussions. They included J. B. Miles, the Party Secretary until 1948; L. L. Sharkey, Party President and then Secretary; R. Dixon Assistant Secretary then President; J. D. Blake; and E. W. Campbell.

policy, and hence the the CPA's, was concerned to win diplomatic and military support from Britain. Australia's membership of the British Empire was to be used rather than opposed:

"We must insist that Australia exercise its rights in the forming of the foreign policy which means too much to the future of the British Empire and therefore Australia."⁵

According to one critic of the CPA, the Party even adopted a policy of defending the Empire against the mistaken policies of Britain's leaders.⁶ Under the rubric of "anti-fascism", Russia's rulers and the CPA opposed those countries, Germany and Japan in particular, which constituted the immediate threat to the Soviet fatherland. In the Pacific the Australian Communists eventually identified Japan as the main threat to Australia's national interests in terms that could be expected to elicit support in a racist society:

"Today the 'yellow peril' is little mentioned. Japan has become a profitable country for the rich to have dealings with. At the very time when the threat to our national independence grows sharper the ruling class pursues a hush hush policy.

"We will not tolerate this."⁷

"Imperialism", in Britain's case, was a phenomenon associated with certain short-term policies rather than the structure of British capitalism.⁸ It was in this sense that the Lyons Government was "a junior partner of British imperialism".⁹ During 1936, this new analysis of imperialism found expression in the CPA's attitude to national defence. The Party had previously adopted a "revolutionary defeatist" position, summed up in the slogan "not a man, not a penny for imperialist war". Now it was believed that national defence could be separated from Australian and British imperialism:

"There is nothing wrong with defending Australia, but there is something wrong with defending Theodore's investments in the islands and with defending British imperialism."¹⁰

This sort of sentiment was also expressed in the more strictly economic area of trade policy. A major aspect of Communist criticisms of Australia's trade links with Britain was that Britain should abandon protectionism, which was detrimental to Australia, and instead sell more to an increasingly beleaguered China.¹¹ The CPA's responses to the trade diversion episode illustrate the shift in the Party's approach to international events during the mid-1930s particularly well.

The CPA did not adopt fully fledged Popular Front positions on foreign affairs and trade all at once. Just as the Party was changing its position on national defence, the trade diversion episode forced a rapid adjustment of its attitude to trade questions. The episode saw the Lyons Government attempting to juggle the keen edged interests of capitalists concerned with the local market (largely manufacturing industry), empire markets (agricultural producers and processors) and international markets (wheat and wool). The CPA was initially preoccupied with only one of the blades as they whirled in the air -- manufacturing industry and especially BHP. The front page of *Workers Weekly* was concerned with the protectionist implications of trade diversion and the consequent strengthening of some manufacturing industries:

"It is not denied that, in some cases, the tariff may increase employment in this country; the exclusion of iron and steel products would undoubtedly stimulate production, and hence increase employment in this country though necessarily to a limited degree."

The working-class and small businesses would be compelled to foot the bill for the bounties on local automobile production in particular. The crux of the argument was the implications of the policies for the Soviet Union:

"Finally, there is one sinister aspect of the tariff which must not be overlooked. Australian capitalism as an integral link in British world imperialism, is making its preparations for the next war.

"The building up of its iron and steel industry is a very important part of the preparations. We may well suspect that it was with an eye to this factor, as well as the strengthening of the economic position of Australian finance-capital, that the [new tariff] schedules were arranged."¹²

With its own eye on the prospect of a war with Russia, then, the CPA was straight-forwardly hostile to trade diversion.¹³ After the first *Workers Weekly* article, the Party began to employ an additional argument against the Government's policy: that Lyons's bellicosity in trade relations was accompanied by undemocratic practices at home, as trade diversion was implemented without consulting Parliament. In the first instance this niggling

5. Central Committee *Unite for Peace* op. cit. p9. For the similar position of the Canadian Communist Party at this time see N. Penner *The Canadian Left* Prentice-Hall, Scarborough 1977 p99.

6. G. Roper "What Is Happening in the Communist Party" *Militant* 29/11/37 pp1-2. He quoted from a 1937 Communist election leaflet: "British policy... dangers... the Empire... The Lyons Government supports this perilous policy... Stand by the League of Nations."

Roper had been CPA Secretary in South Australia, before coming to Sydney to establish the Party's "Forward Press". He left the CPA to join the Trotskyist Communist League of Australia, W. and A. Scarfe "Introduction" to G. G. Roper *Labor's Titan: the Story of Percy Brookfield, 1878-1921* Warnambool Institute Press, Warnambool 1983 pp2-3. Also see *Workers Weekly* 22/4/38 p3 for the contention that the British business community, agriculturalists and manufacturers were opposed to the Government's attempts to increase agricultural imports from outside the Empire, a reflex of Chamberlain's weakness towards the fascist countries.

7. E. W. Campbell "News Behind the News" *Communist Review* April 1937.

8. The inadequacies of this approach and its difference from Lenin's is discussed in the next section.

9. S. Mason "Program of Peace for the Australian People" *Communist Review* January 1937 p31.

10. *Workers Weekly* 30/10/36 p1, report of speeches by J. B. Miles.

11. G. Gowland "Australian Farm Program" *Communist Review* June 1938 p10. Also see G. Gowland "Farmers Face Ruin" *Communist Review* May 1938 pp49-53.

12. *Workers Weekly* 29/5/36 p1, emphasis in original.

13. The Party also endorsed the outright opposition to trade diversion of the Brisbane Builders Labourers Union and the Queensland Unemployed and Relief Workers' Movement, *Workers Weekly* 9/6/36 p4.

objection was subordinate to the contention that masses would have to pay for trade diversion.¹⁴ It reflected a characteristic feature of Communist assessments of international questions: Lyons's "anti-democratic" and "profascist" domestic policies were regarded as a simple reflex of his objectionable foreign policy.

Eventually the CPA presented the undemocratic implementation of trade diversion as the main basis for its opposition to the policy. The previous position took Australia's national interests too little into account. It had constituted an attack on protectionism in general, which the ALP, then being requested to affiliate the CPA, would find offensive. Further, the unqualified attacks on the empire in the Party's initial response were out of step not only with ALP policy, but also with the emerging thrust of the Comintern's Popular Front policies. *Workers Weekly* soon adopted an equivocal attitude to trade diversion:

"From the arbitrary imposition of discriminatory tariffs, which may or may not have been justified, the Federal Government, without consulting Parliament, has proceeded to meet reprisals by Japan with counter reprisals. . . We repeat with emphasis that, in the interests of the broad masses whose welfare is at stake, the whole controversial topic should be publicly debated in Parliament."¹⁵

The CPA used Russia's interests to orient its policies in all its pronouncements on trade diversion. But its initial attitude expressed an earlier stage in the transition between the Third Period and the fully fledged policies of the Popular Front. The Party had expressed the Third Period fear of a general imperialist dismemberment of Russia and the preparation of the Australian economy for this task. Hostility to protectionism also reflected a balance between the interests of the Russian bureaucracy and the Australian working class in CPA policy characteristic of the Third Period. The later, equivocal position, was more accommodating towards Australia's national interests and reformism. Where the 1935-36 seamen's strike helped crystallise out some of the implications of the Popular Front for Communist industrial strategy, trade diversion assisted in the reorientation of CPA's attitudes to foreign policy.

CPA national secretary, Miles, soon took the Party's economic nationalism a step further, when in September 1936 he conceded that the tariff policy of the ALP could be of some value for workers, with the proviso that it would fail without mass action to support it.¹⁶ Commenting on the 1937 Marketing Referendum, he urged:

"Let the farmer join with the wage workers to oust Lyons and restore wage cuts, raise the pension level, and give a decent living to the unemployed.

"To do this and keep cheap labor products out would bring an Australian level for the farmer and the buyer."¹⁷

The politics of the Popular Front led to changes in Communist attitudes to Australia's own mini-imperialism as well as to defence and trade questions. When dealing with the question of New Guinea, a prominent Communist publicist could even combine racism with an acceptance of Australia's activities in the South Pacific:

"The White Man's Burden is a plea that hypocrisy has tarnished; but the principle behind it is noble."¹⁸

National self-determination for New Guinea was left to the indefinite future.¹⁹ Only with the Hitler-Stalin Pact was there a renewed expression of concern for the self-determination of the people of New Guinea, in the short-term.²⁰ The new internationalism, of collaboration between Nazis and Russian Communists, was also expressed in the disappearance of maps of Australia from the cover of *Communist Review* and their replacement by hammers and sickles. Yet the Party still attempted to use Australian to promote Russian national interests in March 1940. *Tribune* endorsed the position of Sir Earle Page, former leader of the Country Party that:

"Australia's first duty was to defend itself, and Australian troops should not be sent west of Suez."²¹

The influence of Russian foreign policy during the 1930s limited the CPA's adoption of the kind of anti-imperialist nationalism characteristic of sections of the ALP. Some of those attracted to, but who did not join the CPA, were not so constrained in their expression of Australian nationalism. They formed a bridge between the left nationalism of the Stalinist CPA and that of an older anti-imperialist tradition of nationalism in the labour movement. In doing so they anticipated the substantial congruence between the nationalisms of the CPA and left-laborite. Brian Fitzpatrick was prominent in the construction of this bridge, which opened the way to the

14. *Workers Weekly* 5/6/36 p1.

15. *Workers Weekly* 14/7/36 p1.

16. J. B. Miles "The Federal Conference of the Australian Labor Party" *Communist Review* September 1936 p20.

17. *Workers Weekly* 2/3/37.

18. J. N. Rawling "Hitler Over New Guinea" *Australian Left News* January 1939. Rawling was a prominent Communist propagandist, leading the Party's work in the anti-war movement. For other examples of the "progressive" paternalism of CPA colonial policy see L. C. Rodd *Australian Imperialism* Modern Publishers, Sydney 1938? p25 and J. B. Miles "New Guinea then Australia" *Communist Review* January 1939 p50 for whom anti-imperialism was not an issue in New Guinea when Germany reasserted its claim over the north of the island: "Self determination, the right to secede, is not a real issue in New Guinea", the real task was to win the New Guinea masses to an "alliance with democratic Australia against being handed over to Hitlerism."

19. *Workers Weekly* 32/2/38 p3:

"Some day, the future Soviet Australia will apply the great Lenin-Stalin national policy to New Guinea. . .

"Meantime, in the interests of Australian security, in the interests of the New Guinea natives themselves, defending them against exploitation and oppression by 'our' capitalists, we must not allow them to fall prey to the German and Japanese fascist barbarians."

20. *Tribune* 18/8/40 p8:

"The Australian Government which claims to be fighting for freedom of nations can make a beginning in New Guinea. Doubtless arrangements of a strategic nature could be made with a native government, thus disposing of the Pacific angle."

21. *Tribune* 9/3/40 p1.

Australian left nationalism of the post-war period. According to his biographer Fitzpatrick was "a convinced Marxist and friendly with the CPA", although involved in "an even closer relationship with the reformist ALP" during the 1930s.²² This may have under-stated the extent of Fitzpatrick's fellow-travelling with the CPA.²³ He was intimately involved in the milieu of the Popular Front, as a leading member of the Australian Council for Civil Liberties (which was, however, not a Communist front) and wrote a series of articles for *Communist Review* during 1938 and 1939.²⁴

Watson argues that

"Fitzpatrick's nationalism was a major and distinctive aspect of his ideology. Loathing Australian economic, cultural and political subservience to Britain and, later, the United States, radicalism and nationalism became two sides of the same coin. In this Fitzpatrick fits the Australian tradition of the 1890's -- a tradition handed on to him by some of its survivors in the 1920s and a little later by the doyen of Australian literary nationalists, Vance Palmer."²⁵

Turner also stresses the nationalism evident in Fitzpatrick's economic studies and the continuity he provided between the second and third generations of 20th century Australian left nationalism. His 1965 *The Highest Bidder*, written with E. L. Wheelwright

"Brought Fitzpatrick back to a theme which had been central to his 1939-41 economic history: the undue influence of overseas capital on the Australian economy."²⁶

As a historian of the Australian labour movement Fitzpatrick demonstrated the affinity between earlier anti-imperialist nationalism, concerned with the defense of the national interest against monopolistic private interests, and politics of the Popular Front kind. His impressive economic studies gave added weight to this contribution.

Like earlier radicals in the labour movement, Fitzpatrick drew attention to the role of British capital in Australia and maintained that this was still, during the 1930s and 1940s, a characteristic feature of the economy:

"There was still something essentially 'colonial' about the Australian economy, still a very effective measure of economic control by British capitalist interests by virtue of their investment in Australia."

In the first, 1941 edition of *The British Empire in Australia* Fitzpatrick argued that the Australian state was still subservient to British interests:

"The state did much towards building the reservoir [of Australian labour and industry], it maintains it, and it allows no blockage of the stream that flows to Imperial England."

27

This formulation was moderated in the revised 1949 edition, perhaps in recognition of the role of the United States during and after World War II:

"Throughout Australian history, these efforts on the part of the state have yielded a high average dividend to capital, including much English capital. The reservoir of Australian labour and industry has never failed to provide a stream tributary to the broad river of English wealth."²⁸

If Fitzpatrick's contributions to the study of Australian capitalism had been confined to his studies of the contemporary significance of British capital, or monopolies and his "populist" (equally accurately described as "Popular Frontist") approach to class relations, then his stature on the left would be far smaller.²⁹ His work has an enduring value because it provided the first thorough and scholarly synthesis of Australia's economic development from a leftist perspective. He identified and documented, in particular, the crucial role of the state in the development of Australian capitalism and the procapitalist orientation of Labor governments. So he noted changes in the mode of collaboration between government and capital, characteristic Australian history, as a distinctive aspect of post World War I development. The state retired from a number of directly productive enterprises such as the Commonwealth Shipping Line, State brickworks, butcher shops and quarries from the late 1920s. This was "an incident of a public policy usually subservient to private direction" still evident in state provision of rail transport, tariff protection and in state control over wages and conditions in industry.³⁰

In his early academic work Fitzpatrick expressed only muted sympathy for state capitalist enterprise in socialist

22. D. Watson *Brian Fitzpatrick: A Radical Life* Hale and Iremonger, Sydney 1979 pp136-7.

23. Certainly by 1944 and in the second edition of his *Short History of the Australian Labor Movement* Macmillan, South Melbourne 1968 (first published 1944) pp235, 249-51 Fitzpatrick was scathing in his comments on the ALP and was very favourably disposed to the CPA. He was expelled from the ALP in 1944, two years after joining.

24. "The Australian Working Class" *Communist Review* January, February, March, November 1938 and January 1939. See Watson *Brian Fitzpatrick* op. cit. p136 for Fitzpatrick's authorship of these articles.

25. Watson *Brian Fitzpatrick* op. cit. pxviii.

26. I. Turner "Introduction" to Fitzpatrick *A Short History*... op. cit. p30, also see p36.

27. B. Fitzpatrick *The British Empire in Australia, 1834-1939* Melbourne University Press, Melbourne 1941 p504.

28. B. Fitzpatrick *The British Empire in Australia, 1834-1939* Melbourne University Press, Melbourne 1949, second edition p348.

29. For critiques of Fitzpatrick's approach to class relations see T. Irving and B. Berzins "History and the New Left: Beyond Radicalism" in R. Gordon *The Australian New Left* Heinemann, Melbourne 1970 pp66-94 and S. Macintyre "Radical History and Bourgeois Hegemony" *Intervention* 2, 1972 pp47-73.

30. Fitzpatrick *The British Empire*... second edition op. cit. p274.

garb as an expression of the people's interests.³¹ But his 1945 *Public Enterprise DOES Pay* made a more explicit case for state ownership. The tensions in *The British Empire in Australia* between Fitzpatrick's analytical insights and his nationalism was also apparent in his account of the changing importance of different sectors of the Australian economy after World War I. In his academic studies of economic history he recognised the declining weight of primary industry, despite its absolute growth and state support. On the other hand, according to Watson, "he did not alter the fundamental thesis", established as early as 1932 that Australia was reverting
 "to a primary producing, low wage society in which particular financial institutions will have indisputable paramouncy."³²

Fitzpatrick also documented the decline of capital and trade links between Britain and Australia, despite the Ottawa Agreement, and the rise of native enterprises even though he stressed continuing subordination to Britain rather than the increased significance of the Australian capitalist class, pursuing its interests through the state.

Where the early CPA, during the 1920s, might have provided an institutional context for a balanced assessment of these developments, this was no longer the case after the "bolshevisation" of the Party. The CPA of the Popular Front was not only predisposed to Australian nationalism, but even to the British Empire. Nor was there any other possible institutional focus for the development of a comprehensive radical understanding of the Australian economy.³³

31. See, for example *ibid.* p273:

"Some Labor governments misunderstood the accepted purpose of public undertakings, and entered into competition with private enterprise."

His use of "usually" in the previous quotation in the above text suggests that the state need not always serve the interests of private capital.

32. Quoted in Watson *A Radical Life* op. cit. p43.

33. The tiny forces of the Trotskyists seem to have been divided between adherents of the analyses of the early CPA and of a mechanical application of the concept of permanent revolution, developed for backward Russia and colonial countries and entailing an underestimation of the capacity of the local capitalist class, to Australia. See *Militant* 9/6/34 p14, Revolutionary Workers Party *Manifesto of the Revolutionary Workers Party* July 1943, Archives of Business and Labour, Australian National University for the first position and *Militant* May 1939 p2, August 1939 p4, April 1940 p1 for the second.

The Financial Oligarchy, Rich Families, Monopolies and Friends

The CPA's nationalism had repercussions for its analysis of the class anatomy of Australian capitalism. Charged with a priority of securing Australia's adherence to foreign policies acceptable to the Soviet Union, rather than achieving a local working class revolution, the Communist Party identified the Australian nation as progressive. Communists explained the reluctance of the Australian Government to express the nation's real interests by drawing attention to the influence of a small clique of finance capitalists. The financial oligarchy thus became an important component of Communist theory. This section considers the affinities between the CPA's preoccupation with the financial oligarchy, anti-monopolism and the rich families Bolshevik studies before the revolution on the one hand and Australian Money Power theory on the other. It examines reasons for the popularity of anti-monopolism unrelated to the CPA's overall politics and then the implications of the brief period of the Hitler-Stalin pact for the Party's approach to class relations.

Bolshevik Origins

There was some continuity between the CPA's attacks on the financial oligarchy and the Bolshevik analysis during World War I of the nature of modern capitalism. Lenin in *Imperialism, the Highest Stage of Capitalism* and Bukharin in *Imperialism and World Economy* both drew on Hilferding's study *Finance Capital* by drawing attention to the role of the banks and the fusion of bank and industrial capital. They regarded the result of this fusion, finance capital, as the characteristic form of contemporary capitalist organisation in the 20th century and as an important factor in the development of imperialism. The contradiction between capital and labour was the key premiss of their economic analyses and the main thrust of Lenin's *Imperialism* was that the indissoluble link between imperialism and war made the need for working class revolution more urgent and likely.¹

During the Popular Front period and subsequently, Communist Parties neglected the central argument of *Imperialism* which related world economic developments to the class struggle. They generally drew on the most contingent and ephemeral aspects of Lenin's study. Lenin's epigones regarded the concept of finance capital and comments on the "financial oligarchy" as the cornerstones of *Imperialism*.² Most significantly, the Stalinist Communist Parties liberated the concept of finance capital from its role in explaining the dynamic of the capitalist system and, in a sense, set it up in contrast to capitalism. Lenin's thesis was set on its head: the reworked theory allowed the possibility of "curbing" the financial oligarchy, within the framework of capitalism. During the 1930s the Comintern reproduced the very arguments of Kautsky, against which Lenin had polemicised in these terms:

"... Kautsky detaches the politics of imperialism from its economics, speaks of annexations as being 'preferred' by finance capital, and opposes to it another bourgeois policy which, he alleges, is possible on the very same basis of finance capital. It follows, then that monopolies in the economy are compatible with non-monopolistic, non-violent, non-annexationist methods in politics. It follows, then, that the territorial division of the world, which constitutes the basis of the present peculiar forms of rivalry between the biggest capitalist states, is compatible with a non-imperialist policy. The result is a slurring over and a blunting of the most profound contradictions of the latest stage of capitalism, instead of an exposure of their depth; the result is bourgeois reformism instead of marxism."³

That is, Kautsky treated integral parts of contemporary capitalism as contingent. In a similar way the Communist treatment of the financial oligarchy or Britain's imperialist foreign policies, during the 1930s, personified integral components of the system the financial oligarchy, to be confronted and defeated without abolishing the conditions which generated it, i.e. the capitalist mode of production. At first implicitly and, after the consolidation of the CPA's Popular Front politics, explicitly this entailed a stagist strategy: the immediate task was to defeat the financial oligarchy and implement progressive measures, especially in the area of foreign policy, only later would a separate challenge to capitalism as a whole be mounted.

Stagism

The stagist implications of the Popular Front only became fully apparent during 1937 as the CPA realised how poor its prospects for gaining affiliation to the ALP were. If the CPA could not formally influence a Labor Government from the inside then it became clear that there were two quite distinct stages on the road to socialism.

1. V. I. Lenin *Imperialism, the Highest Stage of Capitalism* in his *Selected Works* Volume 1, Progress Publishers, Moscow 1977 p700; N. Bukharin *Imperialism and World Economy* Monthly Review Press, New York 1972 p58; R. Hilferding *Finance Capital* Routledge and Kegan Paul, London 1981. See R. Day *The 'Crisis' and the 'Crash'* New Left Books, London 1981 pp21-39 for a general discussion of these.

2. Lenin *Imperialism* op. cit. p667. See M. Kidron "Imperialism, the Highest Stage but One" in his *Capitalism and Theory* Pluto, London 1974 pp129-42 for the limitation's of Lenin's study.

3. Lenin *Imperialism* op. cit. p703. See J. W. Roberts "Lenin's Theory of Imperialism in Soviet Usage" *Soviet Studies* 29(3) 1975 p372 for the fate of Lenin's theory:

"Surely what is unique and striking in *Imperialism, the Highest Stage of Capitalism* is Lenin's attempt to bring the central marxist schema of the economic causation of social phenomena into the scope of world economics and politics. And it is precisely this part of the theory that Lenin's heirs have quietly abandoned."

The first under a progressive Labor Government, the second under a more revolutionary regime in which the CPA had a preponderant influence. Without open Communist participation in the ALP a gradual transition between these was difficult to envisage.

The CPA was aware that its social base in Australia was amongst sections of the working class. It therefore linked working class concerns to its own major preoccupations with foreign policy. Hostility to the financial oligarchy, or its other incarnations as the "rich families" or "monopolies", were a step in this concatenation. In a *Communist Review* article, J. B. Miles maintained that

"Economic problems provide a starting point so essential to the organisation of the united front for peace."⁴

He regarded agitation around the the differences between "the exploiters, the few rich families" and workers as an important part of this approach. So, in line with Dimitrov's exposition of the Popular Front at the 1935 Comintern Congress, only a small section of the capitalist class was identified as the main object of Communist hostility. The rest of the "nation" remained free to engage in progressive activity. Miles went still further, by identifying the "few rich families" with exploitation, rather than regarding this as an inherent feature of the capital-wage labour relationship. The concepts of the financial oligarchy and monopoly, with roots both in Leninist and Money Power theory, were now supplemented with that of the "rich families", apparently borrowed from contemporary French and United States usage.⁵ References to the rich families personified the object of Communist antagonism even more than those to the financial oligarchy had and removed the CPA's discussions even further from an analysis of the relations of production. The Communist understanding of the relationship between the rich families and the iniquities of capitalism was expressed in Cartoon 11.

Denunciations of the rich families provided an important complement to the Communist Party's radical underconsumptionism, examined in more detail in the next section. Radical underconsumptionism could be used to explain fascism as the response of capitalists to the general crisis. But the argument did not provide any justification for differentiating between finance and other capital. This was not a problem during the Third Period when Communists sought the down-fall of capitalism. But it was subsequently a distinct draw-back as the Party tried to enter into alliances with the progressive elements of all classes. The concept of a conspiracy by the financial oligarchy or the rich families offered a way out of this dilemma. The way the CPA's radical underconsumptionism and such a conspiracy theory worked were similar -- they both predicted the worst and did not facilitate any concrete analyses of the economic situation: facts simply embellished predetermined conclusions. However, the rich families conspiracy had the advantage of only encompassing a section of the capitalist class, on whom such iniquities as fascism could be blamed. It therefore admitted the possibility of a stagist strategy. The shift between an explanation based on the, perhaps vulgar, materialism of radical underconsumptionism and one founded on the voluntarism of conspiracy theory was evident in a *Workers Weekly* editorial in 1937:

"The expansion of BHP is an outcome of the policy of the Australian bourgeoisie. In connection with the last crisis, capitalist spokesmen pointed out that [the] Australian economy was the more heavily hit because of its position as an exporter of foodstuffs, wool, wheat and other agrarian and pastoral products.

"The Capitalists are now calling for a policy of developing local industries. . . They believe that by this policy, which is helped as much as possible by a high tariff wall, they can offset the disadvantages of remaining an agricultural exporter."

This constituted a reasonable summary of the objective interests of the capitalist class and of its response to the crisis, which, perhaps because of its brevity, had conspiratorial overtones. But the editorialist then conjured the capitalist class out of existence, because changes in the Australian economy promoted

"The emergence of monopolist groups and a financial oligarchy, as in all highly developed capitalist states."

The financial oligarchy now became, in contrast to the editorialist's preceding analysis, the motive force behind political and economic developments. This was not by virtue of objective circumstances, shared by the whole capitalist class, such as the pressures to reduce wages and increase profits, but because of its essential nature as a conscious subject:

"The development of the BHP oligarchy and its kindred means that the big capitalists will strive more and more to bend governments to their will and place shackles upon the people. In the Lyons government the oligarchy finds a ready tool to aid it in robbing and enslaving Australia's toilers."⁶

4. J. B. Miles "For a Better Life in Australia" *Communist Review* April 1937 pp8-9.

5. For the 200 families of France and the application of this figure to Australia see *Workers Weekly* editorial 23/7/37 p2. Also see *Workers Weekly* 3/9/37 p1 and *Tribune* 29/7/40 p1. R. Dixon *France at the Cross Roads* Modern Publishers, Sydney 1936 showed a considerable awareness of French developments in the CPA. Dixon saw the Blum Government as a model for Australia, p2, although he called it a "radical bourgeois" rather than a Popular Front Government. He emphasised that, in any case, the French Communist Party extended Blum's administration "loyal, unconditional and steady support", pp14-5. The US figure of 60, F. Lundberg *America's 60 Families* Vanguard Press, New York 1937, was only taken up for Australia after World War II. See J. Playford "Myth of the Sixty Families" *Arena* 23, 1970 for a discussion of the CPA's use of rich families analyses. There were Canadian versions of these analyses too: W. H. McCallum *Who Owns Canada?* Saskatchewan CCF Research Bureau, Regina 1934 attacked the "Fifty Big Shots", cited in N. Penner *The Canadian Left* Prentice-Hall, Scarborough 1977 p197.

6. *Workers Weekly* 14/9/37 p2.

In its "make the rich pay" campaign of the second half of 1937, *Workers Weekly* also argued that it was a small group which had direct control over the Government:

"The Darlings, as part of Australia's financial oligarchy, rule the Lyons government, which is the servant of the "200" rich men."⁷

Subsequent articles presented the same instrumentalist theory of the state, although there were some differences over how numerous members of the oligarchy were. "200" was the French figure. P. Hart apparently thought that a small country like Australia only deserved a tenth of this number:

"As bondholders in the big pastoral and secondary industries, as directors of the banks, as inspirers of the Lyons government, these Darlings, Baillieus, Knoxes, Lysaghts and Smiths and the rest of the 'twenty families' control Australia itself."

He concluded that they coordinated their economic, as well as political activities:

"The rich families are exploiting Port Kembla with a single purpose as a monopolist group."⁸

The CPA thus replaced an analysis of objective circumstances with the contingent conspiracies of the financial rich families as the explanation for developments to which it was hostile. Draper points out the flaw in this kind of argument and the strategies based on it:

"Under conditions of advanced capitalism, the interests of the top strata really are the basic interests of the capitalist class as a whole, not in the sense that the fruits of dominance are evenhandedly and fairly distributed, but in the sense that capitalism cannot continue at all on any other basis."⁹

During the mid-1930s, the CPA was generally coy about where small or non-monopoly capitalists and the not-quite-so-rich families fitted into the Popular Front. It took some time for the ingrained hostility to capitalists, left over from previous periods in the Party's history, to abate. Capitalists outside the financial oligarchy usually figured as a part of the "people" by default, as no third category was allowed to disturb the dichotomy between the latter and the financial oligarchy.¹⁰ After the adoption of a more self-consciously stagist strategy, the Central Committee's draft resolutions for the 1938 (12th) Party Congress was more explicit about the place of capitalists outside the financial clique in the Popular Front:

"The Labor Party which can provide an alternative government, should seek out that broad programme which will rally the labor movement for united action and help line up all progressive forces throughout Australia in a people's movement... irrespective of their party affiliation or religion, against the Lyons administration and the most reactionary sections of the ruling class."¹¹

Who Owns Australia? and Money Power Theory

Accounts of the rich families were the CPA's only serious attempt to offer an analysis of Australian capitalism. As such they were deficient. But when judged simply as ownership studies, some of the Communist material on the rich families was impressive. They were not usually informed by any explicit or systematic theory of the dynamics of Australian capital accumulation in the context of the local class struggle or international flows of commodities and capital. Instead, employing French denunciations or Lundberg's book as models, they used empirical accounts of one aspect of Australian capitalism -- the pattern of ownership, control and shareholdings -- to bolster the Popular Front contention that the fundamental cleavage in society was between the financial oligarchy and the people. To have been too explicit about theoretical questions or details of Australia's place in the world economy might have disturbed the equilibrium in Communist thought between the short-term perspectives of the Popular Front and a longer term commitment to socialism, embodied in radical underconsumptionism. However, to argue as Groenewegen does that the literature of ownership studies was "devoid of theoretical content" is seriously mistaken.¹² Indeed, Groenewegen himself identifies such studies as "populist and nationalistic". Populist and nationalist assumptions did constitute the theoretical basis of these studies, even if, from the viewpoints of both orthodox and marxist economics, they were mistaken. Moreover, both Money Power and the CPA's anti-monopolist approaches provided theoretical guides to and justifications for the actions of social groups -- notably sections of the working class.

The outstanding product of Communist anti-monopolism was J. N. Rawling's *Who Owns Australia?* which went through four editions between 1937 and 1939 and was entirely recast in its final edition. Written in a clear, racy style it brought a wealth of empirical material to bear on the concentration of Australian industry, interlocking directorships, shareholdings and corporate subsidiaries. The results of Rawlings' comprehensive studies were

7. *Workers Weekly* 3/9/37 pl.

8. *Workers Weekly* 15/10/37 p3. The "twenty families" is probably a reference to a list of rich men on p32 of J. N. Rawling *Who Owns Australia?* Modern Publishers, Sydney (before April) 1937, in turn taken from *Smith's Weekly* during the early 1930s. The list was deleted from later editions of Rawling's pamphlet. Also see *Workers Weekly* 14/4/39 on the rich families' quandary over who was to succeed Lyons as Prime Minister.

9. H. Draper *Karl Marx's Theory of Revolution Volume I: State and Bureaucracy* Monthly Review Press, New York 1977 p326.

10. See, for example, L. L. Sharkey "The Federal Elections" *Communist Review* December 1937 pp6-7.

11. Communist Party of Australia *Unite for Peace Freedom Democracy* Sydney 1938, my emphasis. Also note the sympathy expressed for small companies disadvantaged by the South Australian Government's taxation policies, designed to benefit the wealthy monopolists, in "New Industrial Growth in South Australia" *Communist Review* September 1939 p530.

12. P. Groenewegen "Radical Economics" in F. Gruen (ed.) *Surveys of Australian Economics* Volume II, Allen and Unwin, Sydney 1979 p183.

presented in large and complicated charts. *Who Owns Australia?* was unmerciful in its often ironic attacks on the rich:

"It will be seen that to some companies the Baillieu clan has generously given more than one son. They serve their country, I said. For, as Milton said, 'they also serve who only stand and wait' -- and the Baillieus stand and wait for dividends and interest."¹³

The pamphlet carried an implicit message about the Popular Front, that the main division in society was between the monopolies and the people. The only explicit comment on the Popular Front was the concluding sentence of the second edition:

"Unity of the masses -- the Popular Front -- is more powerful than the might of the Robber Barons!"¹⁴

The CPA published the pamphlet, publicised it heavily in *Communist Review* and ran sections of the fourth edition as a series of articles in *Workers Weekly*.¹⁵ No doubt it would have remained in vogue had Rawling not broken with the CPA, going over to the Trotskyists for a brief period, before lapsing into right-wing disillusionment. In 1940 Len Fox filled the gap by writing *Monopoly*, which covered similar ground to *Who Owns Australia?* and went into a second edition in 1943.¹⁶ As it was the most comprehensive account of Communist views on the class structure of Australian capitalism during the late 1930s, *Who Owns Australia?* can be used to illustrate the content and material basis of these perspectives and their affinity with Money Power theory.

Rawling's work carried on an aspect of the Money Power tradition of detailed study of Australian monopoly, identified as the foe of the vast bulk of the people. Rawling acknowledged Anstey as "a writer who had delved deep", quoting from *Money Power*.¹⁷ He also endorsed Anstey's analysis of the "three rings" of monopolists, maintaining, in the spirit of Money Power theory, that the banks controlled both economy and governments and that the oligarchy had at its mercy

"The manufacturer and retailer, who are not big enough to be in the inner circle, the farmer, the small business man -- many of whom are worse off than the employed worker -- the professional man and the small trader."¹⁸

The CPA's stagist strategy for achieving socialism, reflected in Rawling's comments on the common hostility of workers and sections of capital to the financial oligarchy, thus entailed a growing affinity between Communist anti-monopolism and the older tradition of labour movement Money Power theory, to which Playford draws attention.¹⁹

During the first, peaceful stage of its strategy, designated as that leading up to and including the formation of a Popular Front government, the CPA saw only a section of the capitalist class as opposed to it. Similarly Money Power theories had sought to explain contemporary capitalism in terms of monopolies under the domination of the banks. The Popular Front minimum program, like the proposals of Money Power theory, involved campaigning against the monopolies, or rich families, within the framework of capitalism. Under the banner of the Popular Front or the campaign against the Money Power it would, their advocates hoped, be possible to rally the entire people. Both ideologies identified the quintessence of capitalism with a small layer of society rather than anything as dispassionate as the relations of production. A class analysis based on Marx's study of the relations of production would have placed even the employers of a dozen workers on the other side of the barricades. The

13. Rawling *Who Owns Australia?* second edition Modern Publishers, Sydney 1937 p17.

14. *ibid.* p64. This exhortation did not appear in the first edition.

15. J. N. Rawling *Who Owns Australia?* first edition *op. cit.* before April 1937, second edition 1937, third edition December 1938, fourth edition October 1939, *Workers Weekly* April-June 1939. Note that Lundberg's *America's 60 Families* *op. cit.* also appeared in 1937.

16. L. Fox *Monopoly* first edition Research Department Left Book Club of NSW, Sydney 1940, second edition Left Book Club of Victoria, Melbourne 1943. Fox's authorship of *Monopoly* is stated on the inside front cover of his *Australia's Guilty Men* Consolidated Press, Sydney 1943.

17. *ibid* pp15-6 and first edition *op. cit.* p11.

18. *ibid.* first edition pp15-6, second edition p26.

19. Playford "The Myth of the Sixty Families" *op. cit.* pp35, 36. However, Playford underestimates the CPA's adherence, before World War II, to the rich families approach, which went hand in hand with anti-monopolism. He also neglects some important elements in the continuity between the two theories. First that both approaches were generated by and expressed nationalist and reformist material practices of sections of the ALP and trade union bureaucracies or of the Stalinist CPA which was then evolving towards reformism and nationalism under the impetus of the Comintern's Popular Front strategy. In the absence of such an explanation, Playford's critique of Communist theory degenerates into idealism: the Communist Party's intellectual shortcomings are attributed to "the centralised control" of ideas in the Party and to the failings of "the so-called socialists of previous generations [of academics, who] deserve nothing but contempt for opting out of intellectual struggle because of careerism and opportunism" (pp37, 38).

The second continuity Playford neglects is the preoccupation of both Money Power theorists and Communist anti-monopolists with the ownership and control of capital. Neither attempted to integrate the relations of production, the dynamic of the class struggle or the continued anarchy of capitalist accumulation into their analyses of Australian capitalism. Following Wheelwright, Playford can only criticise the CPA's failure to distinguish between ownership and control. He also maintains that its analysis should have been applied to foreign ownership and control of Australian resources, something that both Money Power and Communist theorists paid considerable agitational attention to.

Playford's own perspective shares some of the central assumptions of both Money Power and the rich families approaches he criticises, particularly their nationalism and the primacy they gave to questions of ownership and control as the essence of "economic analysis". His own critique of the first two generations of left nationalist theory served to clear the way for the third generation (or the fourth generation if one counts from the hostility of the early labour movement, under the influence of Henry George, to the land monopoly). His perspectives seem, however, more subtle than those of the mainstream of that generation such as E. L. Wheelwright (e.g. with *Fitzpatrick The Highest Bidder* *op. cit.*, more recently with G. Crough *Australia: A Client State* Penguin, Ringwood 1982) and L. Carmichael (e.g. "A Transitional Programme to Socialism" in G. Crough, E. Wheelwright and E. Wilshire (eds) *Australia and World Capitalism* Penguin, Ringwood 1980). Their foes were not the Money Power, the monopolies or the rich families but the multinational corporations. For this generation, like its predecessors, the task of opposing capitalism could be postponed to a later stage.

prospects for social change appeared more cheerful (and in accord with Russian foreign policy) if the disagreeable features of capitalism -- the erosion of civil liberties, war, attacks on workers' living standards, the growth of monopoly -- were seen as contingent, the attributes of the money masters or the rich families who could be defeated without destroying capitalism.²⁰ The "people" could restrict the power of the monopolies through the election of a Popular Front or ALP government -- socialism was a matter for the indefinite future and different tactics. Although the CPA still adhered to a radical underconsumptionist explanation of crisis, there was a tendency to believe that a Popular Front government could cope with another depression, to an unspecified extent:

"Side by side with the drift to war is developing economic crisis. Already the UAP Governments are endeavouring to force the burden on to the backs of the people. . .

"Hope in the situation rests with a Labor Party based on the trade unions and seriously concerned with uniting the workers, winning the confidence of their allies among the middle classes and pursuing a progressive policy against aggressive capitalism, developing Fascism and war."²¹

Money Power theorists, of course, did not think that there were any serious restrictions on a Labor government's ability to overcome capitalism's problems, and even to quietly introduce socialism.

Conspiracy theory was also an element common to Popular Front and Money Power left nationalism. Although Communists still explained economic crises in radical underconsumptionist terms, shorter term developments, like the actions of governments, were understood as the consequence of manipulations by the financial oligarchy.²²

Despite the similarities between Rawling's exposition of the pattern of capital ownership and control and the older left nationalist tradition, there were also significant differences. Both approaches might involve a formal adherence to socialism, understood as state ownership of the means of production, but the CPA still distinguished itself from the ALP on the basis of its commitment to eventual socialist revolution. Moreover it recognised in Leninist terms that a preoccupation with the banks had been dated by the growth of other forms of monopoly and the integration of capitalist activities. A division of capitalist allies along the lines of size (big versus small business) was now more appropriate than one based on sector (money versus productive capital). Rawling qualified his acceptance of the conclusions of Money Power theory by using the same approach Communists had employed during the depression to dismiss them altogether:

"A certain kind of propaganda that has had a good deal of influence during recent years presents the present economic and financial system as one of a bank's dictatorship over industry. We are living, such propagandists tell us, within a system of society in which a class struggle is going on between bankers and capitalists! The latter are exploited by the banks -- just as the rest of the population is. Were we to nationalise the banks all our ills would end and the capitalist and worker would be able to lie down in peace together -- the seeming capitalist lion not being a lion at all and both capitalist and worker being lambs preyed on by the banker. An analysis of the facts, however, shows that this is a false picture. . . Big Business and Big Banking are the same; the controllers of industry and the controllers of the banks are the same persons."²³

More substantive than disagreements over the physiognomy of the conspiracies they opposed, were the different emphases Popular Front anti-monopolism and Money Power theory placed on nationalism. For the latter, the financial oligarchy was essentially a foreign influence, even if it had local dupes. The Communist Party was prepared to concede that there were real Australian sectional interests, allied to British imperialism it is true, involved in the policies of the Lyons Government. Moreover, during the 1930s, the CPA's adherence to the interests of the Soviet Union still over-rode its nationalism. Expressions of concern for Australia's national interests were generally associated with considerations which could be traced back to the foreign policy of the Soviet fatherland. Rawling's introduction to the fourth edition of *Who Owns Australia?* made clear that the CPA claimed to defend the national interest:

"Governments might use the defence forces so created, not in the cause of patriotism and world peace, but in the interests of a small but powerful clique."²⁴

But even in this case world peace (= Russia's interests) was given equal billing with patriotism. During the Pacific war and subsequently, when the polarisation of the world into two camps prompted Russia to encourage

20. For example, *Workers Weekly* 26/11/37 p3:

"The owners of heavy industry in the defeated countries had amassed huge fortunes from the fighting [during World War I], and, as capitalism reorganised and rallied against the masses, the rich families gathered courage to begin a new armaments race."

21. *Common Cause* editorial 11/3/39 p4 also see *Common Cause* editorial 16/7/37 p4 and G. Crane "Youth and Unemployment" *Communist Review* September 1939 p523:

"Unemployment is a problem which is fundamentally insoluble under existing conditions, but for which some alleviation may be obtained by a determined campaign."

Also see the discussion of the evolution of the CPA's underconsumptionist theory, in the next section.

22. Rawling expressed the idea of conspiracy, i.e. personalising the operations of the system, in his references to "the modern feudal aristocracy" *Who Owns Australia?* first edition op. cit. p4, second edition op. cit. pp6, 26. Also see *Workers Weekly* 6/12/35 p1 explained how the "Seamen are attacked by the financial interests and banker-controlled Government." Also see *Workers Weekly* 7/12/37 p2 and *Common Cause* editorial 22/4/39 p4 original emphasis:

"With the spurious plea of 'defence', a gigantic conspiracy is being hatched right here and now in Australia. Allegedly planning to resist fascism, the ruling class of this country is planning to foist it upon us."

23. *ibid.* first edition pp8-9, second edition p13. Rawling cites Lenin's *Imperialism* as a token of his orthodoxy.

24. Rawling *Who Owns Australia?* fourth edition op. cit. p1.

the disruption of the US alliance, the CPA assimilated an additional dose of nationalism which made its pronouncements no less extreme than those of laborites.

The Appeal of Anti-Monopolism

The popularity of *Who Owns Australia?* indicated that the CPA's anti-monopolism and analyses of the rich families found a wider audience than those specifically attracted to the Party's detailed conception of the Popular Front. There were several reasons for this: the analyses expressed the convergence of the interests of some laborite union officials, especially in NSW, and the Communist Party; their vagueness could be used to cover a variety of industrial manoeuvres; and they received a fillip from the Conciliation and Arbitration Court's approach to wage determination during the late 1930s.

At the same time that many Labor politicians were toning down the radicalism of their Money Power rhetoric, the CPA was promoting a similar but distinct ideology which union officials could use in their opposition to Lang and to demonstrate their militancy. Some laborites had moved in the direction of anti-monopolism, before the CPA started to emphasise it. The Communist presentation and documentation of the case against the rich families and their monopolist ties was, mainly thanks to Rawling, superior to anything produced by laborites. The union bureaucrats' ability to assert their rights against Lang in the ALP had improved with the economic recovery. But given Lang's entrenched position any assistance, including that from increasingly influential Communists, was welcome. The CPA was only too willing to assist them and thus, it hoped, lay the foundations for a Popular Front government. Outside NSW the relationship between union officials and the CPA was not so harmonious. The officials had maintained their influence in the ALP during the depression and many regarded the growth of Communist influence in the working class as a threat. Nevertheless, even outside NSW, Communist Fronts like the Movement against War and Fascism, the Friends of the Soviet Union and the Left Book Club attracted some support from laborite union leaders and even a few Labor politicians, the most notable being Maurice Blackburn. The Australian Council for Civil Liberties, while not a front, was another arena in which Communists and laborites worked together.²⁵ At its 1937 Congress, the ACTU adopted a Communist supported position on foreign policy, submitted by the NSW Labor Council.²⁶ Even after the split which soon followed the Popular Front triumph of covert Communists leading the NSW ALP machine, the Communist-left Labor alliance continued in the Labor Council for a while. During this period it published a series of pamphlets expressing a position close to the CPA's, which is discussed below.

Anti-monopolism was also useful to union officials because its militant resonances helped sanction a switch away from industrial action to "political struggle" when they feared defeat or the expansion of rank and file autonomy during a dispute. The industrial defeat of the Port Kembla Pig Iron Strike, which the CPA turned into a political "victory", was an example of this mechanism at work. Moreover, the vagueness of anti-monopolism and hostility to the rich families could be used to justify most disputes as being in the people's interests.²⁷ It could also be used to blur yesterday's political ally into today's industrial enemy or vice versa. Thus the owner of a "small company" might be regarded as a potential member of the Popular Front on the one hand, but as a member of a "combine", or simply as a class enemy, in the course of an industrial campaign in his or her industry.

In its 1937 Basic Wage judgment, the Conciliation and Arbitration Court provided union officials with an additional reason to be concerned with monopoly studies. The Court had suggested that wages might increase in line with industry's growth by spelling out that the basic wage was determined by industry's capacity to pay as well as a needs component.²⁸ *Common Cause*, the newspaper of the Communist led Miners' Federation, published a series of articles in March 1939 linking the Popular Front rationale for monopoly studies to this Arbitration Court inspired justification for them. The series began with a piece by J. N. Rawling, "Who Own's Australia's Coal?"²⁹ Two subsequent articles referred to charts of coal ownership patterns which were submitted to the Conciliation and Arbitration Court by the union. The CPA's stagist approach was apparent in the use of the charts in the Conciliation and Arbitration Court combined with calls for revolutionary solutions to the problems of capitalism. The only link between the two was purely literary:

"A handful of individuals are shown by our chart virtually to own Australia. . .

"Exploitation, accumulation, investment, monopoly, exploitation. THIS IS THE PROCESS WHICH YOU ARE EXPECTED TO ACCEPT BEFORE YOU ATTEMPT TO PRESS YOUR CLAIMS FOR BETTER CONDITIONS FOR WAGE SLAVES. IT IS THE PREMISE OF ARBITRATION. ANYTHING GAINED MUST BE WITHIN THAT CIRCLE, NOT OUTSIDE OF IT.

". . . In short THE ENEMY OF EVERY WORKER IS CAPITALISM, a system which cannot function unless it pursues relentlessly the laws so clearly defined by the 'dreamer' Marx -- the laws

25. On the Australian Council for Civil Liberties see Watson *Brian Fitzpatrick* op. cit. chapters 3 and 4.

26. J. Hagan *The History of the ACTU* Longman Cheshire, Melbourne 1981 pp106-7.

27. E.g. *Workers Weekly* 16/9/38 p3.

28. Hagan *The History of the ACTU* op. cit. pp141-2.

29. *Common Cause* 4/3/39 pp1-2, chart pp4-5.

which means an octopus like the B.H.P. becoming more octopus-like and the millions are reduced to penury."³⁰

This revolutionary rhetoric provided a cover for a less than militant approach to Arbitration, after the Communist leaders of the Miners' Federation called off its "second round" campaign to return to the Court. The idea of struggle as the link between immediate economic demands and working class revolution was absent. E. Ross, editor of *Common Cause*, made it clear how these articles on monopoly should be interpreted in a contribution to *Australian Left News*, aimed at a more middle class audience. Whatever the rhetorical trappings of class struggle necessary when writing for the militant membership of the Miners' Federation, in strategic terms Ross and the CPA regarded the miners' struggles as part of the people's fight against monopoly:

"In its wider aspect, the miners' struggle has revealed the ineptitude of the Lyons Government, has struck a blow at a reactionary administration which, by placing the interests of a few wealthy monopolists before the community as a whole, paves the way for that fascist development in Australia that its fascist foreign policy facilitates abroad."³¹

At the 1940 Basic Wage hearing, the trade union advocates presented studies of company ownership and profitability, prepared by B. Fitzpatrick and J. Lindsay. They demonstrated that industry was capable of paying higher wages because of high profit rates and the extent of monopolisation. The Introduction to Fitzpatrick's impressive *Monopoly Business: A Critical Study of 772 Australian and New Zealand Industrial Institutions* stated that

"Because of the importance of this analysis of the economic structure of Australia to the workers, the Emergency Committee of the A.C.T.U. decided it should be published in pamphlet form."³²

After the Court decided not to grant an increase in the basic wage, Fitzpatrick published *The Basic Wage: What Is Its Basis?*, which employed material from *Monopoly Business* as part of a critique of the whole wage-fixing process.³³ His 1944 *The Rich Get Richer* was a more polemical contribution to the literature of anti-monopolist studies.³⁴

In their studies for the 1940 basic wage case, Fitzpatrick and Lindsay had extended the Australian tradition of economic analysis, started by Anstey and continued by Rawling, beyond a mainly qualitative and literary critique of Australian capitalism's structure of ownership and control. Their work paved the way for later studies conducted in an academic context, even if they were not accepted by the academic establishment.³⁵

Finally the CPA's anti-monopolism could simply provide grist to a relatively unreconstructed Money Power theorist's mill. In 1939 *Tribune* noted with relish that Labor Senate Leader Collings, who we have seen as partial to Money Power theory, made "a tribute to" *Who Owns Australia?* in a speech on G.P.O. contracts.³⁶

The Rich Families at War

After dropping its Popular Front line, shortly after the outbreak of World War II, the CPA initially maintained its interest in the rich families and monopoly. The Party's left turn was effected in economic theory by a shift in the emphasis in its propaganda from its minimum, Popular Front, to its maximum, revolutionary, program. As the logic of the new position was worked through, Communists muted the stagism of their perspectives and became increasingly hostile to the capitalist system as whole rather, than the monopolies. In this way the CPA emphasised its differences from the "reformist" ALP and the imperialist nature of the War.

During late 1939, Communists took particular exception to the Government's connections with "profiteers" and monopolies, although the Party's line now increasingly emphasised the bankruptcy of capitalism as a whole.³⁷ Slow to realise the implications of the Hitler-Stalin Pact, the CPA was not in a very good position to elaborate a whole new perspective, especially after it was declared illegal in 1940. So, as well as shifting to a more stridently anti-capitalist rhetoric, it also bent Popular Front analyses of Australian capitalism to the new leftist policy.³⁸

30. *Common Cause* 11/3/39 p1, also see 25/3/39.

31. *Australian Left News* November 1938 p11.

32. B. Fitzpatrick *Monopoly Business: A Critical Analysis of 772 Australian and New Zealand Industrial Institutions* Australian Council of Trade Unions, Melbourne 1941 p3. Also see "An Analysis of Capital Investment in Aust. (sic) and New Zealand" a statement presented by C. Crofts, ACTU advocate, to the Arbitration Court in *Labor Call* 5/12/40 p7, 12/12/40 p15, 19/12/40 p6. On J. Lindsay's evidence see *Labor Call* 8/8/40 p9.

33. B. Fitzpatrick *The Basic Wage: What Is Its Basis?* Research Group of the Left Book Club of Victoria, Melbourne June 1941.

34. B. Fitzpatrick *The Rich Get Richer* Rawson's Bookshop, Melbourne 1944.

35. Fitzpatrick collaborated with Sydney University economist E. L. Wheelwright on *The Highest Bidder*, published in 1965, B. Fitzpatrick and E. L. Wheelwright *The Highest Bidder* Landsdowne, Melbourne 1965, Watson Brian Fitzpatrick op. cit. p287. During the 1950s Wheelwright had already produced work in this genre, E. L. Wheelwright *Ownership and Control of Australian Companies* Law Book Company, Sydney 1957.

36. *Workers Weekly* 6/6/39 p3.

37. For example see *Tribune* 10/11/39, 21/11/39.

38. For the Party's confused response to the Hitler-Stalin Pact see A. Davidson *A History of the Communist Party of Australia* Hoover Institution Press, Stanford 1969 p79. As late as November 1939 the Party commended F. Forde for an attack on the Government's pro-monopoly policies, *Tribune* 24/11/39.

A discussion of the Government's proposals to set up an Australian automobile industry in early 1940 concluded that

"It is not hard to see that the ruling circles of Australia do not intend to pursue a liberal and democratic policy when the war has ended. They look forward, not only to a continuation of monopoly rule, but to its strengthening."³⁹

The ambiguity of the Party's focus on monopoly, taken over from the previous period, used to justify a leftist argument, was apparent when *Tribune* drew the lessons of France's experiences of the rich families for Australia:

"The 200 families' of the French capitalist class, and their politicians and generals have betrayed the French people to the fascists.

"The French experience is valuable for Australia. We, too have a government of big business. . ."⁴⁰

The implication, however ridiculous, was clearly that in France exploitation was associated with extremely limited gene pool of a few families, rather than specific relations of production. Fox's *Monopoly*, published in 1940, continued Rawling's line of analysis, but added a critique of the ALP and affirmation of the desirability of socialism.⁴¹ Trade union newspapers published instalments from "The Economic Structure of Australia" a similar survey, though more statistical, that was issued by the Left Book Club.⁴² The Labor Research Committee produced *Who Owns South Australia?* in the same vein.

A series of pamphlets by J. Lindsay, Communist research officer of the NSW Labor Council, defined the remaining common ground between the ALP, CPA and ALP (State of NSW) in anti-monopolist terms. *A People's Australia and Its Defence* (8,000 sold by mid-1941) appeared around the time of the August split in the NSW ALP.⁴³ Labor Council Secretary, who remained in the Official ALP provided the pamphlet's introduction. Lindsay placed the key division in society "the small business men and companies on the one hand, and the monopolist combines on the other".⁴⁴ He concluded with a "Programme for the People", which demanded that Australian troops remain within Australia, nationalisation of the armaments industries, the basic wage and civil rights for the armed forces, higher wages and "no speed-ups in industry".⁴⁵

Lindsay's 1941 pamphlets, *Basic Wage Swindle* (20,000 sold by mid-1941) and *Where Your Money Goes* (first edition of 10,000) included calls for socialism.⁴⁶ The "People's Programme" in *Basic Wage Swindle* was more militant than that in *A People's Australia*. . . , calling for nationalisation of war industries, monopolies and financial institutions, suspension of interest payments on government debts (the subject of *Where Your Money Goes*) higher wages and confiscatory taxation of incomes above L1,000 a year. *Where Your Money Goes* was particularly radical:

"Today, Labor's [i.e. 'labour's'] bargaining power and strength have never stood higher.

"The people must take their present golden opportunity to fight for the defeat of reactionary Governments and to smash completely the capitalist system which these interests serve.

". . . The continuance of mankind's best efforts can be achieved only by fighting now for a Socialist Society, which will end war and capitalist exploitation."⁴⁷

This radicalisation is explained by the hardening of the CPA's post-Popular Front perspectives and, perhaps, by the the ALP's rhetorical left turn, during 1940 and 1941.

The Communist Party's greater emphasis on its maximum program during the "second imperialist war" was apparent in a changed conception of the People's Government it continued to advocate. Where the earlier conception of a People's Front Government was definitively Parliamentary, the new version was more equivocal and redolent of a soviet-type government or the dictatorship of the proletariat:

"Such a government may come through elections or Parliament it may be thrown up outside Parliament by the joint activities of the organisations of the people."⁴⁸

The German invasion of Russia ensured that this ambiguity was resolved in favour of a return to Popular Front conceptions rather than proletarian revolution. The invasion preempted any rejection of anti-monopolism in a thorough-going reassessment of Communist analyses on the basis of the politics of the Hitler-Stalin Pact. So this

39. *Tribune* 9/1/40 p3

40. *Tribune* 29/7/40 p1.

41. Fox *Monopoly* op. cit. p40. *Common Cause* 25/1/41 boosted the pamphlet.

42. See, for example, *Common Cause* 14/9/40 p10, 21/9/40 p12; *Advocate* 15/10/40, 15/11/40, 15/12/40. The original roneoed version of the "Economic Structure of Australia" is in the C. Martin Papers, held by K. Turner, Government Department, University of Sydney, to be deposited in the Mitchell Library.

43. J. Lindsay *A People's Australia and Its Defence* Labor Council of NSW, Sydney. Internal evidence indicates the pamphlet was written after July 1940. Circulation figure from *Advocate* 16/6/41 p7.

44. Lindsay *A People's Australia*. . . op. cit. pp8, 13.

45. *ibid.* p22.

46. J. Lindsay *Basic Wage Swindle* Labor Council of NSW, Sydney 1941 p11 included a passage very reminiscent of Anstey's three rings, referring to the creation of wealth for "B.H.P., the sugar monopoly, and the banks".

47. J. Lindsay *Where Your Money Goes* Trades and Labor Council of NSW, Sydney 1941 (on internal evidence, after March) p15.

48. Mason and McShane (i.e. J. B. Miles and L. L. Sharkey) *What Is this Labor Party?* Communist Party of Australia, Sydney (late 1940?) p8. Mason and McShane *The Coming War in the Pacific* (1941?) concentrated its fire on the capitalist class as a whole, rather than monopolies. E. Varga *Changes in Capitalism During the War* Communist Party of Australia, reprinted from *International Review* May 1941, was particularly explicit on this question, adopting a position in stark contrast to that of the Popular Front period, noting that the state "represents the class interests of the big bourgeoisie as a whole" but that it acts for the "bourgeoisie as a whole".

aspect of the CPA's left nationalism survived the left turn of 1939-41, as it did that of the late 1940s, preserving the continuity of the tradition until the present.

An Equivocal Catastrophism

Who Owns Australia? and other studies of Australian monopolies were indigenous products, generated by the Communist Party's belief that a Popular Front across different classes could give rise to a progressive national government, before any workers' revolution. But the Party continued to rely heavily on Russian theoretical products for its analyses of the economic dynamics of capitalism. Radical underconsumptionism became the rigid orthodoxy during 1930 as the victory of the Stalin faction in Russia and the "bolshevisation" of the parties of the Comintern terminated all serious debate about economic theory in official Communist circles.¹ It expressed Communists' commitment to socialism as it existed in the Soviet Union, where the possibility of disproportion between production and consumption was ruled out by the mechanisms of the five year plans. It also expressed faith in the inevitability of socialist revolution in the capitalist countries, in view of the further and more devastating economic crises which would wrack them. Radical underconsumptionism, in the late 1930s, therefore expressed in economic theory the CPA's underlying commitment to Russia's interests, while the Party's analyses of local monopolies were part and parcel of the contingent Popular Front strategy it had accepted from the Comintern.

The two approaches dealt with different areas of economic study: radical underconsumptionism focused on the question of economic crisis; anti-monopolism was centrally concerned with the class anatomy of Australian capitalism. There were no serious Australian attempts to synthesise the two approaches. This was necessarily the case as they were founded on assumptions which were, in some respects, contradictory. But they could not be entirely compartmentalised. Radical underconsumptionism, after all provided Communists with their economic explanation for the rise of fascism, which was the political rationale for the Popular Front. Fascism, the Popular Front orthodoxy maintained, was the response of finance capital to the economic crisis. As their first priority, Communists had to organise with other workers and other classes to defeat the "rich families" and monopolies who were the source of fascism. The struggle against capitalism was postponed until this primary task had been accomplished. For the time being only a section of the capitalist class was the enemy:

"The economic ground is giving way under the feet of the capitalists.

"They will try to pass the burden on to the small business people, farmers and the workers

"... Unity of the workers, a joining of all people with small incomes against the rich families, the working out of a policy to safeguard the interests of all toiling sections in the slump, must be the common aim of all progressive parties and groups."²

The working class had an immediate economic interest in a Popular Front -- or progressive ALP -- government, hopefully with Communist participation. Such a government would be, in some sense, a staging post to socialism. A logical conclusion, only sometimes spelt out, was that such a government could take measures to overcome the general crisis of capitalism. There was, therefore, a contradiction between the premise of the Popular Front argument -- the inevitable general crisis of capitalism -- and its conclusion -- the surmountability of the crisis. This contradiction in economic theory had its roots in the Party's commitment to Russia and the consequent balancing act it attempted to perform with the interests of Soviet foreign policy, the Australian nation and Australian working class. On the few occasions when a Communist discussion juxtaposed the analytical premise and conclusion of its economic analysis, there was no sign of disquiet amongst Communists.³

The simultaneous adherence of Communists to both Popular Front anti-monopolism and radical underconsumptionism modified both theories in some important ways. The CPA's commitment to Russian foreign policy hampered the emergence of an unequivocal nationalism that was the logical corollary of its Popular Front policies. Thus during the 1930s CPA did not question Australia's continued membership of the British Empire. In fact the application of the Popular Front to Australia was premised, as far as the Comintern was concerned, on its ability to influence British foreign policy. Moreover, communists, with a radical underconsumptionist analysis at the back of their minds and a clear conscience, could not promise as much as laborites of a progressive Labor, i.e. Popular Front, government. The Popular Front line and anti-monopolism had reciprocal effects on the CPA's approach to economic crises. This section examines the CPA's radical underconsumptionism and the impact of Popular Front politics on the Communist appreciation of cyclical economic movements under capitalism.

In 1934 E. Varga, Russia's foremost economist, justified radical underconsumptionism in a book later published by the British Communist Party. He recognised that accumulation was characteristic of capitalism:

"Under pain of ruin, every individual capitalist is compelled by competition to convert part of his profits into capital. . . This means that:

1. R. Day *The 'Crisis' and the 'Crash'* New Left Books, London 1981 pp73-177 demonstrates how during the 1920s Russian debates about economic events in the west were characterised by the continuing influence of Hilferding and Luxemburg's ideas. The final victory of the Stalinist bureaucracy in 1929 saw the installation of a "neo-Luxemburgist" theory of capitalism, elaborated by E. Varga as the only acceptable approach. We have preferred the descriptive term "radical underconsumptionism" to Day's "neo-Luxemburgism" which emphasises the theory's antecedents, of which CPA members betrayed no awareness at all.

2. *Workers Weekly* 14/6/38 p1, also see for example, Dixon "Trade Union Policy" op. cit. p181; *Workers Weekly* editorial 16/6/39 p2; Campbell "New Line of Attack" *Communist Review* September 1939 p516.

3. E.g. see H. Ross "Nationalisation of Banking" *Communist Review* October 1937 pp17-20.

"The total value of social capital increases from year to year.

"The organic composition of capital is enhanced. . .

"There is a relative diminution of the total profit (tendency of the rate of profit to decline) as well as of the wage fund, as compared with the total value of the annual production of goods."⁴

Varga mentioned the tendency of the rate of profit to fall in the course of his argument, but it played no role in his explanation of crises. Depressions were not the result of low and falling profit rates, but of a decline in "consuming power" compared to society's expanding productive capacity. Varga defined consuming power as wages plus capitalists' private expenditure. The fall in the rate of profit was a consequence of the decline in relative consuming power. Varga attempted to complement his explanation of the "general crisis" with an account of cyclical crises. But in doing so he simply reproduced his analysis of the general crisis to account for cyclical movements of the economy.⁵ Consequently, his economic system was indeterminate, incapable of explaining the movements of the real world economy because it conflated short and long term movements. Nor could it allow the possibility of a recovery from the general crisis.⁶ The doctrinal validation of this theory came from a much abused passage from Marx's *Capital* Volume III, taken out of context:

"The last real cause of all real crises always remains the poverty and restriction in consumption of the masses as compared to the impulse of capitalist production to develop the productive forces as if only the absolute power of consumption of society were their limit."⁷

During the second half of the 1930s, the CPA, following the international line, characterised the period as one of the general crisis which meant that

"No real or permanent prosperity for the working class can ever be achieved until the workers themselves gain control of industry and government."⁸

Because of the restriction of the market it was not conceivable that capitalism could grow or offer workers improved living standards for any prolonged period, although it was sometimes conceded that short, weak spurts of growth might punctuate the general picture of stagnation:

"It is because of the existence of the underlying general crisis that capitalism, considered on a world scale, did not experience a 'boom' period such as was characteristic of the earlier period of capitalism [i.e. prior to World War I] following the crisis period [of the depression]."⁹

The causes of the general crisis were explained in the following terms:

"The contradiction between the natural impulse of capitalism to extend production without limit and the boundaries to that impulse set by the consuming power of society, reaches that pitch of intensity at which a crisis must break out in a shorter time than before.

"The surplus of fixed capital which is characteristic of the period of general crisis hampers the extension of renewal of fixed capital and thus also tends to shorten the period of the crisis."¹⁰

This position of Varga's illustrates the CPA's acceptance of the Comintern's conflation of general and business cycle crises. Dixon gave an explanation of the general crisis and tried to supplement it with an account of cyclical crises. But in practice he contrasted the general crisis with the consequences of. . . the general crisis:

"Whereas production exceeds 1929, the consumptive powers of the masses is more limited and restricted and consequently the conditions of overproduction and crisis already exist. These are complicated by the additional factors of the general crisis of capitalism."¹¹

The contradiction between radical underconsumptionist theory, which could not account for economic recovery, and reality was not especially evident in the depths of the depression.¹² But with a degree of recovery it became manifest. The contradiction was exacerbated by the switch from the Third Period to the Popular Front line in 1935. The politics of the Popular Front were tied up with the notion that a progressive government could not only change foreign policies for the better but also effect improvements in their conditions for the working class. Within the confines of underconsumptionism there were two ways of coping with the pressures on the theory: either to reiterate dogma and disregard the facts or to shift from a radical to a reformist underconsumptionist position.

4. E. Varga *The Great Crisis and Its Political Consequences: Economics and Politics 1928-1934* Modern Books, London no date p18. The following year A. Leontiev *Political Economy: A Beginners Course* Co-operative Publishing Society of Foreign Workers in the USSR, Moscow-Leningrad 1935, included radical underconsumptionism, along with presentations of the theories of value and imperialism in a more accessible text-book in English. The CPA was impressed enough by this publication to reissued it (Current Book Distributors, Sydney 1943?). Chapters 8, 10 and 11 contain Varga's arguments discussed below.

5. *ibid.* p23. See Day *The 'Crisis'* op. cit. pp9-11 for a succinct marxist account of cyclical crises.

6. Varga *The Great Crisis* op. cit. p20, Day *The 'Crisis'* op. cit. p263.

7. Varga *The Great Crisis* op. cit. p20.

8. *Workers Weekly* 5/4/35 p4, this article predates the official start of the Popular Front period at the 1935 Comintern Congress, but its sentiments continued to be expressed until the late 1930s.

9. L. L. Sharkey "World Economic Crisis to Be 'More Intense' for Fascists: Stalin Gave Summary of Capitalist Depression" *Workers Weekly* 4/4/39 p2.

10. E. Varga "A New Crisis Is Coming!" *Communist Review* July 1937 p36.

11. R. Dixon "The News Review" *Communist Review* January 1938 p7. In "The Economic Scene" *Communist Review* February 1938 p7, Dixon pointed to a new cyclical crisis.

12. Day *The 'Crisis'* op. cit. p172.

The End Is Still Nigh

Pronouncements on the chimeral nature of recovery and the imminence of a renewed and severe crisis became the common currency of the international communist movement for thirty years after the depression. In May 1935, with the recovery in full swing, J. B. Miles thought "the perspective in Australia is for a sharpening of the crisis".¹³

The indeterminacy of Communist crisis theory even prevented the Party from confidently recognising a recession when it saw one. In August 1937, L. L. Sharkey made another prediction that a crisis was imminent, which was fortuitously borne out by events. But even in the midst of the recession the Central Committee draft resolution for the 12th National Conference still regarded a new crisis as imminent rather than underway.¹⁴ In June 1938 *Workers Weekly* proclaimed that "The Slump Is Taking Place", but Dixon still "predicted" it in 1939.¹⁵ By mid-1939 an official Party assessment maintained that the crisis was worsening, but in September 1939 E. W. Campbell still hedged his bets as to whether the crisis was, as yet, an open one.¹⁶ He brought a little Australian empirical material to bear on the question and revealed the source of the confusion in the indeterminacy of the radical underconsumptionist theory of crisis by his unacknowledged quotation from Varga's *The Great Crisis*. The quotation was a description of a cyclical crisis, which in Varga's book was explained by the argument Campbell used to account for the general crisis.¹⁷ The Communist Party's leadership seems to have taken its recurrent predictions of renewed crises with a grain of salt. An editorial comment in *Communist Review*, which prefaced Varga's 1937 forecast of another crisis cautioned the naive that

"In some quarters a harmful tendency towards a too rigid interpretation of Varga's remarks was noticeable. . . We warn our readers against attempting to apply it [the following article by Varga] mechanically to Australia without due consideration of the actual situation."¹⁸

No considerations "of the actual situation" that contradicted Varga's or Australian Party members' prophesies of economic doom ever appeared in the Party press.

Communist confusion over the likelihood of a new economic crisis extended to the assessment of the implications of the arms race of the late 1930s for economic growth. Stalin, in 1939, maintained while rearmament meant that Germany, Japan and Italy were not yet experiencing the new crisis to the full, it would eventually lead them into a "most intense crisis":

"Unless something unforeseen occurs, German industry must enter the same downward path as Japan and Italy have already taken. For what does placing the economy of a country on a war footing mean? It means giving industry a one-sided, war direction; developing to the utmost the production of goods necessary for war and not for consumption by the population; restricting to the utmost the production and, especially, the sale of articles of general consumption -- and, consequently, reducing consumption by the population and confronting the country with an economic crisis."¹⁹

On the other hand E. W. Campbell and R. Dixon adopted a position more in accord with Varga's argument of the late 1930s that the arms race would offset the tendency to stagnation in the short term, while passing no comment on the longer term implications.²⁰

The Lure of Reformism

It was possible to remain within the bounds of underconsumptionist theory, but, in deference to the reality of recovery and growth, to admit the possibility that state action could overcome crises, that is to shift from a radical to a reformist underconsumptionist position. If arms production could assist economic growth, then why not other forms of state expenditure? As early as 1936 Soviet economists had recognised that in the west "artificial stimuli" were being used to overcome the crisis. Varga, who had a tenacious grip on the real movements of the western economies, concluded in March 1937 that a recovery was underway, before the new US slump restored his faith in the general crisis.²¹ Nevertheless, by March 1939 he conceded that:

13. *Workers Weekly* 3/5/35 p1, for an amplification of this point see D. J. Robertson "Australia Faces Economic Decline" *Communist Review* May 1935 pp55-60.

14. L. L. Sharkey "A Fighting Policy: Decisions of the C. C. Meeting" *Communist Review* August 1937 p35. Communist Party of Australia *Unite for Peace* op. cit. p3. Sharkey may well have drawn on an article by M. Dobb, a British marxist economist article on international economic scene based on serious empirical studies, written early in 1937 which predicted a new economic downturn. The article was only published in Australia as "England and Economic Crisis" in *Communist Review* March 1938 pp37-8. G. Crane seems to have produced the only serious indigenous Communist examination of the cyclical situation in Australia, though not in a CPA publication, G. Crane "Present Economic Tendencies in Australia" *Workers' Information* 1(1), February 1938 ARU, Melbourne. Crane's unique position is considered in greater detail below.

15. *Workers Weekly* 14/6/38 p1 and also E. W. Campbell "Coming Events Cast Shadows" *Communist Review* July 1938 p3. R. Dixon "Trade Union Policy and the ACTU" *Communist Review* March 1939 p181.

16. Communist Party of Australia *The Present Situation and the Tasks of the Party* 7/5/39 p2.

17. E. W. Campbell "New Line of Attack" *Communist Review* September 1939 p516; compare to E. Varga *The Great Crisis* op. cit. p24.

18. Varga "A New Crisis" op. cit. p35.

19. J. V. Stalin Report to the 18th Congress of the Communist Party of the Soviet Union, March 1939 in his *The Essential Stalin* Croom Helm, London 1973 p338. In fact the devotion of such a high proportion of output to war was liable to lead to a crisis, if military adventures did not secure additional resources, only where it slowed the rate of investment. Also see report in *Workers Weekly* 4/4/39 p2.

20. Dixon "The News Review" op. cit. p6; Campbell "A New Crisis" *Communist Review* April 1939 p197.

21. Day *The 'Crisis'* op. cit. pp275-8, 281.

"Government expenditures. . . for armaments and public works influence and modify the cyclical development of reproduction which is based upon the internal laws of capitalist society."

Day argues that

"Logically, Varga's reasoning ran parallel to that of John Maynard Keynes in *The General Theory of Employment, Interest and Money* published in 1936."²²

During the Great Patriotic War Against Fascism Varga developed his version of reformist underconsumptionism further. In 1941 the CPA published Varga's *Changes in Capitalism during the War*. Its conclusions about the role of state intervention prefigured Varga's post-war controversy with the rest of the Russian economics profession:

"With the development of monopoly capitalism, the contradiction between the tendency of capitalism to expand and the limited consuming capacity of society has asserted itself more sharply and permanently. . . the bourgeoisie in each country has tried to utilize the state as a means of eliminating it within its own territories."²³

Despite a setback during the late 1940s, his position became the Russian economic orthodoxy by the 1960s.

The CPA also shifted in the direction of reformist underconsumptionism. This was most obvious in its discussion of the role of the ALP and Labor Governments, where the stress was on a progressive administration acting for the working class on economic questions, rather than workers taking matters into their own hands.²⁴ With the benefit of hindsight it is possible to see a link between this shift and the CPA's sloughing off of Stalinism and transformation into a reformist sect thirty years later. But even in the 1930s some Australian developments highlighted this logic of Popular Front politics, to which Trotsky had drawn attention.²⁵ For example, Lloyd Ross, covert Communist, prominent ALP member and Secretary of the NSW ARU, was only a little in advance of and more explicit than the body of CPA thought, when he argued that

"Whatever be our departure in economic theory we must end with the conclusion that a world of saturated markets can escape from its economic difficulties by improving the standards of living of the masses."²⁶

This statement could just as easily have been produced by a laborite union official, committed to trade union underconsumptionism. Ross's premature abandonment of radical for reformist underconsumptionism had a sequel when he left the Communist for the Labor Party in 1940, anticipating the CPA's change of primary loyalty from Russia to Australia, by more than twenty years.

The initial form of the CPA's opening to reformism was its attempts to gain affiliation to the ALP. A great deal was expected of a government formed by the Labor Party thus augmented:

"Therefore the question is, what manner of Labor Government is required?"

"The answer is: we want a Government that will pursue a class policy; which aims, finally, not at the perpetuation of the capitalist system, under which the workers can never be secure in their jobs and their lives, but at the overthrow of capitalist rule, and social ownership of the means of production."²⁷

This was socialism introduced by Parliamentary means. But once the ALP had rejected the Communist application for affiliation, the idea that a Labor government could introduce socialism challenged the basis of the CPA's existence.²⁸ During 1937 the Party elaborated its Popular Front perspectives into a stagist strategy for achieving socialism. Now a progressive Labor government was only expected to introduce a variety of reforms, within the framework of capitalism but in the face of the opposition of the rich families and monopolies. Socialism would be a later task, to be completed under the leadership of the Communists:

"While pointing out our conviction that only a Soviet government can guarantee the masses against the evils of capitalism, we believe that unity and a Labor government can strengthen the forces of peace, defeat fascism and achieve the immediate economic demands of the working class and all toiling people."²⁹

Although the modified strategy was not as explicitly reformist as its predecessor, it still contained the seeds of reformism -- how far, it could be asked, was a Labor government capable of going. Stagism quickly flourished in Communist theory, but bore no reformist flowers or fruit in Australia until the 1960s. Shortly before the 1937 Federal elections Edgar Ross, covert Communist, ALP member and editor of the Miners' Federation newspaper (and Lloyd's brother) wrote in *Common Cause*:

"Lyons[']s Government] has meant the supremacy of profits over wages. It has meant taxing the workers to increase the wealth of the rich. In its train it has left unemployed workers, bankrupt farmers, poverty and malnutrition.

22. *ibid.* p281.

23. E. Varga *Changes in Capitalism during the War* Communist Party of Australia, Sydney 1941 p6.

24. See, for example S. Mason "The Next Tasks of the Aust. Communists" *Communist Review* September 1936 p27:

"From now on the centre of all our campaigns relating to economic and democratic liberties must be the election of fighting Labor governments."

25. See Chapter Three for a discussion of Trotsky's analysis of the Popular Front.

26. L. Ross *The Railway Workers' Charter* Australian Railways Union, Sydney 1936? p13.

27. *Workers Weekly* editorial 24/4/36 p4.

28. The ALP Federal Executive rejected the CPA's application in 1937, *Workers Weekly* 27/4/37 p2, confirmed its decision in 1938 and the Federal ALP Conference of 1939 endorsed the Federal Executive's action, Davidson *The Communist Party of Australia* op. cit. p76-7.

29. J. B. Miles in *Workers Weekly* 30/3/37 p2. Also see J. B. Miles "NSW Labor Party Conference" *Communist Review* May 1937 p10.

"A fighting Labor Government can reverse the situation.

"... A Labor Government will have two paths to choose. One leads to peace progress and prosperity; the other to war, reaction and crisis."³⁰

Edgar's argument entailed not only a reformist, but also a governmental underconsumptionism.

The Rosses' statements were not simply camouflage for their operations inside the ALP. The CPA's own journal in June and July 1938 published a two part article by John Strachey, a prominent fellow traveller of the British Communist Party, which offered a governmental underconsumptionist solution to crises, along the lines of Keynes's *General Theory*. The article was an early step on Strachey's road to an explicit, Keynesian reformism in *Programme for Progress* of 1940 and later *Contemporary Capitalism*.³¹ His *Communist Review* article started in a seemingly orthodox Communist fashion:

"It is not until we have built up the main foundations, at any rate, of a socialist economic system that we can ever be free from the menace of crisis, slump and mass unemployment."³²

Yet his argument made it clear that while the "menace" was inherent in capitalism, the actuality of crisis was not. He saw crises as the result of the tendency of the rate of profit to fall, in underconsumptionist terms similar to Varga's, because

"The market for consumers' goods which... capital goods can, and must, produce, if they are to yield a profit, cannot expand at anything like the necessary speed to absorb the potential products of the ever-growing mass of capital goods."

Strachey concluded that the policy of a progressive government

"Must be to replace the inadequate volume of investment which the private entrepreneurs are undertaking with a great volume of public investment."

Following Keynes he mentioned that any kind of public investment, financed through government borrowing, even digging holes in the ground and filling them up again, would be better than none at all. He also thought that exchange control would be necessary to prevent a flight by capitalists from the currency.

"To sum up. It is perfectly possible for a Labor or progressive government to overcome a slump."³³

A similar case was made in the December 1938 issue of *Australian Left News*, a Communist front publication, under the title "Coming Slump Can Be Avoided: Practical Plan of Social Investment". It added the proviso that success required a Labor government "backed by a united, determined, and politically aware Labor movement".³⁴

Strachey's and the *Australian Left News* articles may not have been written by CPA members and were somewhat in advance of the CPA's orthodoxy, in explicitness and the obvious influence of Keynes, but their appearance showed the direction in which Party economic analyses were moving. A controversy in the CPA over banking reform confirmed the direction of this trend.

Communists on Banking Reform

Given the popularity of Money Power ideas in the labour movement and the stress on the financial system in ALP economic policy, the question of the banks was an important one for the CPA. During the early 1930s, the Party argued that bank nationalisation and the "socialisation of credit" did not offer a solution to capitalist crises. By 1937 the line had changed. There was, however, confusion over just how far the change went. In March 1937 Fred Paterson, a long term CPA member and eventually the Party's only successful Parliamentary candidate, called for agitation around bank nationalisation, the confiscation of shares and large bank deposits, in order to "crush finance capital".³⁵ The proposal had a militant ring, as did much of the rhetoric of the Popular Front. Paterson raised the issue in a way that assumed the CPA's first version of the Popular Front, involving Communist affiliation to the ALP and the implementation of radical measures by a government of the combined party.

E. W. Campbell, editor of *Communist Review*, replied to Paterson in the terms of the new, stagist approach to the Popular Front:

"We fully expect a future Labor government to put into operation a programme in the interests of the toiling people -- the 40 hour week, increased wages, assistance to farmers, etc. This programme will be at the expense of the rich exploiters because of the inroads which will be made into their profits by such legislation. However it still does not go beyond the limit of existing property relationships.

"An Important Point

"Such measures will still be reforms -- certainly reforms of a more radical character than any yet attempted, but, nevertheless, still reforms. Such being the case, the necessity to crush the power of finance capital does not arise. In fact, such a task is beyond the power of any constitutional

30. *Common Cause* editorial 16/10/37 p4.

31. J. Thomas *John Strachey* Eyre Methuen, London 1973 pp186-7.

32. J. Strachey "Slump and the Struggle" *Communist Review* June 1938 p22.

33. J. Strachey "Slump and the Struggle" *Communist Review* July 1938 pp42, 43, 46.

34. *Australian Left News* December 1938 pp10-2.

35. F. Paterson "Banking Monopoly Exposed" *Communist Review* March 1937.

government. It must be regarded as a measure which can only be carried out by the dictatorship of the proletariat, after the seizure of power."³⁶

According to Campbell, bank nationalisation (with compensation for the owners) and "curbs" on finance capital were possible and desirable under capitalism and could be carried out by an ALP government. Confiscation, on the other hand was only possible after the revolution. His position was, therefore, less militant than Paterson's -- in practice the CPA's later, stagist version of the Popular Front was more moderate than the initial approach.

Ironically, Campbell justified his position that bank nationalisation was possible under capitalism with a reference to Lenin's raising of the demand in 1917. He thus turned Lenin's position on its head. Lenin had made his demand after issuing his *April Theses*, which placed a proletarian revolution on the immediate agenda and in explicit opposition to the stagist approach of the Mensheviks who wanted to give the "progressive" Kerensky Government time to implement a series of reforms. In the pre-revolutionary situation of September 1917, Lenin's call was a transitional demand highlighting the Government's inability to take a measure, quite compatible with the survival of capitalism, in order to improve the economic situation, and the fact that workers' struggles were already pointing beyond the confines of reforms within capitalism to another revolution. He transcended the Second International counterposition of reform and revolution, reproduced by the CPA during the Popular Front period, by focusing on the logic of the class struggles in progress. For more details on Lenin's position see the Appendix to this Chapter.

Paterson, in not distinguishing between changes possible under capitalism from those possible under the dictatorship of the proletariat, also transcended the dichotomy between reforms and revolution, but only by running the risk of liquidating the rationale for revolution altogether. Campbell's reaffirmation of the dichotomy, and the Party's stagist strategy, reproduced the strategy of the main parties of the Second International and at the same time legitimised more moderate demands than Paterson's. But, crucially, it provided a continuing rationale for the CPA's existence, just as the previous strategy, centering on affiliation to the ALP was collapsing, by stating that a revolution was still necessary.

Campbell's article laid down guidelines for the Communist approach to banking during the later Popular Front period. The release of the Banking Commission's Report in July 1937 put these to a practical test. The CPA's initial response to the Commission's recommendations was apparently conditioned by a healthy distrust of the products of such a respectable body, appointed by the Lyons Government. *Workers Weekly's* general assessment of the Report's significance was accurate, even if it neglected the immediate political context of the Commission's establishment:

"Modifications of the banking superstructure of Australia during the crisis and the need to take stock of these changes, to assimilate the crisis experience and prepare for the next crisis, were the principle motives that led to the setting up of the Royal Commission on banking by the Lyons government."

In line with its Popular Front policies, *Workers Weekly* regarded the Commission's recommendations as aimed at "extending the domination of finance capital over the whole of the Australian people", although the banks quickly expressed their hostility to them.³⁷ The CPA obviously did not see the Report as a likely source of proposals for curbing finance capital to which Campbell had referred three months before.

Curtin had already called on the Government to act on the Royal Commission's Report in August. By the time of his policy speech for the 1937 elections, on 20 September, he identified the Report's recommendations with "the Labor Party's views". The CPA took these cues. Early in September it reversed its attitude to the Report, bringing its position into accord with that of the ALP. No public explanation of the change was made, nor was the fact that it had taken place even acknowledged when *Workers Weekly* pronounced

"These measures, if put into practice, should give a Federal Labor government sufficient control over the banking system to combat any attempted sabotage of its progressive legislation on the part of the banks."³⁸

Soon the Communist newspaper announced "Bank Commission: Curtin to Give Effect: Important to the 'Small Man'".³⁹ The Party's first reaction to the Report was conditioned by its Third Period scepticism about banking reform and suspicion of state initiatives far removed from the pressures of the class struggle. The responses of the ALP and the banks seemed to indicate that the forces identified as progressive, in terms of the Popular Front, were favourably disposed to the Report, while the core of reaction, the banks, were not. The Popular Front dichotomy between the financial oligarchy on the one hand and the people on the other could not accommodate policies serving the interests of the capitalist class as a whole, but in conflict with the short-term interests of the banks. In Australia the Popular Front was not characterised by Communists making such explicit public attempts to embrace

36. E. W. Campbell "Nationalisation of Banking" *Communist Review* May 1937 p4, emphasis in original.

37. *Workers Weekly* 13/8/37 p3, and for a similar assessment see *Workers Weekly* 31/8/37 p3.

38. *Workers Weekly* 10/9/37. Further favourable comments on the Report in *Workers Weekly* 14/9/37 p3.

39. *Workers Weekly* 19/10/37 p3.

sections of the capitalist class, as in some European countries, but decisions such as that to support the ALP's position on the Banking Royal Commission Report had the same effect in practice.⁴⁰

In October 1937 Hector Ross (the only one of the Ross brothers to be an open Communist at this stage) summed up the practical implications of the CPA's new attitude to banking reform. On the one hand

"It is necessary to recognise, then, that no amount of bank legislation could obviate crises since the causes are deeply rooted in the capitalist system itself."

Radical underconsumptionism was vindicated. But, recognising bankers' hostility to the activities of a progressive Labor government

"We, therefore, see the banking system as instrumental to a Labor government carrying out the necessary basic measures to alleviate the conditions of the masses."⁴¹

Only "supervision" of the banks would be necessary, this "would not be nationalisation in the full sense of the word". Ross endorsed the policies of ALP moderates and sections of the capitalist class on banking, without openly accepting the reformist underconsumptionist theory on which they were premised, although alleviation of the conditions of the masses by means of the banking system presumably meant improving the health of the (capitalist) economy. The CPA did not, and was probably unwilling if not unable to, develop a convincing critique of Keynesian economics, which was an electoral asset for the ALP and held out the promise of better times to come under a progressive government.

Gordon Crane produced the most extensive account of the Banking Commission Report by a Communist in the ARU's *Workers' Information*. He defended the Report from the criticisms of the trading banks and, supporting its recommendations, pointed out that no legislation was necessary to implement the most important of them, those relating to monetary policy. The Report

"Can be regarded as an endorsement of Labour's criticism of the policy of the banks during the depression; and all of its recommendations. . . are in accord with Labour's policy. . ."

Crane also called for the popularisation of the Commission's findings. Far from criticising the Keynesian framework of the Report, he concurred that

"The open-minded student must conclude that, if the criticisms of the Commission are justified -- and no one has attempted to prove otherwise -- then so are the Commission's recommendations. Opposition to such a fully-demonstrated case can only represent a last desperate effort to protect and defend vested interests."⁴²

Crane did not go as far as claiming that the implementation of the Report would prevent capitalist crises, the Report itself only claimed that its recommendations had to be regarded as only a part of anti-depression policies, which would also include fiscal measures. But his acceptance of the idea of the general interest embodied in the Commission's findings ruled out the possibility that the working class might have a "vested interest" which could not be expressed within the framework of the Report and disputes within the capitalist class over its recommendations.

The Limits of Communist Reformism

Several factors qualified the Popular Front Communist Party's openness to reformist, governmental underconsumptionism as they did the Party's readiness to carry through the full logic of its nationalist anti-monopolism. Radical underconsumptionism remained an expression of faith in socialism and the Soviet Union.⁴³ With the adoption of a stagist strategy, radical underconsumptionism could be used as a *differentia speciae* to justify the continued existence of the CPA alongside the ALP. The Party's need to avoid degenerating into a Stalinist sect without a serious base in any section of society was of particular importance in restricting the CPA's adoption of a governmental (as distinct from a broader reformist) underconsumptionism. Popular Front policies justified an accommodation with reformism and nationalism, but could only be implemented if the CPA sustained and expanded its influence in the working class. The Party did not drop the class struggle entirely, in

40. Note, however, that the CPA admonished the ALP to "strive for an alliance with the oppositional groups within the Country Party and the U.A.P. to defeat Lyons", Central Committee *Unite for Peace Freedom Democracy* op. cit. p6. The CPA was most explicit when it came to foreign policy, see *Workers Weekly* 17/8/38 p1, for concern to bring W. M. Hughes "into agreement with the Federal Labor Party".

41. H. Ross "Nationalisation of Banking" *Communist Review* October 1937 pp18, 20. C.f. R. Dixon "Socialism and the Australian Labor Movement" *Communist Review* January 1935 pp19-20:

"With the development of the crisis it [the Labor Party] degenerated so far that today the only policy it is capable of is reform of the banking system to restore capitalism to 'prosperity', to strengthen the capitalist system."

42. G. Crane "Banking and the People", *Workers' Information* 1(2), May-July 1938 passim. Also Crane's comments on the Banking Commission Report in *Advocate* 15/10/37 pp10-1; G. Crane "Governments and Banks" *Communist Review* September 1938 pp33-4, where he concluded that bank nationalisation was not possible under capitalism because of the fusion of bank and industrial capital.

43. Nevertheless, the Russian leadership, which provided the CPA with much of its analysis of international events and economic theory, did not seem to regard Keynesian economics as an ideology requiring rapid refutation. The *General Theory* was first mentioned in the Russian economic literature only in 1938. J. Kuczynski's *New Fashions in Wage Theory* (published by the British Communist publishers Lawrence and Wishart in 1937) was favourably reviewed in Russia but no substantial attention was paid to the new economics until after World War II. For the history of Russian attitudes to Keynesian economics see C. B. Turner *An Analysis of Soviet Views on John Maynard Keynes* Duke University Press, Durham 1969, pp21-5 for the pre-World War II period.

order to win respectable friends.⁴⁴ Individual Communists were amongst the best shop floor militants, in building workshop organisation and leading industrial struggles. The CPA generally supported workers already in struggle and regarded economic disputes as self-validating, on the basis of the labour theory of value. Workers were exploited under capitalism; they had a right to try to minimise this exploitation. The "get what you can, while you can" approach was endorsed. Higher wages and better conditions were desirable because they served the interests of the working class and not necessarily because, as in trade union underconsumptionist theory, they were solutions to the problems of capitalism.⁴⁵

In the short term, the CPA's radical turn in 1939 put an abrupt halt to its shift to reformist underconsumptionism. In 1940 *Tribune* published a hostile review of Strachey's *Programme for Peace*, by English Communist Emile Burns. He counterposed the Keynesian approach to the orthodoxy of radical underconsumptionism:

"The trouble is that, however low the rate of interest, no manufacturer will keep his works going when he cannot find a market for the product."⁴⁶

The CPA's transition to reformism was made along a zig zag path, with detours between 1939 and 1941 and again between 1947 and 1952. By the late 1960s, however, the main body of the left of the labour movement in Australia, constituted by the CPA, the ALP left and their supporters, accepted that crises could be eliminated from capitalism, given sufficiently enlightened legislation.

A Glimpse of Marxist Theory

From its foundation until the 1980s the CPA believed that its economic analyses were underpinned by the labour theory of value. During the Popular Front period the Party referred to Marx's *Capital* to exorcise incorrect theories and distributed Marx's economic writings and primers in Marxist economics. Its educational classes gave members a grounding in the labour theory of value. Some trade union newspapers, notably the Queensland ARU's *Advocate*, also carried material on economic theory.⁴⁷ Nor was the labour theory of value the exclusive preserve of the CPA. Reformist socialists in the ALP still adhered to some of the traditions of the Second International. The Victorian Labor College, the NSW Socialisation Units and Victorian Socialist Party had provided institutional foci for these currents. A Melbourne Trades Hall Council mass distribution leaflet of 1937, for example propagated the theory.⁴⁸

In the ALP and the CPA during the 1930s Marxist economics was a dogma rather than a tool for analysing and changing society. Marxists in both organisations, moreover, explained crises in underconsumptionist terms, without reference to the contradictions internal to capitalist production. Nevertheless, for a brief period around 1937, there was an anomaly in this overall picture. For the only time before the 1970s, a Marxist explanation of economic crises in terms of the tendency of the rate for profit to fall was presented to a wide working class audience. It is worth examining this anomaly, because it demonstrates that dynamic Marxist ideas were available to the Australian labour movement, even if neither of its political parties took them up.

Unions have often used their journals as instruments for the education of their members. During the mid-1930s the ARU initiated an education scheme for its members more systematic than most. Gordon Crane conducted the program, first for the Queensland branch and then for the national union. He was a university trained intellectual, long-standing CPA member and had been employed for a while as a Queensland ARU organiser during the 1920s.⁴⁹ The initial aim of the ARU's educational scheme was to develop union members' understanding of the economics of capitalism. In this Crane's main text was John Strachey's *The Nature of Capitalist Crisis*, written during the transition from the Third Period to the Popular Front and first published by Gollancz in March 1935.

The explanation of crises in Strachey's book was based on the tendency of the rate of profit to fall and the development of disproportions between the production of consumption and capital goods.⁵⁰ It was capable of differentiating between cyclical crises and longer term economic movements. Strachey's approach therefore owed more to the Hilferding tradition of analysis than that of Rosa Luxemburg's radical underconsumption in which the

44. Thus Communist Party of Australia *Unite* op. cit. p5 affirmed that

"In all cases the essential condition for unity is struggle — the struggle for the needs of the masses, for democracy and peace and resistance to reaction."

Also see J. B. Blake *They Must Pay* Communist Party of Australia, Melbourne 1937.+

45. E.g. see *Advocate* 15/6/37 pp1-2, 39/6/37 p3. If the ALP was somehow involved in a dispute, the situation was different. During the 1937 Brisbane brewery strike and lockout, for example, the CPA encouraged workers in their struggle. Yet the Party also gave credence to the notion that the State ALP Government was, or should be expected to be, an ally, see *Workers Weekly* 24/9/37 p1, 28/9/37 p1, editorial 5/10/37 p2. When an issue was further removed from industrial struggle, and the ALP more involved, as in State or Federal elections, Communist tended to move further in the direction of governmental underconsumptionist arguments.

46. *Tribune* 23/4/40 p2. Also see E. Burns *Mr. Keynes Answered: An Examination* Lawrence and Wishart, London 1940, a critique of Keynes's *How to Pay for the War*.

47. See the *Advocate* during 1937 in particular. Also, for example D. McLeod "Educate, Organise, Control" *Amalgamated Engineering Union Journal* February 1936.

48. *Labor Call* 25/2/37 p3. Also see "ABC of Economics: Contributed by the Victorian Labor College" *Labor Call* 5/10/39 to 8/2/40 in 15 parts.

49. On Crane see T. Nolan *You Pass This Way Only Once* Colonial Press, Brisbane 1974, pp32, 40, 48, 82. See also T. Moroney "Forward" to G. Crane *The Workers' Struggle against Capitalist Depression and the Way Out* Australia Railways Union Educational and Organising Scheme, Brisbane, 1937? and obituary *Advocate* 15/2/49 p4.

50. The law of the tendency of the rate of profit to fall was, as we have seen, included in Soviet expositions of Marxist economics, but was superfluous to their explanations of economic crises, e.g. Leontiev *Political Economy* op. cit. p136.

Soviet economic orthodoxy stood. The situation outside Russia, however, was less propitious for the brutal suppression of heterodox ideas in the Communist movement. So long as their commitment to the Soviet Union was beyond question, intellectuals in and around western Communist Parties might be given some scope for original thought. In Britain M. Dobb and Strachey expounded Marxist explanations of crises in terms of the tendency of the rate of profit to fall. Dobb, a Cambridge academic and Communist Party member mainly produced academic work of limited accessibility and therefore less consequence as a threat to Communist orthodoxy.⁵¹ On the other hand Strachey was "the most productive and widely read British marxist theoretician of the decade".⁵² But he had been advised by the leaders of the Communist Party of Great Britain not to join the Party and therefore, as a fellow traveller of independent means, probably had a greater scope than Party members for innovative argument.⁵³ *The Nature of Economic Crisis* combined an incisive critique of bourgeois economics and presentation of his account of crises with an impeccably uncritical account of the Soviet Union. *The Nature of Capitalist Crisis* was very well received in the Australian labour movement.⁵⁴ Yet Crane was the only prominent labour movement publicist to recognise the significance of its explanation of the crises in terms of the rate of profit recognised.⁵⁵

During the Third Period of sectarian hostility to most non-Communist organisations, Strachey's account was useful as a means of starkly distinguishing Communists from all those who might use underconsumptionist explanations of crises. With the advent of the politics of the Popular Front this became a hindrance to Communist policy. Strachey's position soon shifted to the orthodoxy of radical underconsumptionism in his *Theory and Practice of Socialism* and *Why You Should Be a Socialist*. His shift to radical underconsumptionism proved to be a stepping stone to an explicitly Keynesian analysis, already emerging in 1938.⁵⁶ In 1938 Dobb wrote to Strachey that

"I felt you had swallowed so much of the Keynes-Meade [analysis] as to give an almost Douglasite twist to the whole thing [i.e. Strachey's notes for a book on Keynes]. . . This is particularly clear in some of your formulations about crisis being 'a problem of purchasing power'."⁵⁷

Apart from *The Nature of Capitalist Crisis*, as his course's textbook, Crane also recommended a variety of other books in his educational supplement to the *Advocate*.⁵⁸ By May 1937, the *Advocate* reported that Educational and Organisational Committees, essentially study circles around Crane's course, existed amongst rail workers at least in Mareeba, Townsville, Innisfail, Bowen, Mackay, Gladstone, Gympie, North Brisbane, South Brisbane and Toowoomba.⁵⁹

Following Strachey, Crane saw the tendency of the rate of profit to fall as the core of the Marxist explanation of economic crises. He presented this analysis through the Queensland ARU "E and O Scheme" pamphlet *The Workers Struggle Against Capitalism and the Way Out*, in lectures and through the pages of the *Advocate*.⁶⁰ In 1937 two articles by Crane, also strongly influenced by *The Nature of Capitalist Crisis* appeared in *Communist Review* and the following year he produced the most impressive empirical accounts of Australian economic developments by a Communist in the two issues of the ARU's *Workers' Information*.⁶¹ The *Communist Review* pieces contrasted strikingly with the CPA and Comintern orthodoxy that crises were due to the contradiction

51. Dobb did produce some popular articles too, such as "England and Economic Crisis" *Communist Review* March 1938 pp37-8, an essentially empirical account, and *Economics of Private Enterprise* Current Book Distributors, Sydney 1944. The latter explained crises in terms of the rate of profit. For a critique of Dobb's particular derivation of the law of the tendency of the rate of profit to fall see A. Shaikh "Political Economy and Capitalism: Notes on Dobb's Theory of Crisis" *Cambridge Journal of Economics* 2, June 1978 pp233-51. Shaikh points out that, in his *Political Economy of Capitalism* Dobb regarded falling profit rates as an effect of rising wages, rather than of a rising organic composition of capital. On Dobb's career see E. J. Hobsbawm "Maurice Dobb" in C. H. Feinstein (ed) *Socialism, Capitalism and Economic Growth: Essays Presented to Maurice Dobb* Cambridge University Press, Cambridge 1967.

52. P. Addison *The Road to 1945* Cape, London 1975 p62. For a similar comments see C. Harman "State Capitalism, Armaments and the General Form of the Current Crisis" *International Socialism* 2(16) Spring 1982 p38 and Hobsbawm "Maurice Dobb" op. cit. p1.

53. For Strachey's career see Thomas *John Strachey* op. cit.

54. L. Ross quoted from Strachey's book in "Can Hitler Last?" *Amalgamated Engineering Union Journal* May 1935 pp4-9, where he called it "one of the most important books published since the depression". Ross also recommended it in *Australian Highway* June 1935 p101 and a review by "B" followed in the October 1935 issue. E. M. H. (E. M. Higgins) reviewed *The Nature of Capitalist Crisis* in *Communist Review* August 1935 pp55-8. Another review, by E. E. Ward appeared in the Communist influenced *Proletariat* July-September 1935, published by the Melbourne University Labor Club. *Workers Weekly* serialised the chapters on Douglas credit between 20/8/35 and 8/10/35. Even "Scrutator" *Labor Call* 12/9/35 p1 wrote that

"The author [Strachey] is to be congratulated on having logically and scientifically analysed the causes of economic depression."

55. J. Dewsnap, an official of the Teachers' Industrial Union, presented the only other account of crises in terms of the tendency of the rate of profit to fall that I have been able to find. This was in the third lecture of the Melbourne Trades Hall Council Propaganda Committee's 1935 winter series, shortly after the appearance of Strachey's book. The lecture was printed *Labor Call* 25/7/35.

56. See Strachey "The Slump and the Struggle" op. cit. for an early step in the direction of reformism and J. Strachey *Contemporary Capitalism* Random House, New York 1956 for the end result.

57. Thomas *John Strachey* op. cit. p175.

58. *Advocate* 15/2/37 p5. The publications recommended included A. Leontiev *Political Economy*; J. Keracher *Economics for Beginners* and *Why Unemployment*, US pamphlets; M. Marcy *Shop Talks on Economics*, US pamphlet, which went through two Australian editions, in 1919 and 1930; Marx *Value Price and Profit* and Modern Publishers' *The Two World's* series (the only copy I have found is in the National Library of Australia).

59. *Advocate* 15/5/37 p10.

60. Crane *The Workers' Struggle* op. cit., *Advocate* 16/11/36 p4, 15/4/37 p4. For a review of *The Nature of Capitalist Crisis* *Advocate* August 1936 pp4-6

61. G. Crane "Bankers, Economists and the Crisis" *Communist Review* September and October 1937, "Present Economic Tendencies in Australia" *Workers' Information* February 1938 and "Banking and the People" *Workers' Information* op. cit.

between production and consumption, presented, for example, by Varga only a few months earlier in the same journal. Crane contended that Marx's

"Understanding of capitalism was so exhaustive and practical that he perceived that what was required to promote recovery was a restoration of the rate of profit and he believed that the essential agencies for restoring the rate of profit and so creating a revival were (a) reduction in wages, and (b) depreciation of the value of constant capital (i.e. money invested in plant and machinery)."⁶²

Crane's economic analyses seem to have been linked to the CPA's earlier commitment to working class self-activity, rather than blind loyalty to Russia's interests. In his pamphlet he claimed that

"It is only through his own efforts, and not through depending upon capitalists, economists and politicians that he [the worker] can achieve the 'good life', and promote his own emancipation."⁶³

From the beginning of the Popular Front period, at the latest, working class self-emancipation had ceased to be part of the CPA's practical politics and was seldom expressed in Communist publications. It was possible for Crane to propagate his (and Marx's) views for a period for several reasons. First the CPA still had a verbal commitment to the working class and Marxism and a real interest in preserving its base in that class. Secondly, Crane's exposition of the Marxist theory of crisis remained at a fairly abstract level. His accounts of Australian economic developments, in the 1938 *Workers' Information* publications did not apply his earlier explanation of crises, they remained essentially empirical.⁶⁴ No overt contradiction thus emerged to highlight the contrast between his Marxist and the Party's radical underconsumptionist theories. In the ARU Crane was left to deal with theory and was not in a position to relate to struggles as an ordinary organiser. Thirdly, Crane was an intellectual based in Queensland, with the support of a union not controlled by the CPA behind him. This may have given him some independence from the Communist Party's Sydney headquarters. When he stepped out of line on a question of foreign policy, however, by dissenting from the Party's new policy of national defence, it responded rapidly.⁶⁵ Crane apparently changed his mind, as he conducted the 1938 ARU course on "Fascism, War and the Problems of the Australian Workers" which presented the Communist position on these questions.⁶⁶ Nevertheless, the published notes for the Course included an original examination of the tendencies to state capitalism in Australiaduring the 1930s, inspired by comments in Varga's *The Great Crisis*.⁶⁷ Subsequently Crane followed Strachey's trajectory in embracing Keynesian economics.⁶⁸ The objective circumstances which dictated Fitzpatrick's adherence to left nationalism also affected Crane. There was no insitutional focus to sustain and advance the insights of either individual in a revolutionary direction.

62. Crane "Bankers, Economists and Crisis" op. cit. p27, cf., E. Varga "A New Crisis Coming!" *Communist Review* July 1937 p36.

63. Crane *The Workers' Struggle* op. cit. p27.

64. Also see G. Crane "Youth and Unemployment" *Communist Review* September 1939 pp52-4.

65. See G. Crane "I Disagree" *Communist Review* February 1937 pp13-6, R. Dixon "R. Dixon Replies to G. Crane" *Communist Review* May 1937 p36. The other contributors to the "debate" all supported the Party line.

66. Crane's 1938 "Government and the Banks" op. cit. and "Banking and the People" op. cit. both betrayed a commitment to Popular Front politics too.

67. F. G. Crane *Education Course 1938* Australian Railways Union, Ruskin Press, Melbourne 1938 pp5-6 (copy in National Library of Australia).

68. See *Railroad* 26/7/46 p2, 23/8/46 p2, 4/10/46 p2. These articles were published when the CPA had already abandoned its war-time accommodation to Keynesian economics.

Appendix to Chapter 5: Lenin on Bank Nationalisation

E. W. Campbell's authority in stating that bank nationalisation could be accomplished under capitalism was Lenin's *The Impending Catastrophe and How to Combat It*. In the pamphlet Lenin did point out that bank nationalisation would not end private property, but he also maintained that

"It is impossible to nationalise the banks alone, without proceeding to create a state monopoly of commercial and industrial syndicates (sugar, coal, iron, oil, etc.) and without nationalising them."

Further, in the course of his discussion of the measures necessary to prevent the collapse of the Russian economy, he stated that

"In point of fact, the question of control [over the economy] boils down to who controls whom, i.e., which class is in control and which class is being controlled."

That is, whether the Provisional Government should be replaced by the dictatorship of the proletariat:

"Only the winning of power by the proletariat, headed by the Bolshevik Party, can put an end to the outrageous actions of Kerensky and Co. and restore the work of democratic food distribution, supply and other organisations, which Kerensky and his government are frustrating."

In reply to the Mensheviks and Social Revolutionaries, who were committed to a stagist strategy, "picture[ing] socialism as some remote, unknown and dim future", Lenin argued that "We must either advance [towards socialism] or retreat. . . But to fear advance means retreating",

"Because state-monopoly capitalism is a complete material preparation for socialism, the threshold of socialism, a rung on the ladder of history between which and the rung called socialism there are no intermediate rungs."⁶⁹

Lenin's critique of the "Popular Frontists" of 1917 applied with equal validity to those of 1937.

In 1934 a critique of J. Lang's *Why I Fight* in *Workers Weekly* had expressed the above interpretation of *The Impending Catastrophe and How to Combat It*. In contrast to Campbell's interpretation it argued Lenin's partial demands

"Were meant as the stepping stone to the confiscation of the banks by the workers' government."⁷⁰

69. V. I. Lenin *The Impending Catastrophe and How to Combat It* in his *Selected Works* Volume 2, Progress Publishers, Moscow 1977, pp193, 207, 209, 212.

70. *Workers Weekly* 28/9/34 p3.

CHAPTER SIX

MAKING AUSTRALIA SAFE FOR THE LONG BOOM: 1941-50

The years of Labor Government between 1941 and 1949, and particularly those after World War II, established the parameters for Australian foreign policy through to the present and laid the basis for Australia's participation in the long post-war boom. The military alliances of the War were ruptured soon after, giving way to a polarisation of international politics from which the Chifley Government could not escape. But there were important continuities between the war-time domestic policies of the Curtin Government and those of its successor. The Curtin Government successfully mobilised the nation and contained the class struggle to save Australian capitalists from external aggressors, in striking contrast to the failures of the Menzies and Fadden conservative governments. The Chifley Government went on to manage the upsurge in industrial disputes after the war and preside over a number of important economic reforms. While the Labor Governments' measures were not responsible for the boom from the 1950s through to the 1970s, which was an international phenomenon, they made a substantial contribution to its local extent.

World War II

The exigencies of World War II constituted a forcible solution to the international contradictions faced by Australian capitalism during the 1930s. As a part of the Empire military and economic block Australia had found itself without reliable military support, because of Britain's European preoccupations, and without prospects for expanded primary produce export markets. The war in Europe led to an immediate expansion in demand for Australian exports. Britain made bulk purchases of Australian wool, dairy produce, preserved fruit, sugar and meat, although wheat, barley, wine and fresh fruit exports were curtailed.¹ The outbreak of the Pacific war led to the replacement of Britain as Australia's key ally by the more reliable and more powerful USA. Curtin's 1941 "call to America" had little to do with the establishment of this enduring alliance: sentiment, gratitude and racial affinity were all insignificant compared with the common Japanese military threat to Australian and US capitalism. The war led to the disintegration of the preceding military/economic blocs, first because it established US hegemony over the western allies and ended the isolation of the USSR. The defeat of Japan, Germany and their allies was followed by the forcible integration of vanquished or occupied countries into Russian or western spheres of influence.

The entry of the USA into the War was followed by increased trade and greater integration of Australian and American production. As early as August 1941, the Anglo-American Atlantic Charter promised freer trade after the war and hence the extension of US economic influence. A series of conferences and agreements embodied the main features of the new world economic order that emerged after the War: Mutual Aid Agreements including those between the USA and Britain, the USA and Australia; the Bretton Woods Agreement on the international financial system; the San Francisco Conference of the United Nations; the General Agreement on Trade and Tariffs (GATT); and conferences on the proposed International Trade Organisation (ITO). The dismantling of the old military/economic blocks meant that Australian export trade would be in a much improved position in the post-war period, with improved access to a number of important markets. Nevertheless, Britain was to remain the most important outlet for Australian exports and the main source of overseas capital for almost twenty years after the War. At the same time, the destruction of Japan's military power and the emergence of the US alliance ensured Australia greater military security.

During the War the Australian economy grew very rapidly, compared to the previous period and to that of World War I. In 1939 unemployment stood at about eight per cent. of the workforce, but by 1943 the level was almost zero. As in the 1930s, manufacturing was the leading sector of the economy. Manufacturing employment grew from 565,000 in 1938-39 to 766,000 in 1943. Employment in the metal trades industries alone grew from 177,000 to 341,000 in the same period. Machine tool production rose 700 per cent. These increases largely arose out of the needs of the War, which also indirectly boosted Australian output. Australia was able to improve exports to markets east of Suez vacated by European producers. The War contributed to both the growth and diversification of Australia's industrial base.²

In circumstances of rapid economic growth, other things being equal, a substantial rise in the level of working class combativity might have been expected. Even during the late 1930s, the rate of industrial disputation had increased with the decline of unemployment. Now workers were in a better bargaining position than for over a decade. Yet, although employers and governments were insisting on very high levels of overtime, inferior

1. See S. J. Butlin *War Economy 1939-1942* Australian War Memorial, Canberra 1961 pp55-103.

2. See S. J. Butlin and C. B. Schedvin *War Economy 1942-1945* Australian War Memorial, Canberra 1977 and T. Sheridan *Mindful Militants: The Amalgamated Engineering Union in Australia 1930-72* Cambridge University Press, Cambridge 1975 p145.

working conditions and speed-ups, the level of industrial militancy did not show a consistent rise. After an initial increase in the number of days lost in strikes, in 1940, the extent of disputes, measured on this basis fell dramatically, as shown in Table 3.

Table 3. Industrial Disputes 1940 to 1960

Year	Number	Days Lost	Workers Involved
1940	350	1,507,252	192,597
1941	567	984,174	248,107
1942	602	378,195	169,263
1943	785	990,151	296,103
1944	941	912,752	276,358
1945	945	2,119,641	315,938
1946	869	1,947,844	348,548
1947	982	1,338,728	327,137
1948	1,141	1,662,686	317,149
1949	849	1,333,990	264,577
1950	1,276	2,062,888	431,701
1951	1,344	872,974	408,592
1952	1,627	1,163,504	505,734
1953	1,459	1,050,830	496,046
1954	1,490	901,639	370,074
1955	1,532	1,010,884	444,647
1956	1,306	1,121,383	427,983
1957	1,103	630,213	337,043
1958	987	439,890	282,849
1959	869	365,039	237,471
1960	1,145	725,107	603,279

Source: Australian Bureau of Statistics *Labour Reports*.

The apparent anomaly in strike statistics is mainly explicable in terms of the actions of the Curtin Labor Government and the trade union bureaucracy. From the start of the War it became increasingly clear that conservative governments were incapable of effectively leading Australia's war effort. This was not primarily because of a lack of administrative competence, although this was questioned too, but rather for want of co-operation from the trade unions. The massive reorganisation of production and reallocation of labour power entailed in total war could not be undertaken in the face of trade union hostility. In 1939 the ACTU proclaimed a boycott of the National Register, a measure crucial to any planning for the redeployment of labour power in case of war. Only the intercession of ALP terminated the boycott. In 1940 even Curtin was unable to dissuade the unions from boycotting the Menzies Government's trade union advisory panel. In 1940 and 1941 the level of strike activity was high. The ACTU endorsed the Miners' Federation 1940 campaign for the extension of the forty hour week and assisted other strikes during the first two years of the War.³

Labor in Office

There was only one viable means of overcoming the hostility of the trade unions to the Government and its war effort. State action to destroy the power of the labour movement would have been a costly and time consuming exercise, running the risk of civil war. Nor could the Australian bourgeoisie rely on the support of a large middle class mobilised by fascism to smash working class organisation. In any case such an assault would have dented the justification for the War as a fight for democracy and have rendered unreliable many of the workers in uniform. Collaboration by the Australian bourgeoisie with the Axis powers, against the Australian working class was also ruled out. Australia's economic links with Britain and, increasingly the USA, were an important consideration. Japan and Germany's threat to Australia's own modest imperial ambitions in the Pacific was another. The only remaining tactic was the co-optation of the union movement, through a government which

3. J. Hagan *The History of the ACTU* Longman Cheshire, Melbourne 1981 pp108-9.

could convincingly claim to workers that the Allies' War aims served their interests by defending civil and democratic liberties.

The organic links between the unions and the ALP meant that a strategy of co-optation could only mean including the ALP in the Government. The ALP had quickly committed itself to supporting Australia's participation in the War, though with little enthusiasm. Menzies understood the logic of the situation, as Churchill did in Britain, stating in 1940 that "... a national government would be worth nothing unless it had the support of the trade union movement. . .".⁴ He invited the Labor Party into the Government. Curtin refused. Fadden soon replaced Menzies as Prime Minister and in October 1941 his Government fell and Curtin took office with the support of two independent, conservative MHRs.

The advent of the Curtin Government facilitated speed-ups, over-time, pegging of wages and reduced living standards, due to shortages of consumer goods which under its predecessors would have been impossible without a dramatic increase in industrial unrest. In line with the ALP's long-standing predilection for state-capitalist measures, the Labor administration also dramatically increased the level of state intervention in the economy, to the levels necessary for the conduct of total war, by means of closer control over the monetary system and the allocation of resources, including labour power. The Economic Organisation Regulations

"Tended to suspend the operations of the normal financial incentives over a greater part of the economy, by pegging wages, profits, interest and prices, and by subjecting transfers in shares and land to government consent."⁵

The Government broadened the taxation base by increasing income tax and reducing its threshold. This measure was justified as necessary to finance a new "non-contributory" social security system, but in reality was necessary for the financing of the war effort.⁶ The Curtin Government took over most of the administrative framework established by the previous conservative Governments to implement its policies. The services of administrators such as Essington Lewis, Managing Director of BHP, whom Menzies had appointed Director-General of Munitions, were retained. Through cost-plus procurement policies, profits were also guaranteed to private industry.

While the accession of the Labor Government was decisive for the incorporation of laborite union officials into the war effort, it was not the main consideration for the influential section of the union bureaucracy which oriented to the Communist rather than the Labor Party. Communist hostility to the War, a fruit of the Hitler-Stalin Pact, lasted until the invasion of Russia by Germany in June 1941. For Communists, this transformed the "Second Imperialist War" into the "Great Patriotic War against Fascism". The policies of the Comintern and the CPA now coincided with those of laborites, as far as the conduct of the War was concerned. Both regarded the conservative Parties as incapable of effectively directing Australia's War effort, which became a key issue after the end of the "phoney war" period in Europe in April 1940, and apparently a matter of life or death for an independent Australia with Pearl Harbour in December 1941. By the end of 1941 Communists and many laborites concurred in their nationalism and commitment to class collaborationism for the sake of the national interest.

The new Labor Government was able to do what its conservative predecessors could not:

"The powers that the ACTU denied, or at best ceded to the Menzies Government, it gave with far less reserve and for a period even wholeheartedly to the Curtin Government."⁷

The co-operation between the Government and the labour movement was most pronounced at the most senior levels of the unions. Under the auspices of the Federal Labor Advisory Committee, the ACTU Executive had co-operated with the Parliamentary Labor Party since 1938. Now there were regular Sunday meetings between ACTU officers and members of the Cabinet, to discuss policy and especially the prevention of strikes. In December 1941 the Government convened a tripartite Conference on Industrial Matters. As with the Economic Summit of 1983, the Government and unions set the pace with their proposals for collaboration between capital and labour. The outcome was union involvement in the promotion of production, the prevention of industrial stoppages and the imposition of Government controls on wages and prices.⁸ Profit control, though promised, was never delivered. The introduction of compulsory unionism in some areas of Government employment would also have bolstered the support of union officials for the new regime. There was no serious dissent when, in February 1942, a special Trade Union Conference accepted National Security Act regulations which union leaders explicitly recognised as "Fundamentally in opposition to the policy and traditions of the labour movement."⁹ Unions, especially those led by Communists, undertook to discipline their own members guilty of absenteeism or unauthorised strikes.

4. Quoted in Hagan *The History of the ACTU* op. cit. p174.

5. E. R. Walker *The Australian Economy in War and Reconstruction* Oxford University Press, Oxford 1947 p63.

6. See R. Watts "Revising the Revisionists: The ALP and Liberalism 1941-1945" *Thesis Eleven* 7, 1983 pp75-8.

7. *ibid.* 178.

8. *ibid.* p180.

9. E. Ross *A History of the Miners' Federation of Australia* Miners' Federation, Sydney 1970 p388.

After

"The Party signed a formal declaration that it would carry out all measures necessary for the conduct of the People's War against Fascism",¹⁰

the Government restored the CPA to legality. Communist union secretaries of the Miners' Federation, Waterside Workers' Federation and Seamen's Union were appointed to the Coal, Stevedoring and Maritime Commissions, in the same way as laborite union officials were appointed to boards, commissions and other administrative posts. D. Lovegrove, a leader of the right in the Melbourne Trades Hall became the industrial officer of the Allied Works Council in Melbourne, for example.¹¹

Communist union officials took their Party's support for the War and their newfound respectability very seriously. Jim Healy, Secretary of the WWF, along with troops used as scabs, helped smash a strike by Sydney wharfies against the introduction of the rotary gang system for organising labour on the waterfront. The new scheme ended the iniquitous "bull" system and shared the work out equally amongst union members. But it regimented the wharfies and restricted their ability to take advantage of the tight labour market during the War. Under the new system the gang boss was also the union delegate.¹² The Miners' Federation President told his members

"We must fight with the militancy we have shown in all our struggles, but today we must learn to fight a new way -- we must fight for production."¹³

Petersen puts the Communists' usual wartime attitude to strikes into perspective:

"It must be said too that it would be wrong to assume that the C.P. class collaboration took a blatant form. In many cases Communists were the best unionists. When strikes occurred they did not usually break them, but they did their best to limit their effect. I find it hard to convey how respectable and respected Communists were during this period."¹⁴

Cartoon 12 was another instance of this respectability.

The strength of the Communist Party's commitment to the war effort lost it some support in the unions. During 1943 the number of strikes in defiance of union officials grew.¹⁵ Where only 378,195 working days were lost through disputes in 1942, the figure rose to 990,151 in 1943. The strikes occurred amongst women, many drawn into the workforce for the first time by the War, as well as male workers. At Duly and Hansford's in Sydney women members of the FIA struck against the employment of non-union labour, to the union's embarrassment.¹⁶ Strikes even took place over the policies of the union, rather than employer action. Balmain ironworkers struck for six weeks in 1945 to have Nick Origlass, a Trotskyist, reinstated as the shop-steward at Mort's Dock.¹⁷ Even the most jingo of union officials were unable to stem a rising tide of industrial unrest.

Nevertheless, war-induced nationalism ensured that the Labor Government, in whose name strikes were opposed and living standards cut, remained popular. It was able to govern with a substantial majority after the 1943 federal elections. The patriotism of Australian Communists, which extended to supporting conscription,¹⁸ and the exploits of the Red Army led to a massive increase in the popularity of the Australian Communist Party (ACP, the Party changed its name at the beginning of 1944 when it merged with the ALP [State of NSW]). Membership grew from about 4,000 when it was banned in 1940 to 7,200 in September 1942.¹⁹ By the end of the War Communist officials led the Miners' Federation, Waterside Workers Federation, Seamen's Union, FIA, Victorian ARU and Federated Clerks Union amongst others where they had considerable influence. The delegates of such unions came close to constituting a majority at the 1945 ACTU Congress, and did control the Brisbane Trades and Labor Council. In 1944 membership of the ACP reached its all time high of 23,000.²⁰ In Melbourne alone the Party operated 20 bookstalls.²¹

10. L. L. Sharkey *An Outline History of the Australian Communist Party* Australian Communist Party, Sydney 1944 p51.

11. *Ironworker* May 1943 p3.

12. C. Johnston "The Communist Party and Labour Unity, 1939-1945" *Labour History* 40, May 1981 p83.

13. *ibid.* p82.

14. G. Petersen 'The Labor Movement and World War II' lecture delivered 7/12/80 p15, transcript held by E. Petersen.

15. *ibid.* p84.

16. D. Gollan "The Duly and Hansford's Strike 1943: Find the Strikers" in *Second Women and Labour Conference Papers* 1980 pp341-8. Also see Johnston "The Communist Party and Labour Unity" *op. cit.* p81 for an FIA official leading members back to work across a picket line at Austral Bronze in Sydney and *Ironworker* March 1943 p3 for the union leadership's account.

17. D. Gollan "The Balmain Ironworkers Strike of 1945" Part 1 *Labour History* May 1972 pp23-41 and Part 2 *Labour History* November 1972 pp67-73.

18. For the ACP's support for Curtin's conscription proposals see *Tribune* 25/11/42 p1, "Esse!" "Anti-Conscription - Yesterday and Today" *Communist Review* December 1942 p4.

19. R. Gollan *Revolutionaries and Reformists* Australian National University Press, Canberra 1975 p130.

20. A. Davidson *The Communist Party of Australia* Hoover Institution Press, Stanford 1969 p83.

21. R. Sedy *Comrades, Come Rally* Thomas Nelson, Melbourne 1978 p28.

From Yalta to Korea

During the War the capitalist democracies and USSR had been allies, their relationship dramatised at the Yalta and Potsdam Conferences as they carved the world into new spheres of influence. But it was clear that the USA emerged from the War as the most economically powerful state in the world. The only way Russia could exclude America from its sphere of influence was militarily, by establishing a state capitalist block of regimes subsidiary to the Kremlin. The US response to this affront to its right to dominate the entire globe led to the cold war.¹

Eggleston comments that

"Australia. . . is a small or middle power faced with difficult strategic problems and has to formulate her policy accordingly. Small nations, unable to assure their own security have two courses open to them: to seek friends and make alliances, or to seek a solution for the problems of power in an international scheme."²

Foreign Minister Evatt made a strong effort, through the United Nations, to secure the latter solution. But it was rendered nugatory by the polarisation of world politics around the USA and Russia. By virtue of its overseas markets, sources of capital inflow, private capitalist organisation and previous military arrangements Australia found itself on the side of the USA. Like other members of the alliance, the Australian capitalist class had economic and military interests in global stability, that is the status quo. As things stood after the War Australia had some degree of access to most of the markets outside the Russian bloc. An expansion of Russian influence would have reduced Australian export markets, an expansion of US influence would increase them. In a similar way national liberation struggles, which challenged western imperialism, also threatened the interests of export dependent countries like Australia. Moreover, Australian policy makers saw the alliance with the United States as the best guarantee against renewed Japanese militarism and soon against Russian aggression as well.³ In this way the USA was a safeguard for Australia's imperialist interests in the southwest Pacific.

Although Evatt made efforts to build the United Nations into a serious means of regulating international relations, during the War he was already clear on the value of the US alliance. He maintained that "it is essential that this [wartime] co-operation be continued".⁴ A theme of Australian foreign policy under the Chifley and Menzies Governments, until the signing of the ANZUS Treaty in 1951 was the pursuit of a written defence agreement with the USA.⁵ R. G. Casey, a Liberal Minister for Foreign Affairs, conceded that in his negotiations over arrangements for continued American use of the large base on Manus Island, part of the territory of New Guinea,

"He attempted to get a broad regional agreement in the Pacific with the United States of America. . . That. . . was a perfectly justifiable thing to attempt. . . Had it come off, it would have been a feather in his cap."⁶

Unfortunately for Evatt's milliner, the US did not want to take on a general defence responsibility for the south west Pacific at this stage.⁷ The USA had already shaken off illusions, which were a major consideration in Australian foreign policy for another decade, that Japan might again be a military threat in the near future.

The turn of events in Greece, where Communists contested British backed politicians for power after the evacuation of the Germans, helped convince the Australian Labor Government that Communism was a serious world threat and to align its foreign policy with that of the USA. In March 1946 Evatt still maintained that Russian foreign policy was essentially defensive. Developments in Greece soon led him to "speak of aggressive, co-ordinated Communist subversion". By late 1949, the Government considered that Australia was a part of the western block in the United Nations.⁸ So, although the Government was still worried about Japan, in May of that year the Secretary of the Australian Defence Department could make two arguments in Washington for a Pacific pact:

"The first was that Russia should not be led to believe that America was uninterested in Pacific defence; the second was on Australian fear that the Communist sweep through China might eventually encompass Burma, India and other Far Eastern areas."⁹

1. See P. Binns "The New Cold War" *International Socialism* 2(19), 1983 pp9-22. Also see J. and G. Kolko *The Limits of Power* Harper and Rowe, New York 1972 for the evolution of US policy in particular.

2. F. W. Eggleston *Reflections on Australian Foreign Policy* Cheshire, Melbourne 1957 p9.

3. On fear of Japan see R. N. Rosecrance *Australian Diplomacy and Japan, 1945-1951* Melbourne University Press, Melbourne 1962 p57.

4. H. V. Evatt *Foreign Policy of Australia: Speeches* Angus and Robertson, Sydney 1945 p244.

5. See N. Harper (ed.) *Pacific Orbit: Australian-American Relations since 1942* Cheshire, Melbourne 1968 p157, for the bipartisan desire for a regional pact including the USA.

6. Rosecrance *Australian Diplomacy and Japan, 1945-1951* op. cit. p61.

7. See *ibid.* p59 and R. Bell "Australian-American Discord: Negotiations for Post-War Bases and Security Arrangements in the Pacific 1944-46" *Australian Outlook* April 1973 pp27-8 for the circumstances of the Manus negotiations.

8. D. Ashenden "Evatt and the Origins of the Cold War: Australia and the U.S. with the U.N. in Greece, 1946-49" *Journal of Australian Studies* 7, 1980 pp73-94, provides a good account of the shifts in Australian foreign policy. J. Burton *The Alternative: A Dynamic Approach to Our Relations with Asia* Morgans Publications, Sydney 1954 p90 also places the shift in Australian foreign policy, away from a focus on the United Nations to closer alignment with the USA, in 1947. However, only by failing to identify Australia's national interests with those of the capitalist class in the integrity of the western alliance and concentrating on immediate military threats to Australia can he argue that Australia had "no vital interests threatened by Communism", p76.

9. Rosecrance *Australian Diplomacy and Japan, 1945-1951* op. cit. p141.

With the victory of the Chinese national liberation forces in 1949, the yellow peril became more identified with China than Japan. The combined yellow and red peril became a major defence concern.¹⁰ The Defence Department developed an early and acute understanding of the domino theory. There was no major change in Australian foreign policy when Menzies became Prime Minister. Soon the Korean War facilitated the long sought for US-Australian treaty. The War heightened US attempts to consolidate the western block and to include Japan in it. The ANZUS Treaty drew Australia, with Labor support already an enthusiastic participant in the hostilities, closer to the USA and was also a *quid pro quo* for Australian compliance in the American inspired Peace Treaty with Japan.¹¹ There was no regional pact, such as the Chifley Government favoured, but ANZUS and military agreements between the USA, the Philippines and Japan formed a web which made the USA the guarantor of the *status quo* in the Pacific, including Australia's little sphere of influence.

Although the two main parties agreed that a formal alliance with the USA was desirable, they did not want, and the ANZUS Treaty did not entail, the subordination of Australian to American national interests. This was evident in the way Australian Governments used their relationship with the British Commonwealth, the continued close economic ties with Britain and in the differences between US and Australian foreign policy on some issues. Thus Curtin's call to America

"Was a desperate and natural move in a critical military situation taken without any intention of loosening imperial ties or paving the way for the dissolution of the Commonwealth."¹²

Once the immediate Japanese threat had been countered, by 1943, the Government

"Turned again to the British Commonwealth as a counterweight to American control of policy and operations."¹³

Curtin called for the establishment of an Empire Council and looked forward to Australia playing the part of representative for the Empire in the Pacific.¹⁴ This approach was necessary because it was possible that Australia's and the USA's territorial claims in the Pacific might not be entirely compatible. Evatt made Australia's imperialist intentions quite clear:

"From the point of view of defence, of trade and of transport most of them [the Pacific islands near to Australia] can be fairly described as coming within an extended Australian zone."¹⁵

In response to the perceived neglect of their interests by the major powers Australia and New Zealand entered into an agreement on the situation in the Pacific after the War, in 1944. It publicised their claims to spheres of influence in the south west Pacific.¹⁶ The Pact was particularly directed against possible US claims to wartime bases. Australia soon participated in the occupation of Japan as the representative of the Commonwealth. After the War, the Chifley Government continued to play a balancing act between the Empire and the USA.¹⁷ The 1946 Anglo-Australian arrangements for rocket testing can thus be regarded as an attempt to balance the military significance of the USA to Australia by re-emphasising ties with Britain.¹⁸ The British Commonwealth was still, therefore, important in Australian foreign policy. The laborite press endorsed this approach:

"Under Labor Australia has passed from a backwater of the Commonwealth to the mainspring of British defence policy in the Pacific and Near East."¹⁹

Another crucial reason for Australia's continuing attachment to Britain was economic. Britain was to remain Australia's principal export market for some time. Hence Australia's support for Britain's policies to cope with the sterling crisis after 1947. Before the War Australia had paid its balance of trade deficit to the USA by converting part of its sterling surplus into US dollars. Between the end of the War and 1947 Australia ran a surplus with the USA too. But from 1947 to the Korean War this turned into a deficit for most years, as the USA, with its large and undamaged industrial capacity, became the supplier of many of the manufactured and especially capital goods needed to rebuild industry in Europe, Japan and Australia. Australia had to use its sterling holdings to pay for US imports again, but most other sterling countries were also running balance of trade deficits with the USA. Nevertheless,

10. J. G. Starke *The ANZUS Treaty Alliance* Melbourne University Press, Melbourne 1965 p66.

11. For accounts of the origins of the ANZUS Treaty see *ibid.* pp26, 34, especially p36:

"[Australian foreign Minister] Spender was probably no more persistent in 1950-1 in his advocacy of a Pacific regional security treaty than Evatt had been in 1946-9, but the conditions and negotiable issues were such that his proposed pact was within practical reach. . ."

Also see Rosecrance *Australian Diplomacy and Japan, 1945-1951* op. cit. pp183, 200-1, 214, 243 and A. S. Watt "The ANZUS Treaty: Past Present and Future" *Australian Outlook* April 1970 p24. See *Railroad* 21/4/50 for Labor support for Australian forces being sent to Korea. The Australian attitude to the Japanese Peace Treaty was no doubt softened by the rapid growth in trade with Japan.

12. Harper *Pacific Orbit* op. cit. p150.

13. T. R. Reese *Australia, New Zealand and the United States: A Survey of International Relations, 1941-1968* Oxford University Press, London 1969 p29.

14. For a favourable labour movement attitude to this proposal see *Australian Worker* 8/9/43 p1.

15. Evatt *Foreign Policy* op. cit. p142. Also see p132.

16. Evatt *Foreign Policy* op. cit. pp205 and 176:

"What we are claiming is that we must have a primary and principle responsibility in determining the future of the Pacific region in which we live."

The Australia-New Zealand Agreement also signified, according to Reese *Australia, New Zealand and the United States* op. cit. p43, that they intended "to assume responsibility for Commonwealth interests in the south and south west Pacific". Evatt spelt out his belief that Australia should be the representative of the Commonwealth in the Pacific particularly clearly in his Foreword to R. J. Gilmore and D. Warner (eds) *Near North: Australia and a Thousand Million Neighbours* Angus and Robertson, Sydney 1948 pv.

17. Reese *Australia, New Zealand and the United States* op. cit. p31.

18. *ibid.* p65.

19. *Labor Call* 15/7/49 p6, also see *Labor Call* 4/6/48 p5:

"Australia is now spending the greatest peace-time all financial allocation in the nation's short history on a defence programme which, for the first time, will place this country in the forefront of Empire defence development."

Australian Worker 23/5/45 p7 had similar views.

"Australia could not manage its dollar requirements independently of the pooling arrangements with Britain. Its direct earnings of dollars and other fully convertible currencies was not enough, except in 1950-1."²⁰

Like other countries in the sterling area, Australia was constrained to tie its currency to movements of the British pound against the US dollar and to ration its use of US dollars on imports from the USA. This led to restrictions on the consumption of some goods in Australia.²¹

In addition to the unsuccessful negotiations over Manus Island, Australian and US policy differed over other issues during the 1940s. Australia objected to the proposal that the great powers have the right of veto in the United Nations.²² The Commonwealth connection was also used to prevent Britain's transfer of Christmas Island to the USA.²³

The Milk Bar Economy

The Curtin Government started preparing for the end of the War by setting up a Department of Postwar Reconstruction and a Secondary Industries Commission in 1943. The Commission's main achievement was the establishment of an integrated Australian automobile industry, where previously cars had been assembled and only some parts had been manufactured in Australia. The Government retreated from its policy of Government ownership of the industry, to reach an agreement with General Motors-Holden, on terms very favourable to the US owned company, for production of cars after the War. The need to avoid unemployment was the rationale for this and other compromises by the Government.²⁴ The agreement helped ensure that the diversification of Australia's industrial base would survive the War and that the automobile industry could absorb many of the workers who had learned new skills in munitions factories.

The Chifley Government helped underwrite capital accumulation in other ways. Capital equipment was cheapened by means of an accelerated depreciation rate, for taxation purposes, of 20 per cent. per annum on plant and machinery bought during the five years after June 1945.²⁵ Attacks on union militancy were designed to contain the cost of labour power, as were the Government's encouragement of incentive payments in private industry and the example it set by introducing Taylorism into the Commonwealth Public Service.²⁶ To increase the mobility of labour, the Commonwealth Employment Service was established. But the most important measure to cheapen labour power was probably the introduction of mass, assisted immigration. Between 1947 and 1951, an average of 116,762 migrants entered Australia each year.²⁷ The migration policies of the Chifley and Menzies Governments aimed to double the growth rate of population to two per cent. a year. Migrants generally went into lower paid work and

"Provided an easily directed, mobile reserve army to overcome bottleneck areas of building and construction, heavy industry and public utilities."²⁸

To justify this inflow of European workers the Labor Government played on racism, invoking the threat of the yellow peril.²⁹ The Government's infrastructure policies helped sustain the growth of manufacturing industry, already boosted by the War, where manufacturing contributed 18.5 per cent. to GNP in 1938-39, by 1948-49 the figure was 26.2 per cent.

In contrast to the expectations of conservatives, laborites and Communists, the Australian economy did not relapse into depression after the war. Pent up demand was released as goods unavailable or rationed during the War came back onto the market. There was no return to prewar levels of unemployment and no difficulty in finding buyers for Australian exports. The growth of the economy during the 1940s was, however, uneven. Capital stock had been run down during the War and there were problems in replacing it as Europe was producing for its own reconstruction while Australia soon suffered from a shortage of the US dollars necessary to buy goods from America. Production of consumer goods grew at a faster rate than that of some basic industries such as steel, coal,

20. J. Crawford *Australian Trade Policy 1942-1966* Australian National University Press, Canberra 1968 p98. For the balance of payments situation during the 1940s see W. Prest "Economic Policies" in G. Greenwood and N. Harper (eds) *Australia in World Affairs, 1950-1955* Cheshire, Melbourne 1957 p137. M. Beresford and P. Kerr "A Turning Point for Australian Capitalism: 1942-52" in E. L. Wheelwright and K. Buckley (eds) *Essays in the Political Economy of Australian Capitalism* Volume Four Australia and New Zealand Book Company, Sydney 1980 pp165-6 discuss Australia's relationship with the sterling area's dollar pool.

21. See statement by J. B. Chifley on 4/12/47 in J. G. Crawford *Australian Trade Policy 1942-1966* Australian National University Press, Canberra 1969 p109.

22. See Evatt *Foreign Policy* p212, H. V. Evatt *Australia in World Affairs* Angus and Robertson, Sydney 1946 pp18-9, 90, Reese *Australia, New Zealand and the United States* op. cit. p45.

23. C. H. Grattan *The United States and the Southwest Pacific* Oxford University Press, Melbourne 1961 p200.

24. Butlin and Schedvin *War Economy 1942-1945* op. cit. pp753-4.

25. *ibid.* p747.

26. For developments in the Public Service see R. Kuhn "Class Struggle in the Public Service" *International Socialist* 10, 1980.

27. J. Collins "The Political Economy of Post-War Immigration" in E. L. Wheelwright and K. Buckley *Essays in the Political Economy of Australian Capitalism* Volume One Australia and New Zealand Book Company, Sydney 1975 p109.

28. *ibid.* pp118, 110.

29. See L. F. Crisp *Ben Chifley* Angus and Robertson, Sydney 1977 p320. Also see *Digest of Decisions and Announcements (Digest)* 141 p25, 144 p14 and 147 p26 for economic justifications for immigration and the white Australia policy.

electricity and brick production. Coal shortages were chronic, largely because mine owners failed to mechanise production.³⁰ The £4.5 million invested in the iron and steel industry between 1945 and 1950 was

"An amount to be dwarfed into insignificance in the next decade, and which accounted for the slowness of post-war development [of the industry]."³¹

The most prominent economist of the period D. B. Copland christened the immediate post-war years as those of the "milk bar economy".³²

The Post-War Strike Wave

Workers saw an opportunity to improve their wages and conditions and to gain some recompense for the privations of the previous years in the unexpectedly tight labour market which followed the War. Uncertainty about the duration of this situation made the struggle for improvements all the more pressing. The key demands were over wages and reduced working hours. In view of the Government's control over wage pegging and the Conciliation and Arbitration Court Full Bench's authority to determine hours for workers under federal awards, both issues had the potential to unite the whole working class in struggle.

Already in October 1944 Sydney daily newspaper workers struck for and won the forty hour week already enjoyed by some of their colleagues interstate.³³ It soon became apparent that workers were not in a mood to make concessions. A serious dispute broke out in September 1945 over the introduction of shift work for maintenance workers at the Bunnerong power station in Sydney. Eventually work was resumed on the basis of the *status quo ante*. A strike by 20 workers started in September 1945 in Port Kembla, over the victimisation of an FIA delegate. By early December 30,000 workers were out, including coal miners, wharfies, seamen and Newcastle steel workers. An additional 600,000 workers were affected by the strike and, despite the hostility of the NSW and Federal Labor Governments, the NSW Labor Council and the ACTU, a partial victory was eventually achieved.³⁴ From 1940 to 1944, 954,505 working days were lost on average each year through industrial disputes. From 1946 to 1950 the number of days thus lost rose to 1,744,296 a year.

The Labor Government had some success in restraining wage increases until 1947, by means of its wartime wage pegging regulations. It kept these in force in order to combat inflation, which was rapidly overtaking unemployment as Chifley's chief economic worry. The regulations were amended in March 1946 to allow the Court to vary the Basic Wage and standard hours, no doubt in the hope that industrial militancy could be diverted into its procedures. Pastoral workers in Queensland had already started a campaign of direct action to win shorter hours in February. Their victory was legitimised by a decision of the Queensland Arbitration Court in May.³⁵ The regulations and the long delay in the case for shorter hours before the Conciliation and Arbitration Court nevertheless continued to contribute to the generalisation and extension of strike action. In October 1946 rail and tramway workers struck together in Victoria for the first time. The nine day strike against the Cain Labor Government won increased penalty rates and, for railway workers, three weeks annual leave. Wonthaggi coal miners who joined the strike in sympathy, won six extra holidays a year. The Victorian WWF also came out in solidarity.³⁶ Large strikes over wages by metal workers and gas workers in NSW, Victoria and South Australia soon followed.³⁷ The Arbitration Court made an interim increase in the Basic Wage in December 1946 to head off further trouble. This did not have the desired effect.

The Victorian metal workers' dispute over wage margins lasted from November 1946 to May 1947. With displays of solidarity not only by members of the unions directly involved, but also by other workers, it smashed the wage pegging regulations. There was early support from the ACTU and other unions for the key protagonists, the AEU, in which the CPA had influence, but by no means control, and the Communist led FIA. As the dispute dragged on support from unions led by laborites fell away, their leaders concerned about the consequences of the strike for the State Labor Government, whose Minister for Labour was ACTU President P. W. Clarey. Engineering tradesmen in Leftwing unions, notably the Victorian ARU Federated Engine Drivers and Firemen's Association, the Gasworkers' and Tramway Unions bore the brunt of industrial solidarity. Six months of strikes and lockouts led to dramatic cuts in Melbourne power and transport services. In April the Chifley Government was constrained to scrap those regulations which limited the size of wage increases arbitral tribunals could grant. The AEU rank and file won the dispute in May by consistently deciding in favour of extension, even when their officials were

30. That mechanisation was technically possible is indicated by BHP's program of mechanisation during the late 1940s, see H. Hughes *The Australian Iron and Steel Industry 1848-1962* Melbourne University Press, Melbourne 1964 p145.

31. *ibid.* p148.

32. D. B. Copland "Balance of Production in the Australian Post-War Economy" *Economic Record* December 1949 p4.

33. J. Hagan "Craft Power: The Sydney Newspaper Strike and Lockout of 1944" in J. Iremonger et al. (eds) *Strikes: Studies in Twentieth Century Australian Social History* Angus and Robertson, Sydney 1973 pp159-77.

34. See T. Sheridan "A Case Study in Complexity: The Origins of the 1945 Steel Strike in New South Wales" *Labour History* 41 November 1981 pp87-109 and "The 1945 Steel Strike: Trade Unions, the New Order and Mr. Chifley" *Labour History* 42 May 1982 pp1-26, for an excellent account of the dispute. Note that G. Petersen "The Labor Movement and World War II" *op. cit.* p16 maintains that

"The unions won the struggle but the C. P. leadership did a deal that the victimised shop steward would resign after the workers got back to work. Old timers who worked at the steelworks at the time have told me of their resentment at this deal."

35. *Tribune* 12/2/46 p3, 24/5/46 p6.

36. On this dispute see J. D. Blake "The Nine-Day Transport Strike in Victoria" *Communist Review* December 1946 pp355-7.

37. For the gas workers' disputes, which included a six week occupation of an Adelaide gasworks, see N. Caruthers "Results and Experiences of the Gas Strike" *Communist Review* March 1947 pp452-4.

wavering about continuing the fight.³⁸ The pattern of the dispute was similar to that of the 1949 miners' strike, in that industrial support was eventually limited mainly to Communist led unions. But there were major differences: the intensely democratic traditions of the AEU prevented the manipulation of strategic decisions by its leaders, as occurred in the miners' strike; the inability of the Government to label the AEU a plaything of the CPA; and, crucially, the obviousness of the implications of the dispute for all other workers.

In the aftermath of the metal trades dispute there were widespread flow-ons of increased margins. In September 1947 the ACTU Congress brought the hours question to a head. The top leadership of the ACTU had earlier called off a 24 hour general strike on May Day over the forty hour week, despite the decision of an ACTU Conference. Now the Congress again threatened a 24 hour stoppage for 20 October, to be followed by workers taking the shorter week unilaterally.³⁹ Pressure on the NSW Government, through strikes by pastoral, metal and transport workers, and on the Queensland Government, especially through a shearers' strike had already led them to promise the 40 hour week for workers under State awards. The Conciliation and Arbitration Court conceded the reduction of hours before the ACTU's threatened strike took place and it was implemented at the beginning of 1948. So, by November 1947, the Government's old policies for controlling wages were in tatters. The Victorian conservative Government's attempt to control the tide of industrial militancy by means of a head on confrontation, with its 1948 Essential Services legislation failed dismally in the face of a Communist inspired protest strike.⁴⁰

From the idyll of wartime co-operation, Communist relations with the Labor Government deteriorated in time to the escalation of the cold war. Prepared to endorse the policies of the Curtin Government, the ACP became increasingly critical of the actions of the Chifley administration. At the same time the Party became more favourably disposed to the class struggle. At its 1948 Congress the ACP formally adopted a leftist position which looked forward to the Party displacing the ALP as the main party of the working class and, on the model of developments in Eastern Europe anticipated the formation of a Communist dominated People's Front government in the not too distant future.⁴¹ The rising level of industrial struggle and the Party's important role in it fueled these aspirations. Moreover Fred Paterson won the Party its only seat in an Australian Parliament in the 1944 and the following Queensland State elections, while there were important successes in municipal elections in several States. The decline in ACP membership since the War could be easily rationalised as the desertion of less reliable elements, whose departure would strengthen rather than weaken the Party.

The height of the Party's left turn, from 1948 to 1950, however, occurred after the greatest opportunities for mass working class action had passed. Because it had still supported the Chifley Government as progressive at least as far as domestic policy was concerned, the Communist Party had failed to build a co-ordinated and self-conscious strike movement out of the struggles of the immediate post-war period. Only a preceding period of political spade-work could have overcome the tendency for struggles to fragment, once the abolition of wage pegging and the granting of the forty hour week removed the issues over which the class most readily united. Subsequent disputes generally had a more sectional character, concerned as they were with the diverse margins and conditions in different industries. But the ACP believed that a new depression was around the corner and that the drive of employers to preserve their profits by drastically cutting wages would serve to unify workers. In the short term the Party failed to recognise that the industrial climate was changing and the extent to which divisions inside the working class were being fostered, acting as though it could impose the correct policies on the working class.

The post-war period held the promise of better things to come for employers as it did for workers and the Communist Party. But the level of industrial disputation constituted an obstacle to capitalists' aspirations. A catch-cry of the conservative federal opposition was the abolition of war-time price controls and rationing, which were held to be restricting the pace of economic growth. Once strikes had smashed wage pegging, the Labor Government, committed to the prosperity of Australian capitalism, had no qualms about lifting restraints on the distribution of production, where international considerations made this possible:

"Further relaxation of price control followed closely the progressive abandonment of wages regulation."⁴²

The Government also took measures to deal with other matters of concern to business. The rapid but uneven pace of economic growth during the second half of the 1940s held out the promise of developing Australian capitalism as never before. For a while Chifley talked about the golden age to come. Some of the problems reflected in the unevenness of economic development, such as those deriving from shortages and disruptions caused by the War or demobilisation, were short-term and tractable. Others were less so. According to Copland, the level of consumption was too high and should have been cut to boost investment. He advocated incentive payments and a return to the 44 hour week, at least temporarily.⁴³ Copland went as far as advocating a cut in living standards, if

38. The above account is based on T. Sheridan "Labour v. Labor" in *Iremonger Strikes* op. cit.

39. T. Wright "ACTU Congress" *Communist Review* October 1947 p684.

40. R. Gibson *My Years in the Communist Party* International Bookshop, Melbourne 1965 p135.

41. At the 1948 Congress the Party called for a Popular Front like that in Yugoslavia during the War, J. D. Blake *The CPA 1945-63* mimeo, National Library of Australia p7. When Tito fell from grace, soon after, other Eastern European countries provided alternative models.

42. Butlin and Schedvin *War Economy 1942-1945* op. cit. p182.

43. D. B. Copland *Inflation and Expansion: Essays on the Australian Economy* Cheshire, Melbourne 1951 pp8, 62. Also see A. M. C. Waterman *Economic Fluctuations in Australia 1948 to 1964* Australian National University Press, Canberra 1972 p68 who sees a major problem in the productivity of labour, in "High labour turnover, excessive absenteeism and slackness on the job."

necessary, to secure the dynamism of the economy.⁴⁴ The premisses of the economic policies of the Labor Government, worried about inflation and stable growth, were essentially the same as Copland's: in the event measures as extreme as those he advocated did not prove necessary.

The boost in profit rates which lay hidden at the centre of Copland's prescription, was necessary to ensure that Australian exports remained competitive on world markets and that foreign capital would be attracted to invest in Australian industry. Similarly a change in the atmosphere of industrial conflict, with the "frontier of control" in the workplace shifting back in favour of employers, was important to attract foreign investment. The long global boom from the early 1950s affected countries differently. At its height the Australian economy grew more rapidly than those of the USA, Britain, Sweden, Norway and Belgium, but more slowly than Japan, West Germany, France, Italy and Denmark.⁴⁵ Differences in rates of growth were largely determined by local developments.⁴⁶ Developments in the five or six years after the War laid the conditions on which Australia would participate in the boom.

Changing the Balance of Forces

By the time its wage pegging policy collapsed in November 1947, the Labor Government had already laid the basis for a different approach to controlling industrial militancy, raising productivity and curbing the influence of the ACP, with which these were identified. At the tripartite Better Industrial Relations Conference of August 1947, the ACTU and rightwing union officials had already accepted that increased living standards depended on increased production and greater understanding between employers and themselves would be a useful means of achieving this.⁴⁷ A consensus was thus established, excluding those such as Communists and workers pursuing a bigger share of the wealth they had produced, who rejected the new Keynesian economic orthodoxy in theory or practice. Once the class-wide issues of wage pegging regulations and the 40 hour week had been conceded, and the friction between union officials, under pressure from their members, and the Government had declined for the moment, the basis existed for the isolation of militant workers and imposition of sanctions against them.

The new policy's first large-scale test came in a contest between the Queensland Labor Government and railway workers, supported by other militant unionists. From February to April 1948 railway workers were on strike over penalty rates and the flow-on of increases in margins. The strike eventually involved 8,500 strikers and a further 8,000 workers stood down.⁴⁸ The Queensland Government responded to the strikes by declaring a state of emergency, allowing search and arrest without a warrant, banning picketing and gaoling picketers (Communists being subject to disproportionate harassment) and a campaign of virulent anti-Communism. A demonstration of 15,000 in Brisbane followed a police attack on a peaceful demonstration. This show of support and solidarity action by Communist-led miners, wharfies and seamen resulted in the railway workers winning most of their demands. But the stakes in industrial struggles had been raised by the Labor Government's hard-line tactics and its greater appreciation than its conservative counterpart in Victoria of the use that could be made of divisions within the working class.

The isolation of militant workers was assisted by the emergence of Australia's version of McCarthyism with the cold war.⁴⁹ Sheridan points out that the claims, by the ACP and its opponents, that Communism was the main force behind industrial militancy was, at best, an exaggeration.⁵⁰ The identification between Communism and working class militancy helped to marginalise all those opposed to capitalism, or willing to pursue a better life by radical industrial means. From the mid-1940s, the cold war was taken into the heart of the working class by means of its Industrial Groups.

Four interest groups were concerned about the influence of Communism and the issue of industrial militancy often associated with it. ALP politicians were worried about the ACP's encroachment on their electoral bases, its influence inside the Party through the unions and accusations that they were sympathetic to or soft on Communism.⁵¹ During the War the Curtin Government had gone as far as releasing some men from military

44. *ibid.* p60.

45. E. A. Boehm *Twentieth Century Economic Development in Australia* Longmans, Melbourne 1972 p32.

46. For an account of the origins of the global post-war boom in the arms race see C. Harman "State Capitalism, Armaments and the General Form of the Current Crisis" *International Socialism* 2(16), 1982 pp37-88. From 1949-50 to 1953-54 Australian arms expenditure only averaged 4.1 per cent. of GDP, less than half of the US proportion and certainly lower still than that of the USSR (W. E. Norton and N. W. Brodie *Australian Economic Statistics 1949-50 to 1978-79: 1 Tables* Reserve Bank of Australia Occasional Paper 8A July 1980 pp42 and 116, E. Mandel *Late Capitalism* New Left Books, London 1975 p276). In absolute terms, therefore, the size of Australian arms expenditure was and is minuscule compared with that of Russia, the USA or even France and Britain. While their arms spending bolstered the rate of profit on a world scale, it cannot explain the precise timing and extent of the boom in Australia.

47. Hagan *The History of the ACTU* op. cit. p192.

48. See D. Olive's report to the 1948 ACP Congress on the dispute, Communist Party Papers, National Library of Australia MS 3000, Box 1 Folder 1 and M. Cribb "State in Emergency: the Queensland Railway Strike of 1948" in *Iremonger Strikes* op. cit. pp225-48.

49. For a chronology of the cold war and Labor's part in it, to 1949, see M. Burgmann "Dress Rehearsal for the Cold War" in A. Curthoys and J. Merritt (eds) *Australia's First Cold War, 1945-1953 Volume 1* Allen and Unwin, Sydney 1984 pp49-79.

50. T. Sheridan "Australian Trade Unions and Post-War Reconstruction" paper presented to Post-War Reconstruction Seminar, Australian National University 31 August - 4 September 1981.

51. Note that the non-affiliation of Communist led unions, whether they were expelled or themselves disaffiliated, had unpleasant implications for ALP electoral finances. By March 1947 the ARU, FIA, Building Workers' Industrial, Builders' Labourers, Painters, Seamen's and Clerks unions were no longer affiliated with the Victorian ALP, *Standard Weekly* 28/3/47.

service so they could organise against the Communists in the unions.⁵² According to Burgmann, however, Federal politicians were less enthusiastic in their anti-Communism than the ALP machines, with their intimate union connections.⁵³ The success of Communists in the unions was a particular worry for laborite union officials, whose jobs were under threat.⁵⁴ During the War right-wing Victorian union officials had started organising consistently against the ACP.

The Catholic Church adhered to anti-socialist dogma. About 20 per cent. of the Australian population during the 1940s were Catholics. Their social backgrounds were predominantly Irish and working class. A significant proportion of the Church's constituency was thus made up of people to whom the ACP sought to appeal. In the absence of a substantial Australian Catholic bourgeoisie, upwardly mobile Catholic intellectuals had a disproportionate influence on the Church's outlook. The Church's anti-Communism, with its distinctive petit bourgeois bent was embodied in the Catholic Social Studies Movement, headed by Bob Santamaria, set up in 1942.⁵⁵

Employers were also keen to fight "Communist inspired" industrial militancy. The main expression of their hostility to Communism were the conservative political parties. The new Liberal Party, which reorganised the forces of the disintegrating UAP under Bob Menzies from 1944, was enthusiastic in advertising its anti-Communist credentials. But some businessmen were prepared to support other kinds of anti-Communist organisation.

These anti-Communist currents found a meeting place in the ALP Industrial Groups, set up in NSW, Victoria, South Australia and Queensland between 1945 and 1947 to fight the Communists in the trade unions.⁵⁶ Even sections of the left of the ALP endorsed the establishment of the Groups in NSW as a means to improve communications between Labor politicians and the rank and file of the Party.⁵⁷ The clandestine Catholic "Movement" provided ready-made cadres for the Groups and was able to mobilise support for Group candidates and resolutions by means of Parish lists of Catholic unionists. Nevertheless the Groups did include non-Catholics and there were Catholics active in the fight against them and the Movement.⁵⁸ The support of trade union officials, who dominated State ALP Conferences, and sympathetic Labor politicians gave the Groups an institutional legitimacy as organs of the Party. Some employers provided financial and other material aid directly to the Groups, or through the Movement.⁵⁹

The Groups emphasised loyalty to the Labor Government and its policies. They tended to favour the use of the Conciliation and Arbitration Court rather than direct industrial action. The ALP publicised their activities and promoted them by banning "unity tickets" with Communists.⁶⁰ The second half of the 1940s did not see any major Group successes in union elections, but by questioning the legitimacy of any Communist activity in the unions and attacking militant action on occasions, they weakened industrial solidarity. During the early 1950s they gained control of some important unions, including the FIA and Clerks Union, and won official positions in others.

The Chifley Government took a number of legislative steps to strengthen its hand in the fight against Communism/industrial militancy, which it saw as constituting a threat to both its own survival and Australian prosperity. It increased the penal powers of the Conciliation and Arbitration Court and entitled it to prohibit bans,

52. R. Murray *The Split: Australian Labor in the Fifties* Cheshire, Melbourne 1972 p16.

53. Burgmann "Dress Rehearsal..." op. cit. p64.

54. The AWU's vehement anti-Communism during and after the War can in large part be traced back to coverage disputes between it and the FIA, see *Australian Worker* e.g. 7/11/45, 2/1/46, 17/4/46 p9, 8/5/46 p9, 29/5/46 p7, 30/7/47 p10.

55. For the middle class bias of the Movement see M. Charlesworth *Church, State and Conscience* University of Queensland Press, Brisbane 1973 p38 and J. Warhurst "Catholics, Communism and the Australian Party System" *Politics* 14(2) 1979 pp238-9.

56. Murray *The Split* pp16-7.

57. Eddie Ward told a Groups meeting

"We don't expect the ALP Industrial Groups to become backstops for the Government; rather do we expect them to be the contacts between the workshops and Canberra, so that we will know what the workers were thinking and wanting." (*Standard Weekly* 26/7/46 p2)

Even the Communist Party, while hostile and well informed about the Movement, was remarkably still naive about the role of the Industrial Groups late in 1947. See, for example, Australian Communist Party *Catholic Action at Work* Sydney second edition February 1946, *Tribune* "Communist Party Welcomes ALP Pamphleteering" 31/5/45 p1 and J. R. Hughes "NSW Labor Party Conference" *Communist Review* August 1947 p622-4. There was some diversity in the politics of individual Groups, although they shared a hostility to the Communist Party and most were associated with the right wing of the ALP. I. Wyner, former Secretary of the NSW Painters and Dockers Union, maintained that this was the perspective of the Group in his union which consistently took stands to the left of its Communist leadership during the 1940s and early 1950s. The Group had little contact with the Groups' head office at Trades Hall and was not under the influence of the Movement. Information from interview with I. Wyner conducted 26/9/84 at 2 College St Balmain, tape held by R. A. Kuhn.

58. For an example of the priority Santamaria gave to politics over religion see his comments on Movement support for a non-Catholic anti-Communist against a left-wing Catholic in the election of the vice-President of the NSW Labor Council in 1953, B. Santamaria "The Movement of Ideas in Australia" mimeo copy held by Australian National University Archives of Business and Labour.

59. Murray *The Split* op. cit. p19. Painters Union, Victorian Branch *Winwood Finances ALP Groups* Archives of Business and Labour P 94/1/482, gave the following account of the establishment of the Group in the Victorian Painters Union:

"Mr Scully [a Labor member of the Victorian Legislative Assembly] started by assuring the meeting that Mr. Winwood [a leading member of the Master Builders Association] would reward the nucleus of this Group with a bonus for work done in the building of the Group."

Also see Painters Union, Victorian Branch *Exposure! Labor Politician SCULLY Serves the Bosses not the People* Archives of Business and Labour P 94/1/82.

60. *Standard Weekly* in particular gave over considerable space to the activities of the Groups in NSW.

limitations or restrictions on the performance of work.⁶¹ The Industrial Registrar was given the right to conduct union ballots.⁶² This legislation, extended by the Menzies Government, was soon an important factor in Grouper victories in several unions. In 1949 the Court gaoled Jack McPhillips, a Communist FIA official, for contempt.⁶³ The Government also established the Australian Security Intelligence Organisation in 1949, to combat internal subversion. In the increasingly repressive atmosphere of that year two Communists, including Party Secretary L. L. Sharkey, were gaoled for sedition and the Coal Strike Act was introduced, providing for draconian measures against striking workers and their organisations. Cartoons 13 and 14 showed how far Labor Governments had increased their reliance on coercion of workers between 1944 and 1949.

The outcome of the 1949 coal strike determined whether the aspirations of the working class, bourgeoisie or the ACP would be fulfilled during the subsequent twenty years. The Government and capitalist class saw the strike as a challenge to their authority and a reminder that working class militancy was an obstacle to maximum economic growth. For members of the Miners' Federation the strike was over a 30/- wage claim, long service leave, the 35 hour week and improved amenities.⁶⁴ The Communist Party saw the dispute as an opportunity to realise its immediate task -- winning the leadership of the working class from the ALP.⁶⁵ It had been trying, without much success, to mobilise an industrial campaign around the demand for a 30/- increase in the Basic Wage, like those for the forty hour week and the abolition of wage-pegging for some months.⁶⁶ The leading officials of the Federation were Communists, so the Party was well-placed in this, one of the most militant sections of the working class.

The miners' strike lasted from 27 June to 15 August 1949. The polarisation of the labour movement already apparent at the time of the 1946-47 metal trades dispute was even more in evidence. The Commonwealth and NSW Labor Governments, the NSW Labor Council and ACTU as well as the majority of unions led by laborites were opposed to the strikers and endorsed the draconian measures taken against them. Together with the press and conservative parties they whipped up hostility to the miners and ACP. Strong support came only from unions in which Communists were very influential. Having abandoned a strategy of independent rank and file organisation fifteen years before, the ACP had no effective means of by-passing the union bureaucracy and appealing directly for the industrial support of workers in other unions, which could have given the miners a chance of success when it became apparent that the dispute was an all or nothing affair.⁶⁷

Eight union officials, from the MF, WWF and FIA were gaoled for refusing to divulge the location of union funds to the Arbitration Court. The MF and WWF were fined L200 each and the FIA L1,000. Fines were also imposed on individual union officials.⁶⁸ The Chifley Government sent troops into open-cut coal mines. Yet despite the gravity of the situation and calls from the rank and file, MF leaders refused to call District Aggregate meetings to discuss the situation for over a week.⁶⁹ When the meetings were finally held union members voted overwhelmingly to return to work. In the wake of this defeat the coal industry was mechanised, at the expense of workers' jobs and control over their work. Incentive pay and the contract system of day wages was introduced. Large increases in productivity allowed employers to sack miners and close pits and still increase total output.⁷⁰ The reorganisation of the production process in the coal mining was a more dramatic version of what occurred in several other industries during the 1950s.⁷¹

The defeat exemplified the inadequacies of the ACP's industrial strategy and assessment of the nature of the period. Support for Communist candidates in MF elections fell away for several years, with the Groups winning some positions in the union. The membership of the party dropped by 50 per cent., to 6,000, in one year.⁷²

A few months after the defeat of the coal miners the Labor Government suffered a severe electoral defeat.⁷³ During the eight years and two federal elections prior to 1949 it had been apparent that the power of the unions could not be tackled head on by a Government. The coal strike showed that this was no longer the case. The Curtin and Chifley Governments had succeeded in controlling working class militancy when it seemed that a conservative government could not. But in doing so they had used their unique ability, in association with the

61. See J. Hutson *Penal Colony to Penal Powers Amalgamated Engineering Union* 1966 pp174-5.

62. Crisp *Ben Chifley* op. cit. p359.

63. Crisp *Ben Chifley* op. cit. *ibid.*.

64. See P. Deary *Labour in Conflict: The 1949 Coal Strike* Hale and Iremonger, Sydney 1948 for a very good account of the dispute and selection of relevant documents.

65. Party President R. Dixon had said that "the Labor Party and reformist betrayers must be isolated and the Communist Party brought forward as the alternative", at the ACP's 1948 Congress, Deary *Labour in Conflict* op. cit. p33.

66. See *Tribune* from January 1949 for the very large number of articles on this issue.

67. Individual Communists were active in rank and file organisations as shop stewards and members of shop committees. But the basis of the Communist Party's strategy in industry had given priority to winning union elections rather than building such organisations for over a decade and a half.

68. E. Ross *Of Storm and Struggle: Pages from Labour History* Alternative Publishing Co-operative, Sydney 1982 p105.

69. Deary *Labour in Conflict* op. cit. pp85, 88.

70. *ibid.* p96.

71. For changes in the stevedoring industry see the *Reports* of the Australian Stevedoring Industry Board.

72. *ibid.* pp98-9. ACP Secretariat member, J. D. Blake nevertheless expressed the Party's assessment that the strike was a success:

"The coal strike demonstrated that great working class victories can be won even though specific economic claims are not secured in the course of the strike."

73. The ACP's position in the elections was that members should call for first preferences to be given to Communist candidates but only tell people to give second preferences to Labor candidates in the elections only if they were asked, Blake *The CPA 1945-63* op. cit. p7.

Labor Party machines and Industrial Groups, to undermine working class solidarity. They thus undermined the basis of their support from within the capitalist class: their ability to contain a confident working class. The stage was now clear for a conservative Government under Menzies to threaten recalcitrant union leaders with even more ruthless treatment than that Chifley had meted out to the miners. For example, in May-June 1951 the Government used troops and scabs to break a WWF black ban on New Zealand ships, imposed in solidarity with the New Zealand waterfront dispute.⁷⁴

The Liberal Party had, since its establishment in 1944, cohered the forces of urban conservatism around a revamped ideology incorporating anti-Communism, a rightist interpretation of Keynesian economics and rhetorical hostility to state intervention.⁷⁵ Its own campaign against the continuation of war-time controls together with those of the British Medical Association against the Chifley Government's health legislation and of the trading banks against bank nationalisation created a climate more and more favourable to the new Party.⁷⁶

The number of days lost through industrial disputes in 1950 was higher than the previous year, despite the defeat of the miners' strike. But the defeat had accelerated the process set in motion by the scrapping of wage pegging and the granting of the 40 hour week, for struggles to be more isolated from each other.⁷⁷ Many of the disputes of 1950 were prompted by the erosion of real wages as inflation took off with the Korean War boom. Blake points out that there was a strike wave during the first half of 1952, before the collapse of the boom (the number of disputes and workers involved reached the highest post-war level until the 1960s, but the number of days lost was considerably lower than each year between 1945 and 1950) which secured increases in overaward pay.⁷⁸ The working class had thus taken advantage of the boom by means of sectional militancy rather than generalised struggle over wages and conditions which applied to industries as a whole. No dispute during the 1950s compared, in its extent or significance for the conduct of the wider class struggle, to the miners' strike. Until the late 1960s, there were no attempts to effect such major breaks with the established norms of claims or industrial procedures as the metal workers in 1946-47, the claim for 40 hour week and the miners in 1949 had demanded.

With working class militancy already sectionalised, the Government and employers took advantage of the decline in unionists' bargaining position during the 1952-53 recession to push workers onto the defensive and to effect a redistribution of national income. This recession was the worst between the end of the War and the mid-1970s, with a decline in employment of 2.2 per cent. and a fall in GDP -- the next year GDP actually fell was 1979.⁷⁹ The Menzies Government exacerbated the recession by fiscal and monetary means, with the largest cut (in absolute and percentage terms) in Government expenditure to 1975.⁸⁰ Labour's share of national income fell during the recession and restabilised at a level four per cent. lower than that **before** the Korean War boom.⁸¹ The Conciliation and Arbitration Court's abolition of quarterly cost of living adjustments in the Basic Wage was an important factor in maintaining the new pattern of income distribution. It only started to change significantly during the late 1960s. In 1953 the ACTU also muted its opposition to incentive payments.⁸²

Copland had gone too far in foreshadowing the need for living standards to decline if the Australian economy was to grow at a satisfactory rate. The extent of the international boom, the availability of domestic and overseas funds for investment in Australia and the satisfactory local rate of profit made such a drop unnecessary. If output grew faster than wages, the rate of exploitation could increase without a fall in real wages. The expansion of the economy thus provided scope for workers to win better wages and conditions on the basis of sectional struggles, without seriously interfering with profit rates. The combined effects of the weakening of working class confidence between 1949 and 1953 and the relatively easy gains to be made during the boom resulted in a decline in the average number of days lost through industrial disputes per worker from 0.66 between 1945 and 1952 to 0.27 between 1953 and 1960.⁸³ Faster growth was definitely a feature of the period after 1952. Capital invested per head grew at a rate of only 0.3 per cent. a year between 1945-46 and 1951-52, but at 4.0 per cent a year between 1952-53 and 1959-60.⁸⁴ The rate of growth of productivity showed a dramatic rise after 1952-53.⁸⁵ The

74. See Australian Stevedoring Industry Board *First Report* Sydney 1951 p9.

75. For the emergence of the Liberal Party see R. W. Connell and T. H. Irving *Class Structure in Australian History* Longman Cheshire, Melbourne 1980 pp290-1 and M. Simms *A Liberal Nation* Hale and Iremonger, Sydney 1982. In a review of Simms, *Politics* 18(2) November 1983 p121, T. Rowse points out that

"The situation which enabled a party, as economically interventionist as the Liberals to project itself as an opponent of government 'intervention' was that Labor was intervening restrictively in the market place for consumer goods. . ."

76. Connell and Irving *Class Structure* op. cit. p291; R. Gollan *Revolutionaries and Reformists* op. cit. pp215-22 and A. L. May *The Battle for the Banks* Sydney University Press, Sydney 1968 for the British Medical Association's and banks' campaigns.

77. M. Rimmer and P. Sutcliffe "The Origins of Australian Workshop Organisation, 1918 to 1950" *Journal of Industrial Relations* 23(2), June 1981 p237 point out that shop committee organisation declined from the late 1940s due to divisions in the working class.

78. J. D Blake *The Communist Party of Australia 1945-63* mimeo held by National Library of Australia p18, and Table 1 above.

79. W. E. Norton and N. W. Brodie *Australian Economic Statistics 1949-50 to 1978-79: 1 Tables* Reserve Bank of Australia Occasional Paper 8A, July 1980 pp173, 92.

80. M. J. Artis and R. H. Wallace "A Historical Survey of Australian Fiscal Policy 1945-66" in N. Runcie (ed.) *Australian Monetary and Fiscal Policy* University of London Press, London 1971 p419.

81. Australian Department of Labour and Immigration *Labour's Share of National Product: The Post-war Australian Experience* Australian Government Publishing Service, Canberra 1975 p38.

82. Hagan *The History of the ACTU* op. cit. p247.

83. Table 1 above and *Year Books of the Commonwealth of Australia*. For a survey of industrial struggles during the 1950s see J. E. Isaac *Trends in Australian Industrial Relations* Melbourne University Press, Melbourne 1962.

84. Waterman *Economic Fluctuations in Australia* op. cit. p107.

85. *ibid.* p107.

ratio of total private fixed investment, excluding dwellings, to GNP also showed a significant rise between the pre- and post-recession periods, as Table 4 indicates.

Table 4: Private Fixed Investment, Excluding Dwellings, as a Proportion of GNP, 1945-46 to 1959-60

Year	1945-46	46-47	47-48	48-49	49-50	50-51	51-52	
%	5.6	6.8	6.8	7.9	9.0	9.2	11.0	
Year	1952-53	53-54	54-55	55-56	56-57	57-58	58-59	59-60
%	9.2	9.3	10.0	10.5	9.9	10.4	9.9	10.4

Source: N. G. Butlin *Australian Domestic Product, Investment and Foreign Borrowing 1861 to 1938-39* Cambridge University Press, Cambridge 1962 p468.

A survey of US companies in Australia revealed that 66 began operations in the 15 years years after 1940, while 101 started up in the seven years after 1955.⁸⁶ In the immediate post-war years, "apart from the setting up of plant to manufacture Australian cars for the first time, there was little to distinguish expansion from what had gone on previously" in the manufacturing sector.⁸⁷ The 1950s, on the other hand saw not only greater growth but also diversification in the rubber, oil refining, chemical and electrical industries.⁸⁸ The period to the mid-1970s saw the realisation of the aspirations of the Australian capitalist class, while workers made material gains, within the parameters set by the boom. The Communist Party declined into a Stalinist and then reformist sect, while, for over two decades, the economic theories and policies of the ALP had no direct effects on national economic development.

86. D. T. Brasch *American Investment in Australian Industry* Australian National University Press, Canberra 1966 p24.

87. W. A. Sinclair "Capital Formation" in C. Forster (ed.) *Australian Economic Development in the Twentieth Century* Allen and Unwin, London 1970 p41.

88. *ibid.* pp42-3.

CHAPTER SEVEN

LABOR AT WAR

The "elective affinity" between Keynesianism and ALP policy during the late 1930s was consummated by the Labor Governments of the 1940s, to establish a binding conjugal relationship which lasted for over thirty years. The Curtin Government brought leaders of the Parliamentary Labor Party into close contact with professional economists who espoused the new economics.¹ This chapter deals with the emergence of the Curtin Government's Keynesian policies, the reasons for the popularity of Keynesian ideology in Australia and the way it was presented to the rank and file of the labour movement during the War.

Keynesian Hegemony

The outbreak of War had a decisive effect on economic policy, bringing it into line with the new Keynesian orthodoxy, whatever the theoretical proclivities of the policy-makers, for "Orthodox economics went out of existence with the coming of war."² So there was no sharp break in policies of economic management between the Labor Government and its immediate, conservative predecessors:

"The change of government on 7th October 1941 did not affect the diagnosis that what was required was efficient machinery for the central direction of economic policy, not did it seriously change the nature of the solution proposed. At the level of administrative planning the same advisors were accepted and trusted by the new administration."³

The new regime did tighten up on measures the disintegrating conservative coalition had implemented in an equivocal fashion. Notably, it replaced a voluntary agreement with mandatory restraints on the activities of the trading banks, increased the level of taxation and established more direct controls on the distribution of resources and labour power.

Pearl Harbour, and soon the Japanese threat to Australian colonies and the mainland, accelerated the process of state intervention. They made the tasks of cutting working class living standards and placing the economy on a more secure footing for total war imperative for the Curtin Government. The apparent threat of invasion also made the task of convincing workers of the necessity for dramatic changes easier. The details of state control of the economy during the War have been thoroughly documented by Butlin, Schedvin and Walker.⁴ They will not, therefore, be canvassed in detail here. The circumstances which dictated measures of state intervention do, however, throw some light on the ideological as opposed to the practical significance of Keynesian economics in Australia at the time.

Bukharin described how the interference of the state in economic life increased tremendously during the First World War.⁵ He maintained that this was not simply due to the war but was also a part of a wider process of development towards state capitalism, characteristic of the contemporary capitalist system. The War had only accelerated the process. Harman has extended Bukharin's analysis to World War II, pointing out that the logic of total war means capitalists are prepared to accept the subordination of normal economic criteria, i.e. profits, in order to defend the surplus value they have already accumulated and their right to extract surplus value in the future. This imperative applied to the Allies and Axis nations alike:

"Both sides were converted into military state capitalisms in which all that mattered was the growth of the national military potential, even if this did not necessarily lead to an increase in the surplus value available to the national capitalist class."⁶

Countries under fascist, military dictatorial, bourgeois democratic or "socialist" regimes all subordinated their economies to close state direction in the interests of the war effort. In the democracies,

"For the sake of convenience, certain areas of the warring economies continued to be run as if they were operating under market competition in the pursuit of the average rate of profit. But they

1. The following were amongst the professional economists in government service during the war: L. F. Giblin, Chairman of the Financial and Economic Advisory Committee; D. B. Copland, Prices Commissioner; H. C. Coombs, Treasury Economist, then Director of Rationing, then Director-General of the Department of Post-War Reconstruction; R. Wilson, Commonwealth Statistician, then Secretary of the Department of Labour and National Service; L. G. Melville, Commonwealth Bank Economist, Australian representative in international economic negotiations; J. B. Brigden, Secretary of Supply and Development, then Secretary of the Department of Munitions, then Economic Counsellor Australian Embassy Washington; R. C. Mills Chairman Commonwealth Grants Commission, Director Office of Education; N. G. Butlin Department of War Organisation of Industry then Department of Postwar Reconstruction; T. W. Swan Department of War Organisation of Industry then Department of Postwar Reconstruction; S. J. Butlin Department of War Organisation of Industry; R. I. Downing Assistant Economic Advisor to the Prime Minister.

2. L. Ross in *Standard Weekly* 18/11/43 p3.

3. S. J. Butlin *The War Economy, 1939-1941* Australian War Memorial, Canberra 1961 p495.

4. *ibid.*; S. J. Butlin and C. B. Schedvin *The War Economy, 1942-1945* Australian War Memorial, Canberra 1977; and E. R. Walker *The Australian Economy in War and Reconstruction* Oxford University Press, Oxford 1947.

5. N. Bukharin *Imperialism and World Economy* Monthly Review Press, New York 1973 p149.

6. C. Harman *Explaining the Crisis* Bookmarks, London 1984 pp71-2.

were marginal areas, with their activities closely circumscribed by the priority given to war production.⁷

Until late 1941 Australia still operated essentially on "business as usual" lines. With Pearl Harbour and total war in the Pacific, the Curtin Government applied controls very similar to those of the other belligerents. The Economic Organisation Regulations "tended to suspend the operations of normal financial incentives over a greater part of the economy. . ."⁸ The National Economic Plan of February 1942 summarised some of the main war-time measures of state capitalism. It provided for limitation of profits, restrictions on property transfers and investments, supervision of interest rates, tighter control over prices and labour power (including civilian conscription for the Civil Construction Corps), wage pegging and, in a fit of even-handedness, the prohibition of absenteeism by employees and employers.⁹ Nevertheless profits were guaranteed, through the cost plus system of procurement by the state and subsidisation of increased costs of production for other goods, under a regime of regulated prices.¹⁰ Within six months the promise to regulate profits was dropped "owing to insuperable difficulties in providing a just application of the four per cent. profits tax to the various categories of income receivers."¹¹ Justice is generally a more precious principle within the capitalist class than between classes, except in dire circumstances.¹² In view of Harman's comments, it appears many of the war-time measures in Australia soon attributed to Keynesian economics or the Curtin Government's peculiar heroism, prescience or patriotism are better understood as straightforward and, in international terms, unexceptional responses to conditions of total war.¹³

Keynes had elaborated his *General Theory* with the depression and a presumption that capitalism had an inherent tendency to underconsumption in mind. War-time economic policy in Australia did not differ in kind from policies implemented in Britain, Russia, Germany or Japan. H. C. Coombs, one of the Keynesian economists in the public service notes the process at work:

"During the war, the presumption that the system was inherently deflationary was invalidated. However, the purpose for greater Government intervention shifted almost unnoticed by its advocates to the argument that only the Government and its agencies could be relied upon to resist the inflationary influence of excessive potential for expenditure and should therefore have the powers necessary to make that resistance effective."¹⁴

There were good reasons why the economic policies of the bourgeois democracies were labelled "Keynesian". The governments' advisors were often Keynesian themselves, a fact which marked the post depression recognition that the survival of capitalism depended on state intervention into the economy. In the democracies, consequently, state regulation of the economy *per se* (and apart from nationalisation) was already identified as "Keynesian". The victory of the Allies, the larger and more technologically advanced of the belligerent blocks, gave added status to the alleged ideological inspiration of war-time economic policy. The liberal alternative to Communism and fascism seemed to have proven itself in the successful management of the economies of the USA and Britain, as well as Australia. That mainstream politicians in the democracies could admit such management to have a great deal in common with the running of the German, Italian, Japanese and Russian economies was out of the question.

Keynesian economics was not only used to justify the war-time economic measures of the Curtin Government. Even before the "success" of those measures became evident, Labor Ministers and their public service advisors in Australia were advocating orthodox Keynesian policies for the post-war period too. They believed their policies could prevent high unemployment and secure sustained economic growth even if, as they expected, a new depression started to emerge. This held out the prospect of a domesticated capitalism, without the need for class conflict. Cornish, in his meticulous account of the genesis of the 1945 *White Paper on Full Employment* shows that economists in the public service were already advocating Keynesian full employment and public works policies before Labor took office in 1941.¹⁵ As early as December 1940 L. G. Melville, the Economic Advisor to the Commonwealth Bank had canvassed the possibilities for post-war policies to secure full employment, in a Bank memorandum.¹⁶ Two years later he published a cautious Keynesian assessment that concluded carefully planned government spending could reduce unemployment. He also noted that high wage rates could induce a depression.¹⁷ D. B. Copland and R. Wilson, economists holding senior public service posts, also declared for high employment policies in 1941 and 1942.¹⁸ In their proposals and the public statements the economists helped to

7. *ibid.* p73.

8. Walker *The Australian Economy* op. cit. p63.

9. *Digest of Decisions and Announcements (Digest)* 18 pp15-6.

10. Walker *The Australian Economy* op. cit. p72. Not surprisingly the Government found that capitalists did not revolt against the cost plus system. Cabinet considered that

"With very few exceptions manufacturers and other suppliers have co-operated whole-heartedly with the Government and there has been little evidence of a desire to turn the country's predicament to selfish account." (*Digest* 70 p6, 24/11/43)

11. *Digest* 35 p5.

12. Such circumstances applied in Britain when, during the week of Dunkirk, the rate of tax on excess war profits was increased from 60 to 100 per cent., P. Addison *The Road to 1945* Cape, London 1975 p116.

13. An extreme example of the "inspirational" approach to Australia's war-time policies is N. E. Lee *John Curtin Saviour of Australia* Longman Cheshire, Melbourne 1983. A similar judgment is appropriate for Crisp's comment on Chifley as a "Keynesian-of-the-first-hour", a fact of enormous significance for Australia during the years after 1941", L. F. Crisp *Ben Chifley* Angus and Robertson, Sydney 1977 p169.

14. H. C. Coombs *Trial Balance* Sun Books, Melbourne 1983 pp107-8.

15. S. Cornish 'Full Employment in Australia: The Genesis of a White Paper' paper presented to the Post-War Reconstruction Seminar, Australian National University 31 August-4 September 1981 pp14-22.

16. Cornish "Full Employment in Australia" op. cit. p18.

17. L. G. Melville "The Economics of New Orders" *Economic Record* December 1942 pp150, 157.

18. Cornish "Full Employment in Australia" op. cit. pp20-1.

shape, Keynesian economics was evident as an ideology of revitalised capitalism, without unemployment and able to provide a rising standard of living for the working class. The following account focuses on the public documents which expressed this ideology, as they had a greater direct influence on labour movement thought in general than did confidential communications and drafts.

An early example of the promise Keynesian theory held out for the post-war period was the *Third Report* of the Joint Parliamentary Committee on Social Security, appointed in July 1941. A submission by H. D. Black, S. J. Butlin and T. W. Swan, economists at the University of Sydney influenced the Report, published in March 1942 at the height of the military threat to Australia. Amongst its conclusions was the proposal that

"The most effective means of achieving this [high employment] is to have in readiness public works projects which can be commenced as soon as unemployment increases, thus preventing the spread of further or secondary unemployment."¹⁹

The first major public statement of the Labor Government's commitment to full employment policies (which Cornish overlooks) came in the form of Attorney-General H. V. Evatt's case for an increase in Commonwealth powers, put to the Constitutional Convention in November 1942. Public servants made a considerable and acknowledged contribution to the pamphlet, while Evatt's experience as Deputy Chairman of the Interdepartmental Advisory Committee on Reconstruction from February 1941, his honorary Directorship of Reconstruction Research in the Ministry of Labour and National Service and later his membership of the Cabinet Sub-Committee on Post-War Reconstruction from August 1942, would have placed him in close contact with the professional economists later involved in the drafting of the *White Paper on Full Employment*.²⁰ He used an argument, frequently repeated by others, which conflated government intervention in the economy during the War, the possibility of continuous full employment under capitalism and, by implication, Keynesian economics:

"With the lessons that it took a war to teach us, we can no longer assert that the problem of unemployment is insoluble. . . that the task of maintaining full employment is not a responsibility of the national Government. . . If it is possible to employ the whole of the people in organisations for the purposes of war. . . it is equally possible to employ the whole of the people in developing Australia in time of peace."²¹

Evatt offered a straightforwardly Keynesian prescription for full employment:

"Of course private enterprise will continue to play a large part after the war. But it will also be the duty of the Government, if it is to honour its war-time pledges, to provide employment by setting the people to work by producing goods and by stimulating the demand for goods. This is partly a problem of stimulating investment and partly a problem of ensuring an effective demand for goods and services. The history of all countries prior to the war shows that private enterprise alone does not stimulate investment sufficiently to employ all the people."²²

Like most other observers, Evatt expected a new depression within a few years of the end of the War. The spectre of depression was an important issue in the labour movement throughout the 1940s.²³ Within the parameters of Keynesian economics, Evatt's case placed most emphasis on public works as a counter-cyclical device:

"It will be necessary, therefore, for the Government to keep close watch over the fluctuations of private investment and to adapt its expenditure on public works to those fluctuations so that total investment, public and private is kept at relatively stable levels."²⁴

So public works, favoured by the ALP long before Keynes was popular, continued to be the main weapon in the arsenals of the Curtin and Chifley Governments for winning full employment. In the course of the debates on the 1944 "Powers" Referendum, Evatt repeated his economic case for enhancing the Commonwealth's responsibilities and found support from prominent economists such as Giblin and Copland, as well as the Commonwealth Bank. The availability of Commonwealth authority to control excess purchasing power, i.e. inflation, rather than to achieve full employment was the Bank's main concern.²⁵

In his speech for the 1943 elections Curtin affirmed that

"The Government has applied the lesson of the depression -- that the financial problem fundamentally is one of manpower and resources not of money."

19. Joint Parliamentary Committee on Social Security *Third Report* Commonwealth Parliamentary Papers 1940-1-2 no. 77 (Group H) 20/5/42 p7.

20. *ibid.* p16; A. Mamchak 'Central Planning and Postwar Reconstruction' paper presented to Post-War Reconstruction Seminar, Australian National University 31 August-4 September 1981 p45; and H. V. Evatt *Planning for Reconstruction* National Talk from Station 2FC 19/8/41, mimeo held by Mitchell Library.

21. H. V. Evatt *Postwar Reconstruction: A Case for Greater Commonwealth Power* Commonwealth Government Printer, Canberra November 1942 p57.

22. *ibid.*

23. Coombs *Trial Balance* op. cit. p26 and D. Stephens "The Effect of the Great Depression on Federal Labor Governments, 1941-1949" *Australian Journal of Politics and History* 22(2), August 1976.

24. Evatt *Postwar Reconstruction* op. cit. p59. Evatt also offered a Keynesian critique of the policies followed during the depression in Australia.

25. H. V. Evatt *Speech on Constitution Alteration (Postwar Reconstruction) Bill 1944* Commonwealth Government Printer, Canberra 1944 (from *Commonwealth Parliamentary Debates* 11/2/44); L. F. Giblin "Reconstruction - A Pisgah View" *Australian Quarterly* September 1943 pp6, 16; L. F. Giblin *The Problem of Maintaining Full Employment* Melbourne University Press, Melbourne 1943 pp8, 19; L. F. Giblin *The Growth of the Central Bank* Melbourne University Press, Melbourne 1951 p306; D. B. Copland and H. C. Coombs expressed their opinions in D. A. S. Campbell (ed.) *Postwar Reconstruction in Australia*, Sydney 1944.

He went on to announce his Government's policy of planning a large program of public works, with the States.²⁶ The Chairman of the Commonwealth Bank criticised Curtin's promises to find money to put everyone to work in peacetime. During the budget debate, shortly after the election, many Labor MHRs advocated the use of Commonwealth Bank credit to secure full employment. This proposal was in accord both with Keynesian economics and the mainstream of pre-Keynesian monetary underconsumptionism in the labour movement. But Chifley, the Treasurer, offered a thorough-bred Keynesian caution: if bank credit was used when resources and labour were already fully employed then inflation would result.²⁷ Late in 1943 he reinforced the ALP's commitment to full employment policies in a series of articles in the *Sydney Morning Herald*. The policies were also presented in a pamphlet by Chifley, published and widely distributed by the Department of Postwar Reconstruction. Like the Attorney-General, the Treasurer reaffirmed the relevance of war-time experiences for the post-war period:

"In winning the war we are learning new ways of controlling our affairs by which we can put an end to fear and of enforced idleness."²⁸

He promised that taxation would be used in the post-war period to redistribute the wealth produced by full employment.²⁹ The ALP's Federal Conference, in December 1943, also formally established full employment as one of the Party's most important post-war objectives.³⁰

H. C. Coombs, head of the Department of Postwar Reconstruction, set out the means to and problems associated with full employment, in greater detail and more candidly than any Labor politician had, in a 1944 lecture.³¹ The lecture closely foreshadowed the content of the *White Paper on Full Employment*; according to Cornish it was the basis for its early drafts. Presented in May 1945, the White Paper itself was the most famous and comprehensive of the Labor Government's Keynesian policy statement. As it has been the subject of considerable academic attention, the following summary draws on a number of studies.³²

The White Paper outlined the main components of aggregate demand and showed how private investment was the most volatile of these, while public investment was the most amenable to government control,

"The basic premise was that Governments should accept the responsibility for stimulating spending on goods and services to the extent necessary to sustain full employment."³³

In practice the policy amounted to a counter-cyclical public works program, funded out of taxation; borrowing from the public and the Commonwealth Bank, together with commodity price stabilisation schemes for exporters. The White Paper also identified a number of problems associated with a full employment economy, which are considered below. The *White Paper on Full Employment* was not simply a statement of the Government's intentions, but also an important instrument of propaganda, as such it was widely distributed in the community.³⁴ Cornish's study shows that the differences amongst the professional economists, who had the main responsibility for drafting the *White Paper*, and Labor politicians on questions of economic theory were small.³⁵

The reception of the *White Paper on Full Employment*, by conservative politicians, some business people and economists showed the considerable scope for disagreement over the appropriate use of different economic tools, but not over the value of the whole Keynesian kit: "Whilst many of the Government's prescriptions came under heavy attack", Black maintains "the principles involved were not generally condemned."³⁶ Even before the publication of the White Paper, L. Ross had maintained that

"There is more agreement about the desirability and methods of obtaining full employment than about most economic objectives and methods."³⁷

If, at the start of the War there were no "orthodox economists left", by its end most prominent politicians had been converted to Keynesian economics too. The Victorian Institute of Public Affairs' publication *Looking Forward*, while possibly more progressive in its tone than was acceptable to all conservatives, was nevertheless a landmark

26. J. Curtin *General Elections 1943: Statement of Policy* Australian Labor Party, Canberra 1943 pp15, 17.

27. W. J. Waters "Australian Labor's Full Employment Objective, 1942-5" in J. Roe (ed.) *Social Policy in Australia: Some Perspectives, 1901-1975* Cassell, Sydney 1976 p231 Also see *Standard Weekly* 6/5/43 for a critique of the unrestricted use of bank credit.

28. *Sydney Morning Herald* 1/12/43.

29. J. B. Chifley *Planning for Peace* Department of Postwar Reconstruction, Canberra 1943 p2.

30. Australian Labor Party *Official Report of Proceedings 16th Commonwealth Conference* December 1943 p42.

31. H. C. Coombs *Problems of a High Employment Economy* Hassell Press, Adelaide 1944.

32. For example, Waters "Australian Labor's Full Employment Objective" op. cit.; W. J. Waters "The Postwar Reconstruction Plans of the Australian Labor Party during the Second World War" M. A. Thesis, Department of Government, University of Sydney 1968, Butlin and Schedvin *War Economy 1942-1945* op. cit.; Cornish "Full Employment in Australia" op. cit.; Mamchak "Central Economic Planning" op. cit.; and L. Black "Social Democracy and Full Employment: The Australian White Paper of 1945" *Labour History* 46, May 1984.

33. Waters "The Postwar Reconstruction Plans" op. cit. p123.

34. Cornish p115.

35. See, for example, a summary of Copland's approach to employment policy in *Digest* 100 p20. His position was very close to the Government's at this stage. Waters "Australian Labor's Full Employment Objective" op. cit. p241 is mistaken in seeing D. B. Copland *The Road to High Employment* Angus and Robertson, Sydney 1945 as a critique of the *White Paper on Full Employment*. The lectures which constituted Copland's book were delivered before the White Paper was issued. Despite his emphasis on "high" as opposed to Beveridge's and soon the White Paper's "full employment", Copland adopted the same theoretical framework and the same policy instruments as the Australian Government's policy. Proponents of both high and full employment accepted the possibility that the Government could engineer the level of employment it sought. In practice the difference was over the most effective way of containing the class struggle – through co-optation or the coercion of a dose of unemployment.

36. Black "Social Democracy and Full Employment" op. cit. p50. See Cornish "Full Employment in Australia" op. cit. pp187-93, for responses to the White paper.

37. L. Ross "A New Social Order" in Campbell *Postwar Reconstruction in Australia* op. cit. p198.

in the adoption of Keynesian ideas by the business community and anti-Labor politicians. The new-look conservative organisation, the Liberal Party, drew heavily from the document.³⁸

Coombs sums up the ideological situation amongst those who formulated economic policy for Australia at the end of the 1940s. Keynesian economics was "the means of communication" amongst the Commonwealth Bank, the government and Treasury officials.³⁹ He might also have added the federal opposition to the list. This picture had already begun to emerge during the War.

Keynesian economics became the *lingua franca* of economic policy makers and even capitalists in their discussions of peace-time economic management not only because it held out the possibility of achieving a long standing goal of moderate laborites -- uninterrupted growth for capitalism, secured by the state.⁴⁰ But it also expressed capitalism's need for increased state intervention, not only during the War, but in general.

The Curtin Government regarded an augmentation of the Commonwealth's legislative powers as a prerequisite for effective programs of economic management. A number of senior economists supported this view and the 1944 referendum to which it gave rise. So, initially, did the conservative *Sydney Morning Herald*, although its position changed in the course of 1944.⁴¹ The Country Party favoured increased Commonwealth powers, but not by means of a referendum. A few anti-Labor politicians even campaigned for the "Yes" vote. Business associations, including the IPA, spearheaded the "No" campaign.⁴² It was understandable that there was a tendency to believe that the kinds of powers possessed by central governments in South Africa, Britain, New Zealand and the Australian States were necessary to secure economic stability through action by the federal government. The ALP was particularly predisposed to such a view, given its historical bias towards forcing the pace of state capitalist developments in Australia (related to the proclivities of union officials to regard the state as means of reconciling class conflict), and the apparent effectiveness of measures like those the referendum would sanction in peace-time, under the Commonwealth's extended defence power during the War.

Despite the defeat of the referendum, elements of the expanded role of the state as economic manager justified by Keynesian economics were maintained after the War and through the long boom.⁴³ In the absence of the widely expected economic crisis after the War, the maintenance of the more drastic war-time measures was unnecessary. But the War had effected a permanent shift in the weight of the Commonwealth budget in the national economy and of the right to tax incomes to the federal government. An important aspect of the program of state capitalist economic management was implemented as a result of the *White Paper on Full Employment* and the *White Paper on National Income and Expenditure*. According to Crisp they

"Marked a clear recognition of several things. First, the Government's acknowledgement that it had a general role of economic leadership and guidance of -- and intervention in -- the Australian economy. This was an acknowledgement that no future Government was ever going to be able to repudiate. . . Secondly, an acknowledgement that its own revenue and loan-raising on the one hand became such large and significant factors that its fiscal and budgetary policies. . . were now amongst the primary determinants of the condition and shape of the national economy as a whole. Thirdly. . . that all Treasury's principal activities. . . should at all times be very deliberately concerted and reconciled with the Government's general economic objectives. Fourthly, these objectives henceforth should be the securing and sustaining of high levels of economic activity and employment, social welfare and national development. Finally. . . the Treasury was inevitably and irresistibly placed at the centre of a new process of wide-ranging governmental command of the national economy as a whole."⁴⁴

In terms of the mechanics of government the *White Paper on Full Employment* enhanced the role of the budget as a tool of national economic management, furthering a process which had been going on since the depression had transformed it from an unexceptional housekeeping device into an important policy instrument.⁴⁵

38. On the relationship amongst Keynesian ideas, the Institute of Public Affairs (IPA) and the Liberal Party see M. Simms *A Liberal Nation* Hale and Iremonger, Sydney 1982 pp16, 18-20, 46. Several IPA publications are worth examining in this context including: IPA Victoria *Looking Forward*, Melbourne 1944; IPA NSW *Stability and Progress*, Sydney September 1945.

39. Coombs *Trial Balance* op. cit. p46. H. W. Arndt "Economic Policy -- Stability and Productivity" in A. Davies and G. Serie (eds) *Policies for Progress* Victorian Fabian Society, Melbourne 1954 p43 maintained that

"On the desirability of full employment there is no longer any disagreement between the political Right and Left in Australia".

He and Coombs point out that the business community too had been won over.

40. For a good discussion of this aspect of Keynesianism's appeal in Australia see A. M. Stevens 'The Keynesian Revolution that Never Was: Australian Economic Management, 1945-1975' B.A. (Honours) Thesis, Politics Department, Macquarie University, November 1984 pp52-3.

41. Waters 'The Postwar Reconstruction Plans' op. cit. p49.

42. *ibid.* pp65, 75, 80, Simms *A Liberal Nation* op. cit. p34.

43. In this respect Mamchak 'Central Economic Planning' op. cit. p59 is mistaken in his contention that the defeat of the referendum represented a serious set-back for Keynesian planning. The failure of the powers referendum and its successors in 1946 and 1948 circumscribed the development of the state's role in economic management, the underlying rationale of the Keynesian perspective, by the Australian government alone. But the States retained the powers the Commonwealth sought and continued to use most of them, the means were found, including grants under Section 96 of the Australian Constitution, to employ State governments as proxies for the federal government. Moreover, some of the 14 powers at issue in the 1944 referendum were already in the hands of the Commonwealth. In the event price control, which the Commonwealth Government could not continue after the war period, was not sustained by the States, but this did not prove to be detrimental to Australia's prosperity or international competitiveness.

44. L. F. Crisp "The Commonwealth Treasury's Changed Role and Its Organisational Consequences" *Public Administration* December 1961 p323.

45. *ibid.* pp324, 316.

The appeal of Keynesian economics to capitalists, politicians and economists, grounded in the acceleration of state capitalist tendencies during the War and in accord with a more general tendency, made possible its acceptance as a "science". Coombs points out that in 1948

"It was still widely believed that there was no absolute barrier to the prevention of mass unemployment by a technique which committed no-one to any particular political creed and was applicable under different forms of society and economic organisation."⁴⁶

The Promise of Things to Come

Keynesian ideology had a strong appeal to economists, the capitalist class and the Labor Government. But it is also important to explain its appeal to the working class. The diffusion of Keynesianism inside the labour movement can then be examined in the light of the way it meshed with the interests of different classes.

The key factor in securing working class support for the war effort and acceptance of sacrifices was nationalism.⁴⁷ Moreover, nationalism and Keynesianism were both ideological props for more coercive aspects of the war-time "incomes policy" implemented by the Government and union officials: wage pegging, fines and the prohibition of strikes and absenteeism.⁴⁸ The promise of full employment was still an important element in obtaining enthusiastic working class participation in the War. The Government realised that Keynesian economics' greatest asset, in terms of attracting working class support was its promise of full employment. So, during and after the War Keynesianism found its widest expression in the belief that public investment programs could prevent another depression. Commenting on a draft of the *White Paper on Full Employment* Senator Keane contended that

"The purpose of the statement is not to encourage undue concentration on post-war planning or thoughts thereof but to give the fighting Services and those engaged on the home front some assurance that the sustained efforts and further sacrifices that will be demanded before the war is brought to a successful conclusion will not be followed by the bitterness and frustration of widespread unemployment in the pre-war period."⁴⁹

Coombs also reports that Curtin saw the White Paper

"As a political instrument -- an assertion of government policy designed to rally community support for the war and to stimulate willingness to bear continuing hardships."

As the Japanese retreated it became possible to water down the "promises of 'a better world after the war'" in the document, before it was published.⁵⁰ But, by the same token, with the improving military situation post-war reconstruction increased in importance as a means of maintaining morale and sacrifices, compared to nationalism intensified by the threat of invasion. Post-war housing and social security proposals were also substantially in the nature of bribes to elicit a greater war effort.⁵¹ Using a Keynesian framework Chifley pointed out that social security helped to maintain purchasing power and hence full employment. He argued further, no doubt with capitalists' worries about the cost in mind, that social security expenditure would be at a minimum with full employment.⁵² Later he emphasised,

"Of course, our objective is not primarily social security, but rather the much higher aim of full employment of manpower and resources in raising living standards. In other words, the main function of Reconstruction will be positive, to create conditions in which palliatives will become less and less necessary."⁵³

The prospect of another depression was also used to promote the Powers referendum, as Cartoon 15 shows. In 1944, the *Standard Weekly* expressed a sense of the Keynesian consensus that soon emerged on the basis of the fear of a new depression:

46. Coombs *Trial Balance* op. cit. p55. L. Ross "Socialism and Australian Labour -- Facts, Fiction and Future" *Australian Quarterly* March 1950 p33 illustrated the point:

"I do not regard it as inconsistent here or elsewhere to state that non-labor could carry through state programmes of national development, and at the same time contend that these have an essential part to perform in modern socialistic doctrines." It was on this basis that Arndt "Economic Policy" op. cit. p45 in 1954 wanted to separate out politics and economics in budget policy and economic management.

47. A casual examination of the laborite press from late 1941 to 1943 reveals the extent to which the ALP machine and the trade union bureaucracy beat the patriotic drum, none more than the AWU.

48. For a detailed examination of the incomes policy in war-time Britain and under the post-war Labour Government, see L. Panitch *Social Democracy and Industrial Militancy* Cambridge University Press, Cambridge 1976.

49. Quoted in Cornish "Full Employment in Australia" op. cit. p121. The comment was made in a memorandum and definitely not in public.

50. Coombs *Trial Balance* op. cit. pp40, 53.

51. R. Watts "Revising the Revisionists: the ALP and Liberalism, 1941-1945" *Thesis Eleven* 7, 1983 p75 and Coombs *Trial Balance* op. cit. pp54, 69. The earlier conservative war-time governments had also recognised the need for added incentives to increase production. In 1941 H. Holt, Minister for Labour and National Service, said that child endowment was "a foretaste and a pledge" of post-war reconstruction, Walker *The Australian Economy* op. cit. p49.

52. *Sydney Morning Herald* 3/12/43. F. Schafer of Wellington, New Zealand, *Labor Call* 1/4/43 drew a similar conclusion from his own reading of the *General Theory*:

"A social security scheme, by providing fixed incomes, which are not dependent upon any job, counters the multiplier as far as it will intensify any declining tendency."

53. Watts "Revising the Revisionists" op. cit. p83, quoting from J. B. Chifley *Social Security and Reconstruction*, Canberra 1944.

"It is hard to imagine any elected government ever again permitting a spiral of depression to develop as during the early '30's, or being deterred from substantial and effective recovery measures through fear of governmental spending or an unbalanced budget."⁵⁴

If a week is a long time in politics, then it is only reasonable to concede the editorialist's point: 30 years of Keynesian ideological dominance is for "ever". The editorial argued that the only differences over economic policy concerned the precise extent of public expenditure, whether merely as a balancing influence to take up the slack when private investment lagged or as a means to finance great welfare projects.

Science or Ideology?

Keynesian economics, accepted as a science or at least a legitimate orthodoxy, had been used as the touchstone for assessing the significance of the Curtin Government's policies for the post-war period and the *White Paper on Full Employment*, in particular. Crisp and Waters see the White Paper as a register of the Government's acceptance of Keynesian theory and assume that policies along Keynesian lines were successful.⁵⁵ Stevens, however, convincingly demonstrates that, in the first place, there was some distance between the economic policies of all post-war governments and Keynes's prescriptions and, in the second, that government policy had little to do with the full employment that actually emerged.⁵⁶

Black maintains that, while the Curtin Government's policy "was Keynesian in tone, it would be unjustifiable to describe the [White] Paper as an application of Keynesian economics."⁵⁷ She judges the White Paper against an idealised and necessarily unrealisable version of Keynesian doctrine, accusing it of lacking the desirable "blend of force and reasoned argument" because of the Government's timidity in the face of private capital. This misses an important point: the Government's banking legislation and attempts to secure the power to control prices after the War showed a preparedness to incur the hostility of capitalists, when the Government saw itself acting in the best long-term interests of Australian capitalism. Even if the Curtin and Chifley Governments had tried to introduce what Black regards as true Keynesian policies, on the model of the Beveridge Report in Britain and including direct controls over private investment, this still would not have constituted a threat to "the dominant position which the interests of private capital occupy in capitalist society".⁵⁸ Decades of French, Japanese and Swedish experience confirm that substantial state interference in corporate investment decisions can be commensurate with the continued domination of society by private capital, so long as the state itself is not in the hands of a rival capitalist class (as occurred in Eastern Europe immediately after World War II) or the working class. Black identifies Keynesian theory with "a successful full employment policy", because she accepts that the War showed state intervention could secure full employment. She continues that the *White Paper on Full Employment* was a "selective and one-sided application of Keynes' teaching" because, in its production "the Australian Labor Government evinced an awareness of its position in relation to the capitalist state". That is, the capitalist class opposed a real Keynesian program. The White Paper "forfeits the title of a full employment policy".⁵⁹ By comparing the Labor Government's policies with an idealised economic theory, rather than the real economic world, Black leaves herself open to the charge of idealism, as Keynesian policies were associated, in Australia and other countries, with full employment. While Stevens shares Black's radical Keynesian prejudices, she very successfully demonstrates that the full employment of the long boom was not associated with government policies.⁶⁰ Black also projects her own preference for the new economics onto the masses: "Popular radicalism" was supposedly responsible for the "remarkably rapid and universal adoption of the precepts of Keynesian theory".⁶¹ The acceptance of the new economics in the working class was not the result of a widespread and spontaneous adoption of arcane academic concepts. The process by which popular radicalism and enthusiasm for full employment were diverted into Keynesian channels is discussed below.

Unlike Crisp, Waters, Black and Stevens, Mamchak does not accept Keynesian economics (in its "true" form) as an objective analysis of capitalism. The real world of economic constraint, however, is absent from his approach. It is liquidated into the relativism of an academic sociology where all the variables involved in economic policy are ideologies, values or perspectives.⁶²

To avoid the "yes, the White Paper was Keynesian; no, it wasn't" dichotomy and the relativism of some of the above assessments of the significance of the Labor Governments' economic policies, it is necessary to understand

54. *Standard Weekly* 17/8/44 p6.

55. Crisp *Ben Chifley* op. cit. p194 and Waters "Australian Labor's Full Employment Objective" op. cit. pp239, 242.

56. Stevens "The Keynesian Revolution that Never Was" op. cit. For an admission of the irrelevance of the White Paper to post-war problems see H. C. Coombs "Australia's Ability to Avoid Booms and Depression" *Economic Papers* 8, 1948 p53:

"Our own experience suggests that our war-time thinking may have placed undue reliance on the possibility of flexibility in public investment spending and in the stabilisation of rural incomes."

57. Black "Social Democracy and Full Employment" op. cit. p34.

58. *ibid.* pp48, 51. Addison *The Road to 1945* op. cit. p118 quotes Beatrice Webb on Beveridge's attitudes to private capitalism:

"Beveridge realizes that if the war is to be won, and still more if the industrial state of Great Britain is to be saved from decay, planned production and consumption has to be undertaken. But as of old, Beveridge is obstinately convinced that he and his class have to do the job, and the Trade Unionists have to be ignored and the wage-earner ordered to work. . . by a civil servant, with or without a profit making employer as intermediary." (Emphasis in the original.)

59. *ibid.* pp34, 36, 51.

60. A. M. Stevens "The Keynesian Revolution that Never Was" op. cit.

61. Black "Social Democracy and Full Employment" op. cit. p34.

62. Mamchak "Central Economic Planning" op. cit.

Keynesian theory and its expression in those policies as an ideology, whose form was conditioned by the objective circumstances discussed above. First, Keynesian economics provided a label for war-time measures of state capitalism which distinguished them from those of totalitarian regimes. It was thus a part of the heightening of national differentiation with and aggression against the Axis Powers (and later, the Eastern Bloc). "Keynesianism" was therefore credited with achieving full employment during the War and contributing to the Allies' victory.

Keynesianism was also a justification for the tendency towards increased state intervention in private capitalist economies since the depression. This tendency was not determined by the desires of politicians, workers or capitalists for full employment. Far more important was the need for state intervention to secure the viability of the capitals of different countries in their competition with each other, whether by military or economic means, in conditions of high employment or high unemployment. One factor in the ability of capitalists in one country to compete against foreign rivals was the effectiveness of the state in controlling the side-effects of cyclical crises, even if the crises themselves could not be avoided. Crises of the monetary and banking systems could sometimes be averted, despite a crisis in production. Moreover, during any phase of the business cycle, the state could encourage national capitals not to act at cross purposes, or, at best, to behave in a concerted way with respect to overseas competitors. In Australia the change in the role of the state before and after the depression was not as marked as that for the major powers of Western Europe and North America. The state had already played an important interventionist role during the colonial period, by initiating economic development and, subsequently by intervening to overcome Australia's late arrival as an independent nation on the world market. Keynesian economics, however, was a more credible justification for extensive state intervention than the previous economic orthodoxy.⁶³

Thirdly, as the basis for post-war planning in Australia, Keynesian economics was a form of "bourgeois socialism", offering the possibility of eliminating one of the most distasteful features of capitalism, unemployment, while leaving the system intact. As Black points out,

"Capitalists and their governments were receptive to an approach which offered and in wartime had [apparently] been able to deliver, a high level of economic activity and full employment."⁶⁴

Governments also held out the prospect of a "New Jerusalem" as an incentive to working class sacrifices during the War. As the War drew to a close, Keynesianism displaced nationalism as the Government's main rationale for an incomes policy premised on wage restraint. Its appeal to the working class desire for full employment was used by Labor Governments and sections of the ALP machines to establish a substantial hegemony for Keynesian economics in the labour movement.

Keynesianism in the Machines

For the laborite union bureaucracy there were many advantages to unequivocal support for the Curtin Government. They gained prestige as well as material benefits from associations with ministers and policy makers and through membership of tripartite consultative or executive bodies. Communist union leaders were also involved in such institutions. So long as the rank and file's patriotic fervour lasted, officials increased their standing in the unions by subsuming their activities in the greater task of winning the War. When Government pronouncements and policies held out the hope of achieving the long sought labour goal of full employment it was no wonder that they chorused their support. The same considerations applied to the ALP machines, whose officials shared many of the interests of union leaders, if they were not actually the same individuals. During the War the Labor and trade union bureaucracies took up the cry of full employment and, to a lesser extent, the Keynesian approach to it.

Within a fortnight of the installation of the Curtin Government *Labor Call* began to serialise the *First Report* of the Joint Parliamentary Committee on Social Security, including its proposal for full employment after the War. The *First Report*, unlike the third, did not yet include specifics of how to achieve this state.⁶⁵ The newspaper endorsed the *Third Report's* conclusions and went on to demand that

"The whole of the organisation that is used for war must be used for peace, and private enterprise, that is controlled to serve the nation at war, must not be uncontrolled and permitted to create havoc in days of peace."⁶⁶

A brief report in this, the organ of the Victorian ALP and the Melbourne Trades Hall Council, also demonstrated how welcome economists were at laborite gatherings:

"Memories of the 'Premiers' Plan' did not prevent delegates at the last meeting of the THC from according Professor D. Copland a most attentive hearing when he delivered an interesting and informative address in his capacity as Commonwealth Prices Commissioner."⁶⁷

The vote of thanks was carried by acclamation.

63. Some of the interventions of the Bruce-Page Government of the 1920s had aroused the ire of professional economists.

64. Black "Social Democracy and Full Employment" op. cit. p35.

65. *Labor Call* 16, 23, 30/10/41.

66. *Labor Call* 18/6/42 p3.

67. *Labor Call* 22/7/43 p7.

Articles in *Labor Call* by an Austrian social democrat in New Zealand provided a distinctive presentation of the Keynesian case for full employment. His contributions were distinctive because, despite a convoluted expression, they did not rely on ministerial, local academic or public service intermediaries for their ideas. In his first article F. Schafer explained, on the basis of Keynes's *General Theory*, that permanent underemployment was possible because of the over-saving of the rich and that

"A social security scheme, by providing fixed incomes which are not dependent on any job, counters the multiplier as far as it could intensify any declining tendency."⁶⁸

A subsequent article noted the War had accelerated the industrialisation of Australia and that this trend and the transition to a peace-time economy could lead to uncontrolled investment. After referring again to the possibility of over-saving he pointed out that the danger of a new depression, which accompanied the process of industrialisation, could be avoided by community control of investment.⁶⁹ Few similarly independent presentations of Keynesian economics favourable or hostile, appear to have been made in the laborite press during the War, when the main emphasis was on practical measures to secure full employment, rather than the economic theory which established its possibility under capitalism.⁷⁰ Schafer's articles were distinctive in another way, possibly because of his awareness of developments in international social democracy: he put forward a left Keynesian position. He maintained that government influence over private investment by indirect means alone was inadequate, given big business's large incomes and political interests. So more direct controls were necessary,

"Imposing the duty upon enterprises of doing those jobs which they have to do in the public interest. At least big firms should be treated in this way, as their ability of forgoing maximum profits makes them capable to defy the policy of the Government. The existing manpower legislation could serve as a pattern for appropriate measures."⁷¹

There was no substantial current in the Australian labour movement which endorsed such left Keynesian policies, which Black considers worthy of the title "full employment policy". During the War proposals for state intervention, more substantial than that advocated by the Government were, in the first instance, associated with the call for socialist measures against capitalism.

The *Standard Weekly* and *Australian Worker* carried material like that in *Labor Call*, supporting the Government's full employment policies and their Keynesian rationale. *Standard Weekly* offered a Keynesian critique of Paddison's proposals in Lang's *Century* to finance the War by means of bank credit.⁷² Later the paper gave the Government's full employment policies front page coverage:

"Reconstruction in its widest and simplest terms means, said Mr. Chifley, *A job for every man and woman who wants one.*"⁷³

It also presented the success of the Powers referendum as a requirement for an effective full employment policy.⁷⁴ *Australian Worker*, even more than *Labor Call* and *Standard Weekly*, tended to rely heavily on Ministers' pronouncements for its analysis of the question of full employment.⁷⁵

Other, less frequent union newspapers also gave prominence to the policies of the *White Paper on Full Employment*. For example, *Furnishing Worker* featured an article by the Minister for Postwar Reconstruction, Dedman, explaining that full employment in Australia would have to be implemented under capitalism, for constitutional reasons. Dedman's concluding quotation from Blake was probably inspired by contemporary British usage, which L. Ross had introduced to Australia:

"I shall not cease from mental fight, nor shall my sword sleep in my hand
Til WE have built Jerusalem in 'Australia's' pleasant land."⁷⁶

Dedman took a leading role in spreading the Keynesian message amongst the rank and file of the labour movement. He addressed a series of NSW ALP regional conferences during 1945, on full employment and reconstruction. His speech to the 1945 NSW ALP Conference was essentially a lecture on Keynesian economics.⁷⁷ He emphasised what the Government was doing for the people, i.e. their payoff for the war effort, rather than what workers could do for the economy. Given the widespread expectations of a new depression, his message that full employment could be achieved had a great appeal. In addition, thanks to conservative

68. *Labor Call* 1/4/43.

69. *Labor Call* 12/8/43 p6.

70. An exception was A. E. Serle "The Many Millions Will Decide" *Amalgamated Engineering Union Journal* April 1942 p9. Serle criticised A. A. Berle, US Assistant Secretary of State, "And What Shall We Do Then?" *Amalgamated Engineering Union Journal* March 1943 pp7-10, which presented a Keynesian argument for full employment. His pro-Soviet views leads to the suspicion that Serle was at least influenced by the ACP.

71. *Labor Call* 6/7/44 p6.

72. *Standard Weekly* 6/5/43. Also see *Standard Weekly* 3/2/44 for references to E. R. Walker's *Economic Record* article of April 1939 on the possibilities for non-inflationary financing of the deficit.

73. *Standard Weekly* 26/5/43 p1, emphasis in the original.

74. *Standard Weekly* 18/11/43 p3; L. Ross 9/2/43 p3; and Evatt 15/6/43 p3.

75. E.g. *Australian Worker* 11/8/43 p3, 16/5/45 p1, 13/6/43 p3.

76. *Furnishing Worker* 8/8/45 p1. L. Ross, at that time employed by Dedman's Department, used the quotation, unmodified, in "A New Social Order" op. cit. p230. Ross had visited Britain earlier in the War. Also see *Amalgamated Engineering Union Journal* May 1945 for the same Dedman article as in *Furnishing Worker*, June 1945 and July 1945 for other accounts of its policies by the Government.

77. Walker *The Australian Economy* op. cit. p348; *Standard Weekly* 18/5/45 p5; and *Digest* 104 pp24-5.

opposition to the 1944 referendum, the Government could portray itself as conducting a crusade for full employment against difficult odds:

"Vested interests, monopolies and trusts would attempt to defeat the proposals because they did not want full employment. They wanted a reserve of unemployed."⁷⁸

So opposition to the form if not the state capitalist content of the referendum and the *White Paper on Full Employment* gave them a radical veneer.

The White Paper was very well received by trade union officials and the Communist Party.⁷⁹ The 1945 ACTU Congress, at which Communist influence was highest, affirmed that

"Congress applauds the general principle outlined in the Federal Government's White Paper, the I.L.O. and San Francisco decisions on Full Employment as measures calculated to implement the just demands of the workers."⁸⁰

There is no evidence of serious dissent from this sentiment at the leadership or rank and file level of the labour movement.

The Department of Postwar Reconstruction conducted a campaign for the Government's economic policies which went beyond the issuing of pamphlets and statements to include sponsorship of a "Discussion Group Movement". At least some unions helped to organise groups and distribute the Department's material.⁸¹ During the War the Government had an institution at its disposal for the dissemination of the new economic orthodoxy in addition to the press, the public service and the Labor Party: the armed forces. Thus, for example, the Australian Army Education Service published *Postwar Economic Problems* which propounded a clear Keynesian analysis:

"The causes and cure of recurrent depression are now sufficiently widely understood for it to be unnecessary to permit a serious depression to develop.

"The cure is to balance the fall in private spending by an increase in government expenditure. . . "⁸²

Rank and File Socialism

Patriotism and the promise of full employment were not sufficient to elicit the full response, in terms of industrial passivity and acceptance of current wage levels, the Government and employers wanted from the working class during and immediately after the War. While workers' toleration of war-time conditions, wage pegging, overtime and speed-ups was considerable, strikes and other industrial action did not cease. As the War drew to its conclusion industrial action burgeoned. Tight labour market conditions became an important factor in giving the rank and file of the trade unions confidence in their struggles. Moreover, the Government's talk of a new order, reconstruction and sacrifices generated expectations of better conditions and pay at work, on the one hand, and the supersession of capitalism on the other. There was widespread support for the idea of full employment in the labour movement, but around the end of the War this was more likely to take the form of a belief that socialism should be introduced in the near future than a commitment to the verities of Keynesian economics. Another war-time phenomenon was the rapid growth of the Communist Party. The trajectories and interactions of these three developments were crucial for the stability of Australian capitalism. While socialist sentiments were widespread in the labour movement for two or three years after 1942 and constituted a significant obstacle to the establishment of a Keynesian hegemony amongst laborites, they did not link up with the practical discontent of the late and post-war strike wave. The ACP only sought to make links between the supersession of capitalism and industrial struggle when the generalised strike movement had passed its peak and laborite socialism had already been curbed. The Government's economic policies and Keynesian ideology played a part both in the decline of enthusiasm for socialism in the mid 1940s and of the unity of the class struggle during the late 1940s. An early step was to conflate its post-war policies with socialism and extend the hegemony of Keynesian ideas in the labour movement. Later in the decade, the now more widely accepted Keynesian analysis of the trade cycle was used as an argument for wage restraint and increased productivity.

Waters points out that the terms "socialisation", "socialism" and "nationalisation" "were commonplace at State and Federal Conferences" of the ALP during the War.⁸³ In late 1943 and early 1944 a number of NSW regional ALP conferences, much closer to the rank and file of the Party than State let alone Federal Conferences, made strong calls for measures of nationalisation. Each represented the local Branches in several Sydney suburbs or a non-metropolitan centre. The Leichhardt Conference, in a typical resolution, called for the earliest possible socialisation of the means of production.⁸⁴ Again in late 1944 some regional NSW conferences called for the nationalisation of

78. Evatt's address to the NSW ALP Conference *Standard Weekly* 15/6/44 p3. Also see *Standard Weekly* 3/8/44 p3.

79. Cornish "Full Employment in Australia" op. cit. p181; *Labor Call* 7/6/45 p1, 28/6/45 p7; *Australian Worker* 16/5/45 p1; and *Standard Weekly* 1/6/45 p1.

80. Australian Council of Trade Unions *Official Report of the Proceedings of A.C.T.U. Congress 1945* p2.

81. Waters 'The Postwar Reconstruction Plans' op. cit. p35; Mamchak 'Central Economic Planning' op. cit. pp56-7; and *Railroad* 26/5/44 p3.

82. Australian Army Education Service *Postwar Economic Problems* Melbourne, no date, p15. Given its comments on the desirability of abolishing monopolies and the impossibility of doing so under capitalism, the pamphlet could well have been written by a Communist, several of whom worked in the Education Service, following the Party's line during late 1944 or 1945. Walker notes that the Education Service had 500 education officers, *The Australian Economy* op. cit. p343.

83. Waters 'The Postwar Reconstruction Plans' op. cit. pp39-39a.

84. For the resolutions of the conferences see e.g. *Standard Weekly* 2/12/43 p2, 9/12/43 p2, 16/12/43 p2, 17/2/44 p4.

certain monopolies.⁸⁵ Rank and file pressure for nationalisations was also expressed in other State Labor Parties. The 1943 Victorian ALP Conference called for the nationalisation of essential industries and proposed that the objective of post-war reconstruction should be "the progressive abolition of the capitalist system and the establishment of socialism".⁸⁶ Unlike many of the socialist resolutions at ALP Conferences during the previous decade, those of the late War period were carried in the expectation of action in the near rather than the indefinite future. Delegates from four State Conferences to the 1943 Federal Conference were mandated to support some form of immediate nationalisation.⁸⁷ The Federal Conference decided that all transport industries should be nationalised at an early date, that the Federal Executive should immediately initiate a national campaign for socialism and carried a further resolution, in which,

"Conference calls upon the Government to nationalise essential industries as an indispensable part of the mobilisation of national resources for the defence of the Commonwealth."⁸⁸

That such sentiments were expressed by the Federal Conference, at which full-time officers of the Party and politicians, with their tendency to caution, predominated indicated considerable pressure from ordinary members. The 1945 Federal Conference again called on the Government to consider nationalisation of basic industries.⁸⁹

Expressions of support for immediate steps towards socialism were common occurrences in the laborite press during the War, in contrast to the late 1930s. In 1942 J. A. Cranwell, Chairman of the Commonwealth Council of the AEU called for Government control of industry to show workers that employers were also sharing the burden of the war effort. The editor of the *Amalgamated Engineering Union Journal* also made calls for nationalisations.⁹⁰ *Railroad*, under the editorship of L. Ross and his successor as Secretary of the NSW ARU, adopted a very radical stance. Its demands outflanked the Communist Party, which Ross had recently departed for the ALP, to the left. Under the headline "nationalisation Plus Workers Control" an article righteously maintained that

"The Communist Party is wrong when it states that it is inadvisable to raise the issue of nationalisation now."⁹¹

In 1943 Ross's successor as NSW Secretary, J. Ferguson, who became President of the NSW ALP during the late 1940s, maintained

"We want more than a 'Beveridge Plan' to provide working class needs after this war. We want, and shall demand social ownership and control of the means of production, distribution and exchange."⁹²

R. Sutherland was similarly critical of Beveridge's social security proposals, counterposing them to socialism in *Labor Call*.⁹³

During 1944 *Standard Weekly* ran a number of articles by Gil Roper, a Trotskyist who had entered the ALP in 1941. He called for the Labor Government to nationalise industry and "provide for the participation of democratically elected workers' representatives in the controlling organs."⁹⁴ It was an index of an atmosphere favourable to socialism that the paper published Roper's material and that of other radicals who went beyond Ross's explicit Fabianism.⁹⁵ In accord with the general socialist climate, the ACTU Congress of 1945 pressed nationalisation of particular industries on the Government. E. R. Walker refers to this climate as a "war-time utopianism", while Hagan points out that in 1945 workers

"Perhaps more than ever... were receptive to the idea that a socialist alternative was preferable to Australian capitalism."⁹⁶

Calls for socialism were strongest in sections of the union movement and at the lowest levels of the ALP, in the face of indifference, hostility and obfuscation from the Party's senior federal Parliamentarians. The War years were thus the first time since the depression that socialism was widely canvassed in the labour movement as a short-term possibility. War-time radicalism in the ALP went much further than a left Keynesianism along the lines of the 1944 Beveridge Report. *Standard Weekly* did serialise Joan Robinson's *Private Enterprise or Public Control* during 1944, reprinted by the NSW ALP's Henry Lawson Labor College soon after.⁹⁷ But even her Keynesian case for the nationalisation of the entire economy was not taken up by Australian writers at this stage, because laborite radicalism found a less sophisticated expression in calls for socialism or at least measures understood as steps towards an entirely nationalised and planned economy.

85. E.g. Wollongong, *Standard Weekly* 2/11/44 p4.

86. *Labor Call* 29/4/43.

87. Waters 'The Postwar Reconstruction Plans' op. cit. p51.

88. Australian Labor Party *Official Report of Proceedings 16th Commonwealth Conference December 1943* p51.

89. P. Love *Labour and the Money Power* Melbourne University Press, Melbourne 1984 p167. Eddie Ward, who had been a consistent advocate for socialism since he was first elected in 1931, continued on this path while he was a Minister in 1944, *Australian Worker* 17/5/44 p7.

90. *Amalgamated Engineering Union Journal* February 1942, pp3-4, 7.

91. *Railroad* 13/1/42 p6. Also see *Railroad* 27/1/42 p3, 14/4/42 p1, 9/6/42 p1, 16/3/43 p1.

92. *Railroad* 9/3/43 p1.

93. *Labor Call* 23/1/43 p9, 6/12/43 p8.

94. According to A. Thistlethwaite *Report on the Fourth International in Australia 1939-45* in Mitchell Library, Roper joined the ALP late in 1941. Roper's articles, *Standard Weekly* 13/1/44 p5, 10/3/44 p7. Roper quoted a letter from Victorian ALP member, fellow Trotskyist (and eventually Mr. Justice) Jim McClelland, "up north on service".

95. See, for example, *Standard Weekly* 3/2/44 p6, 12/10/44 p3. Ross frequently wrote features for *Standard Weekly*. Roper's evolution towards reformism, still adorned with Trotskyist slogans, in some ways paralleled Ross's more rapid evolution from Stalinism to reformism.

96. Walker *The Australian Economy* op. cit. pp336-7 and J. Hagan *The History of the A.C.T.U.* Longman Cheshire, Melbourne 1981 p204.

97. *Standard Weekly* 13/7 to 17/8/44. The Labor College pamphlet was undated, but was mentioned in *Standard Weekly* 18/1/45.

"War-time utopianism" dissipated very rapidly around the end of the War. It did not give rise to an influential socialist, or even left Keynesian current in the Labor Party. But factors more complicated than the simple close of hostilities were responsible for this change. The enthusiasm for socialism was generally inchoate. Ross and Roper referred to workers' control, but most discussions went little beyond calls for nationalisation. Popular support for socialism was often accompanied by a willingness to collaborate with employers to increase production. This could, and in the case of many union officials did, entail an explicit hostility to class struggle. So war-time socialism was, in a sense not intended by Walker, "utopian". It was without a practical perspective for turning immediate struggles to socialist ends. On the contrary, Labor Governments were seen as the means of achieving socialism, by parliamentary means. The prestige of the Curtin Government and its apparent ability to effect massive social changes contributed to this attitude, as did the absence of any significant organisation arguing for working class action independent of the state. The socialist sentiment, therefore, remained in a traditional reformist mould: essentially passive and reliant on a Party and Government whose leaders explicitly eschewed any "socialist" intentions. In these circumstances the Government achieved considerable success in defusing socialist ideas and replacing them with a more acceptable ideology.

Conflation

Before the general public and in its practice the Curtin Government's position on socialism was unequivocal. Socialism stood in contrast to its bright hopes for the future of Australian capitalism, jeopardised Labor's electoral prospects by scaring sections of the community such as employers and led to expectations, which could diminish the Government's support in the working class when they were disappointed. The latter problem had serious implications for the continuation of wage restraint after the War. In summary, socialist sentiment was an obstacle to any widespread acceptance of Keynesian economics, an ideology more suited to the achievement of the Government's goals. A practice of conflation emerged to overcome this obstacle.

During the 1943 federal election and the 1944 powers referendum campaigns Curtin explicitly ruled out any measures of socialism. He, Evatt and Chifley promised ample scope for private enterprise after the War. In a speech at the Fremantle Trades Hall Curtin said

"We have not socialised Australia and we do not intend to do it now just because we are at war."⁹⁸

It was self-evident to Evatt that "private enterprise will continue to play a large part after the war". In 1943 he pointed out that socialisation was not possible under the Constitution. "Let there be no mistake", he said,

"There will be more room for private enterprise and business initiative after this war than ever before in Australia's history."⁹⁹

In the Cabinet only Ward argued consistently for nationalisations.¹⁰⁰ The brokers of the Labor Party machines generally backed the Parliamentary leaders. At the 1943 Federal Conference

"Rather than 'pressing the general socialisation principle on the Government' one could argue that the primary consideration of the 'party managers' at Conference was to insulate, or act as a buffer for, the Parliamentary Labor Party against pressure from the State Conference level."¹⁰¹

While the Communist Party characterised proposals for immediate socialism as disruptive of the war effort, Fitzpatrick more realistically maintained that the rank and file had been betrayed on socialism at the Conference.¹⁰² The Federal Executive failed to carry out the resolution in favour of a campaign for socialism, which was itself a substitute for practical action. In 1947 Chifley again pointed out that the Constitution stood in the way of the nationalisation of the coal industry, although he was prepared to attempt bank nationalisation when this seemed a necessary corollary of Keynesian economic policy.¹⁰³

The Curtin and Chifley Governments' attitude to socialism was predictable in view of their commitment to a Keynesian economic program. But they needed to retain the confidence of their working class supporters even in the atmosphere favourable to socialist thought of the mid-1940s, in order to harness them to the national task of increasing production during and after the War. The way out of this dilemma was obfuscation. A series of terms was conflated so that at one end there was an appeal to the working class through "socialism" = "new order" = "reconstruction" = "full employment" = "more room for private enterprise... ", a direct appeal to the capitalist class. Ambiguity was the name of the game. Consider Curtin's masterful characterisation of the War, even before taking office, to the 1941 AWU Convention:

"This is not a struggle to maintain B.H.P., or dividends and profits, or the banking system, or the vested order; but a struggle to guarantee to ourselves the opportunity to make vested interests the handmaiden of the welfare of all of us. We are fighting for what we have not because we are

98. *Digest* 58 p28. Also see W. Waters "Labor, Socialism and World War II" *Labour History* 16, May 1969 pp14-5.

99. Evatt *Postwar Reconstruction* op. cit. p57 and *Australian Worker* 11/8/43 p3.

100. Waters 'The Postwar Reconstruction Plans' op. cit. pp115, 39, 95-7. Waters exposes the "myth" of Calwell's socialism at p87. Also see *Australian Worker* 17/5/44 p7.

101. Waters 'The Postwar Reconstruction Plans' op. cit. p52.

102. Waters "Labor, Socialism and World War II" op. cit. p19.

103. *Digest* 132 p17, 12/11/47.

satisfied with it, but to secure the open road to the achievement of all the possibilities inherent in this country."¹⁰⁴

Early in his 1942 Constitutional Convention pamphlet Evatt had posed the main question for the post-war world as "Plan or no plan? Plan or chaos?" *Plan or No Plan?* was the title of Barbara Wootton's 1934 essay on the need for socialism, not just full employment, which was Evatt's concern. Of the *White Paper on Full Employment*, Dedman said "I believe the White Paper constitutes a charter for a new social order", although he noted too that full employment policy entailed assisting business.¹⁰⁵ His association of the *White Paper on Full Employment* with "a new Jerusalem" was designed to give flight to the imagination. But Chifley had earlier said merely that reconstruction meant full employment.¹⁰⁶ The laborite press made its own original contributions to this process of obfuscation. An editorial in *Standard Weekly* implied that the powers referendum was an anti-capitalist measure:

"The plain fact is that the capitalist or private enterprise system does not generate the steady and balanced expansion of purchasing power needed to promote a full and steady use of its productive powers."¹⁰⁷

L. Ross played an important part, especially in NSW, in selling the Government's policies to the rank and file of the labour movement and in confusing their content. In late 1943 he was appointed to the Department of Postwar Reconstruction and became its Director of Public Relations.¹⁰⁸ He acted as a Government agent provocateur inside the labour movement. During 1943-44 he spoke at NSW regional conferences on reconstruction and wrote a series of articles in *Standard Weekly* that took up, amongst other issues, socialism and economics.¹⁰⁹ Although he was a vocal advocate of socialism, Watts accurately characterised Ross's role: "As a socialist he preached conciliation with Keynesian liberalism."¹¹⁰

Obfuscation helped the Government, despite its hostility to socialism, to retain working class support. The dissociation of socialist sentiment from practical demands for improved wages, conditions and hours assisted the process. Substantial working class successes in forcing employers and the Government to make concessions from 1945 were not regarded as steps towards socialism. Sheridan notes that

"While the machine and parliamentary leaders of the ALP had been successful in stifling rank and file calls for a socialistic post-war programme they had been forced to accept grass roots demands for short run pragmatic or 'economistic' improvements in workers' standards of living after the war."¹¹¹

When capitalism proved able to make concessions and the expected depression failed to emerge, the attractions of socialism diminished. Keynesian economics seemed to provide a more practical alternative and one which was endorsed not only by the Government but also by very respectable forces, such as the Liberal Party, conservative newspapers and professional economists. The next Chapter examines the active propagation of this alternative in the labour movement during the second half of the 1940s.

During the late 1940s some individual ALP Branches might pass resolutions in favour of socialism or nationalisations, but proposals for immediate measures were pushed to the margins of the laborite labour movement.¹¹² The pressure at the grass roots no longer existed to generate resolutions which seriously entertained steps towards socialism in the near future at State and still less at Federal ALP Conferences. Talk of socialism faded out of *Railroad* during 1945. Shortly after the War articles of a socialist hue also became more infrequent in *Labor Call*. Where socialism was mentioned in *Standard Weekly*, during the late 1940s, it was to promote the merits of the ALP's maximum programme, devoid of references to immediate concerns. A series of articles from the NSW Fabian Society illustrated this approach.¹¹³ In South Australia, where the ALP was to the left of the NSW and Victorian organisations, the Party President expressed his radicalism by looking forward to striking

"The knockout blow by implementing the Party's policy of collecting the full economic rent of the land."¹¹⁴

104. *Labor Call* 20/2/41 p6.

105. *Digest* 103 p11 and *Standard Weekly* 18/5/45 p5.

106. *Standard Weekly* 26/5/43 p1

107. *Standard Weekly* 17/8/44 p6.

108. *Australian Worker* 1/12/43 p1.

109. *Standard Weekly* 7/10/43 p3, 11/11/43 p3, 18/11/43 p3, 25/11/43 p3, 2/12/43 p3, 9/12/43 p3, 20/4/44 p4, 5/10/44 p5.

110. Watts "Revising the Revisionists" op. cit. p83.

111. T. Sheridan "Australian Trade Unions and Postwar Reconstruction" paper presented to Postwar Reconstruction Seminar Australian National University 31 August-4 September 1981 p13.

112. See *Standard Weekly* 3/6/49 p5 for the agenda of the NSW State Conference, including a few resolutions calling for the nationalisation of key industries.

113. E.g. *Standard Weekly* 17/9/48, 2/4/49 p9; *Railroad* 17/9/48 p5 apparently lifted from *Standard Weekly*. The Fabians carried on the tradition of Second International type socialism in the ALP. One of the pre-war proponents of this tradition, ex-Socialisation Units leader W. McNamara, attended at least one Fabian Society meeting. The NSW Society's 1949 *Towards Socialism in Australia* argued that public works could ease the worst effects of depressions "but that under socialism there would be no depression at all", p4.

114. Clyde Cameron, also Secretary of the South Australian AWU, *Australian Worker* 17/9/47 p7. Judging by this and other material emanating from the South Australian AWU, Cameron was carrying on a long local tradition of Henry Georgism, on which see V. Burgmann 'In Our Time' Allen and Unwin 1985 pp145-6.



CHAPTER EIGHT

KEYNES V. CLASS STRUGGLE

The Curtin and Chifley Governments used Keynesian economics, which had become the new orthodoxy during the War, as a guide for peace-time economic management. The Labor Governments' attempts to proselytise for the new faith internationally are considered in the first section of this chapter. The second section examines the overtly state capitalist elements in the policies of the ALP and Chifley Government and the extent to which they were rooted in radical social theory or the Party's commitment to the reconciliation of classes. The final section deals with the propagation of Keynesian economics in the labour movement and the implications of the new orthodoxy for economic management during a period of militant industrial struggles.

Defenders of the Faith

The question of Australia's place in the world economy attracted considerable attention amongst laborites during the 1940s. This mainly took the form of interest in the Curtin and Chifley Government's external economic policies. Their approach in international economic forums was accurately seen as an extension of domestic policies and helped increase the Governments' credibility by highlighting their commitment to full employment. On the other hand the Governments' proposal that Australia adhere to the Bretton Woods Agreement was more controversial. It counterposed those most firmly committed to the perfection of capitalism by Keynesian means to a coalition of left nationalists including adherents of Money Power theory, nationalist anti-imperialism and the Communist Party.

Mamchak maintains that the Curtin Government's full employment policy originated as an element in its approach to international economic problems.¹ This, however, ignores the degree of convergence between Keynesian economists and elements inside the Labor Party on domestic questions before World War II and early statements such as Evatt's to the Constitutional Convention. Mamchak is right in arguing that the Government's concern in international discussions on the Mutual Aid Agreement (between Britain and the USA) in 1942 was to secure post-war demand for Australia's exports, in order to achieve full employment at home. This priority was expressed in an ideological form as a crusade (or at least a series of missionary expeditions) to convert the world to Keynesian economics and to obtain proof of adherence to the faith in votes for full employment at international conferences and conventions. The pursuit of such assurances from 1944 until 1949 represented a partial insight into the conditions of Australian prosperity. Without full employment overseas and a concomitant high level of demand for Australian exports, there was little hope that the domestic economy would expand rapidly. As Arndt put it in 1954,

"The instability of a dependant economy like that of Australia, which necessarily engages in a large volume of overseas trade, is primarily due to the instability of the major capitalist countries of the rest of the world, especially the U.S.A.. So long as these major foreign countries are liable to slumps, no measures taken by capitalist or socialist Australian Governments could do more than alleviate the repercussions within Australia of economic fluctuations abroad."²

Given the adoption of Keynesian policies at home, they were regarded as the solvent of international problems too.

Australia, unlike the USA, did not give its first priority in discussions of the post-war, international economic order to freer trade. The USA's emphasis on free trade was a partial insight into the conditions which had exacerbated the problems of the depression. Its emergence from the War as the world's strongest economic power also gave the USA an interest in free trade. Low levels of protection around the world would give full effect to the competitive edge of American industry. As exporters of capital, though one was on the rise the other on the decline, the USA and Britain were both interested in the stability of the international financial system. The position of the Australian Labor Governments on international trade and finance was more equivocal. As a net importer of capital, Australia would benefit from stable capital flows, but an international system dominated by lender powers would bias the terms of those flows in their favour. As an exporter of primary commodities, Australia would benefit from the reduction of levels of protection around the world. But as a country whose industrialisation was essentially based on import substitution, decreased protection of the domestic market would jeopardise substantial sectors of local manufacturing industry. So Curtin declared that Australia favoured international free trade, but required tariffs of its own, for reasons of defence and employment.³ According to Walker, Australia was faced with the dilemma of dependence on a stable international economic order combined with attachment to protectionism;

1. Mamchak 'Central Economic Planning' op. cit. pp35-6.

2. Arndt 'Economic Policy' op. cit. p42.

3. *Digest* 81 p48, 4/5/44.

"Out of this dilemma arose the Australian initiative to secure an international employment agreement, along with the other international economic agreements that were being discussed towards the end of the war."⁴

The experience of the depression in Australia had driven home to the labour movement the lesson of the international nature of economic crises, whether this was interpreted as international conspiracy, mistakes in international economic policies or the international laws of motion of the capitalist system. Laborites quickly became imbued with the Government's crusading zeal for full employment during the War. In view of then recent history, the Government's proposals would indeed have looked implausible without an international dimension. The ALP Special Commonwealth Conference of 1942-3 recognised the need for international planning to maintain employment and to raise living standards.⁵ Soon after, Evatt said that the major industrial countries had an international obligation to maintain high employment levels.⁶ Curtin proclaimed the universal validity of the Government's Keynesian policies during the 1943 election campaign:

"This Government's policy of full development of resources, full employment of manpower and full provision for social security is a basis not only for Australian reconstruction but for a stable and peaceful Commonwealth of all nations."⁷

Giblin adopted a similar position, giving a professional sanction to the Government's promotion of its policies and their theoretical basis as scientific.⁸ Curtin contended that reconstruction entailed a "new international order" as well as a new national order.⁹ The second of Chifley's December 1943 articles on reconstruction in the *Sydney Morning Herald* was largely devoted to international economic questions and set out the main lines of Labor Government policy to 1949. His starting point was firmly based in the realities of Australia's position in the world economy. The Government, he wrote,

"Suffers from no illusion that we have the full range of natural resources necessary for self-sufficiency at modern standards of life."

In this he saw an affirmation of the Keynesian faith that

"General acceptance by all nations of domestic policies of full employment is the indispensable basis of stable and fruitful peace."¹⁰

As against the US approach, he maintained that tariff reductions would follow from full employment rather than *vice versa*. Another feature of his and the Government's approach, more fanciful in the light of subsequent developments, was the need to raise up the underdeveloped countries, who could constitute a market for Australian manufactured exports.

The Government gained a great deal of kudos in the laborite press from its role at international economic conferences as the prophet of full employment. At the April 1944 Philadelphia Conference of the International Labour Organisation, Beasley preached the full-on Keynesian gospel in the form of a draft "International Employment Agreement". He stressed that full employment was a prerequisite to lowering tariff barriers. This point was not lost on the protectionist Australian labour movement, as a *Standard Weekly* headline, "Unemployment Must End Before Tariffs Are Lowered Says Beasley", made clear.¹¹ Australia's proposal was narrowly defeated at the Conference. A much watered down American version was then carried overwhelmingly.¹² The Australian suggestion of an international employment agreement suffered a similar fate at the Bretton Woods Conference on the international financial system in July 1944. But at least the Australian and New Zealand Governments affirmed that full employment was to be part of the international order (in the southwest Pacific) in their 1944 Pact.¹³

An article by F. M. Forde, the Government's representative at the San Francisco Conference of the United Nations in 1945, called "our Fight for World-wide Employment" was carried by *Standard Weekly*, *Labor Call* and *Australian Worker*. He proclaimed Australia's success in having a commitment to employment included in the United Nations Charter and preached redemption through international Keynesian economic policy:

"The world should know by now that there can be no such thing as economic isolation. If employment levels fall in the United States, for instance, and there is an economic slump in that country, the effects of that slump inevitably will be felt in Australia. Plan as we may we cannot insulate ourselves against the economic troubles of other peoples.

"Neither can we insulate ourselves against the effects of having parts of the world where workers are not paid enough to buy the things they need.

4. Walker *The Australian Economy* op. cit. p343.

5. Australian Labor Party *Official Proceedings of the Special Federal Conference November 1942* p16.

6. H. V. Evatt *Foreign Policy of Australia* Angus and Robertson, Sydney 1945 p118, speech originally delivered 28/4/43.

7. J. Curtin *General Elections 1943: Statement of Policy* Australian Labor Party, Canberra 1943 p17.

8. Giblin "Reconstruction - A Pisgah View" *Australian Quarterly* September 1943 pp16-7.

9. Australian Labor Party *Official Proceedings... 1943* op. cit. p51. The vague and utopian outlines of this international order were embodied in the Atlantic Charter signed by Churchill and Roosevelt in 1941.

10. *Sydney Morning Herald* 2/12/43, also *Digest* 69 p9.

11. *Standard Weekly* 27/4/44. Also see *Australian Worker* 3/5/44, Evatt *Foreign Policy* op. cit. p192 speech on 17/3/44 for the Government's views on increased protection and dispensations for developing countries, such as Australia.

12. Butlin and Schedvin *War Economy 1942-1945* op. cit. pp660-1.

13. On Bretton Woods see Evatt *Foreign Policy* op. cit. p216 and Crisp *Ben Chifley* op. cit. p204. On the Australia-New Zealand Agreement see Walker *The Australian Economy* op. cit. p370. The Bretton Woods Conference adopted the American view that international trade was the key to prosperity and received much less publicity in the laborite press than the Philadelphia and San Francisco United Nations Conferences.

"Imagine Australia's economic position if the millions of people who live in the islands near our country were enjoying a standard of living comparable with ours. What rich markets they would be for our primary and secondary producers."¹⁴

An advertisement for the ALP in *Australian Worker*, Cartoon 16, emphasised the Government's pursuit of full employment through domestic and foreign policies.

The documents and statements associated with the *White Paper on Full Employment* explicitly related the Keynesian crusade to the dependence of the Australian economy on the world market.¹⁵ They also dealt with the problems of Australia's export industries proposing export stabilisation and insurance schemes. The White Paper itself was mildly protectionist, favouring devaluation to cope with long-term balance of payment problems, but quantitative restrictions to deal with short-term difficulties.¹⁶

The Labor Government returned to the international fight for countries' economic souls in the 1947 and 1948 international trade negotiations. Dedman summed up the aims of Australian foreign economic policies:

"(a) the importance of maintaining employment and effective demand, particularly in the major industrial countries of the world that will continue to represent the biggest markets for our exports.

"(b) the need for greater stability of prices for primary products", to stabilise the incomes of primary producers and reduce economic fluctuations.

"(c) freedom for Australia to deal with economic problems of particular concern to it, for example -- (i) industrial development by tariff protection; (ii) protection of the balance of payments; and (iii) stabilisation plans for primary industries.

"(d) the British Commonwealth only to reduce preferences in return for concessions and recognition of the preferences as exceptions to most favoured nation arrangements.

"(e) limitations on controls on agricultural imports.

"(f) the need to promote the development of underdeveloped countries in order to increase their demand for imports."¹⁷

The draft charter of the proposed International Trade Organisation (ITO) included many of these aims, notably a commitment to international full employment policies and provisions for agreements to stabilise commodity prices. The divergent interests of Australia and the USA were apparent in their attitudes to the ITO. The Chifley Government regarded the ITO as a means to implement pet proposals, commensurate with the structure of the Australian economy. The US Government was never keen on being formally committed to full employment policies, while commodity agreements could raise the prices of raw material inputs into American industry. Deprived of US support, the ITO was still born. The General Agreement on Trade and Tariffs (GATT) was negotiated in parallel with the ITO and included some of the provisions of its draft charter. GATT was essentially an instrument for freeing up world trade, as such it received the support of the USA. Australia's aim in the GATT negotiations was to emerge with access to more markets than it had entered with, while safeguarding local manufacturing industry. Empire Preferences were therefore a key issue as Britain remained Australia's largest market. Australia was also concerned that Britain gain markets through GATT, so as to reduce the dollar shortage in the sterling area. Shortly after the War and in the face of US attempts to undermine Empire Preference by means of provisions in the Mutual Aid Agreement and Atlantic Charter, Evatt had announced Australia's support for continued preferences.¹⁸ But, as it became clear that the British market remained limited and that international negotiations offered a prospect of increasing access to others, the Australian position in trade negotiations softened. In 1947 Chifley pointed out that

"It would be extremely unwise for Australia to rely upon the United Kingdom to purchase its increasing output of primary and secondary products.

"... The Government considers that whatever the final decisions may be [on Empire Preference in the negotiations], if it will enable us to expand our trade and give the maximum employment to our people it will be to Australia's advantage."¹⁹

Coombs had earlier advised Chifley, in stronger terms, that "we should plan consciously to reduce our dependence on the United Kingdom market" and should seek access particularly to the US market.²⁰ GATT was signed in November 1947.

"The new rules of trade promised trade expansion without requiring prior loss of the well tested and valuable [Empire] preferences",

apart from a small cut in British preferences for Australian canned and dried fruits. Australia also conceded some reductions in its own most favoured nation rates of duty. The US had failed to eliminate Empire Preferences, but had secured agreement that no new ones were to be introduced.²¹ After applying the diplomatic thumb screws,

14. *Australian Worker* 27/6/45 p6; *Standard Weekly* 29/6/45 p5; and *Labor Call* 5/7/45. Also see *Australian Worker* editorial 13/6/45 p3, 4/7/45 p4, 5/9/45 p7 for Evatt on the UNCTO Bill.

15. E.g. H. C. Coombs "The Pattern of Reconstruction" in C. H. Grattan (ed.) *Australia* University of California Press, Berkeley 1947 p411 and Coombs *Problems of a High Employment Economy* op. cit. p32.

16. *Full Employment in Australia* Government Printer, Canberra 1945 p13, J. Crawford *Australian Trade Policy 1942-1955* Australian National University Press, Canberra 1968 p18.

17. Commonwealth Parliamentary Debates 198 pp1052-9, 30/9/48 in Crawford *Australian Trade Policy* op. cit. p64.

18. Crawford *Australian Trade Policy* op. cit. p4 and H. V. Evatt *Australia in World Affairs* Angus and Robertson, Sydney 1946 p92, speech on 14/11/45.

19. Commonwealth Parliamentary Debates 191 p1029 26/3/47 in Crawford *Australian Trade Policy* op. cit. p64.

20. Coombs *Trial Balance* op. cit. p98-9.

21. Crawford *Australian Trade Policy* op. cit. pp6, 35-6.

Australian negotiators were also able to secure reductions in some US duties, including that on wool.²² GATT did not, as had been hoped, open up vast new markets for Australian produce in the USA.²³ The benefits of GATT for Australia emerged elsewhere, notably in Japan. The Liberal opposition had placed greater emphasis on Empire trade than the Chifley Government; once in office Menzies secured a renegotiation of Australia's GATT commitments but this only modified previous arrangements slightly.²⁴

The laborite press supported the Government's statements on international trade, predictably giving particular prominence to its success in having full employment included in the various drafts of the ITO charter. "Another Labor Triumph" overseas served to reinforce the achievement of full employment and the Government's success in reforming capitalism at home.²⁵ *Australian Worker* carried Chifley's accurate explanation of the interests of the Australian capitalist class:

"Mr. Chifley said on Monday that it may be necessary for Australia to contemplate some tariff reductions, but the Government intended to proceed with its plans for the progressive industrialisation of Australia and would impose additional protective tariffs where necessary.

"... At the same time, it must be remembered that Australia is particularly dependent on world markets for the sale of many important primary and secondary products, and has much to gain from tariff reductions by other countries and the reduction of other barriers to Australia's exports, even though the securing of these will require review of some Australian tariff rates."²⁶

This clarity of vision about Australia's place in the world was not exploited to serve working class interests. In the tradition of laborite nationalism the insight was used to advance the interests of the Australian capitalist class. The long standing protectionism associated with laborite nationalism was not an obstacle to this balanced assessment because, after the War the run-down and destruction of industry around the world meant that there was less competition from imports for Australian manufacturers. Moreover, the Government undertook that it would not let free trade principles stand in the way of the development of Australian industry. Coverage of the trade negotiations in the laborite press drew attention to two salient aspects of the Government's trade policies. First that

"A country in the process of rapid industrialisation cannot give up its choice between protective tariffs, quantitative restrictions on imports, and payment of production subsidies as a means of fostering industrial growth."²⁷

Secondly the papers pointed out that through small concessions Australia stood to make considerable gains through access to new markets.²⁸

Full employment was the index of the Labor Governments' success most commonly used by laborites. But the Labor Governments of the 1940s also paid attention to the encouragement of capital investment, including that from overseas, as an important responsibility. During 1944 Curtin had still thought of Britain as the main source of overseas investment. In November Chifley noted that

"Generally, the policy of this Government and its predecessors has been to give preference to British capital for investment in this country. However, no restrictions are placed upon the introduction of American capital whenever it can be shown that the introduction of such capital will be to the benefit of Australia."²⁹

In 1946, an election year, *Standard Weekly* reported "Mr. Chifley Delivers the Goods" on his return from a visit to Britain, because "British industry is ready to transfer to Australia" and later that "Chifley Forecasts a Flood of Overseas Capital".³⁰ *Labor Call* noted favourably overseas companies investing in Australia, *Standard Weekly* and *Australian Worker* soon did too.³¹ Workers were expected to regard the confidence of international capitalism in the Government as an indicator of its worth:

"The vast expansion programme that overseas and local interests have commenced in Australia is a high tribute to the Federal Government."³²

The following year Chifley used several of his broadcast Reports to the Nation to explain the importance of foreign investment.³³ The recognition of the need to attract foreign capital was an integral part of the Government's economic analysis not only of the long term needs of Australian capitalism but also of the steps necessary for short term economic management and counter-cyclical policy. This was particularly borne out in the Government's pronouncements on the dollar crisis.

22. Coombs *Trial Balance* op. cit. p98-9.

23. See *Digest* 132 p5, 11/1/47 for Dedman's comments on the opportunities in the US market presented by the draft GATT.

24. Crawford *Australian Trade Policy* op. cit. p12 for Menzies's position.

25. *Labor Call* 6/3/47 p1. Also see *Labor Call* 13/3/48 p3, *Standard Weekly* 24/1/47 p3, 7/3/47 p6.

26. *Australian Worker* 22/1/47. See *Amalgamated Engineering Union Journal* April and July 1948 for reprints of speeches by Dedman on GATT and the ITO.

27. *Labor Call* 6/3/47 p1. Also see *Labor Call* 22/10/48 p3, where Chifley said that no industry would be allowed to go to the wall and J. Dedman *Ministerial Speech on Secondary Industries* 1946.

28. *Australian Worker* 26/11/47 p7 and *Labor Call* 11/12/47 p8.

29. Curtin: *Digest* 88 p41 12/9/44. Chifley: *Digest* 92 p26 15/11/44.

30. *Standard Weekly* 24/5/46, 13/9/46 p7.

31. *Labor Call* 25/7/46 p5; *Standard Weekly* 27/6/47 p8; and *Australian Worker* 31/7/46 p3. Also see Dedman on foreign investment in secondary industry in *Digest* 122 pp34-5 29/11/46.

32. *Labor Call* 30/1/48 p1.

33. *Standard Weekly* 14/4/49 p5. For an article on the level of foreign investment in the post-war period see *Standard Weekly* 7/1/49 p49 p4.

Babes in the Woods

The wide acceptance of the need for foreign investment by moderate laborites contrasted starkly with the hostility of both moderates and Money Power theorists to foreign capital during the 1930s. A decade later there was still a preoccupation with the threat of finance capital and international loans. Most laborite radicals regarded the Bretton Woods Agreement as the main danger to Australia. The ACP was more in tune with the times. The Communist Party saw a serious danger in foreign investment and attributed many of Australia's problems to Wall Street. Only from the 1950s did any significant section of laborites issue warnings about the level of foreign investment, and then the blame was placed on the Menzies Government.³⁴ But the two versions of left nationalism in the 1940s were able to find common ground in their hostility to the Bretton Woods Agreement.

Australian membership of the new institutions of the international financial system provoked one of the most notable controversies amongst laborites during the 1940s. The charters of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) were worked out at a Conference in Bretton Woods, in the USA, in July 1944. The Bretton Woods Agreement was an attempt to stabilise international financial relations to avoid a repetition of depression experiences like competitive devaluations, defaults on loans and interest payments, disruption of trade. The Curtin Government sent public servants, but no senior political representative to the Conference because it was concerned lest involvement with international financial institutions restrict its freedom of action in exchange rate and other matters.³⁵ As the most powerful country present and by far the largest subscriber to the two new bodies, the USA was, to a considerable extent, able to determine the shape of the final Agreement. The USA's main concern was that the new bodies should underpin an expansion of world trade. The IMF was to provide a means of ironing out exchange rate fluctuations, through the allocation of its funds (drawing rights) to countries in balance of payments difficulties. The IBRD was to provide loan funds for the reconstruction of war-devastated and underdeveloped economies.³⁶

The main effect of the Bretton Woods Agreement was to institutionalise US economic dominance over the non-communist world. The USA provided the largest contributions to both the IMF and IBRD and thus had the greatest number of votes on their governing bodies. The new arrangements did not alter the financial standing of participating countries: creditors remained creditors, debtors remained debtors. But they gave a universal character to the relations between the two categories, making it harder, for example, for debtors to play creditors off against each other. Although the IMF did help smooth out exchange rate movements, it could not influence longer-term economic developments, such as those which led to successive devaluations of the pound sterling during the 1940s, 1950s and 1960s. In 1971, very early in the current general crisis of capitalist, one of the cornerstones of Bretton Woods -- the fixed exchange rate between gold and the US dollar -- collapsed.

While Chifley and Curtin favoured Australian participation in the institutions of Bretton Woods, there was still some hesitation.³⁷ One legacy of the depression in Australia was a wariness of international finance. No doubt confident of a favourable public reception, for example, Curtin in 1945 announced that L34 million of London debt would be paid off, thanks to good foreign exchange balances.³⁸ Later that year Evatt mentioned that Australia did not want to borrow US dollars because of the depression experience with overseas loans.³⁹ Dedman, soon the foremost proponent of Australian participation in the Bretton Woods arrangements, was critical of the draft of the Agreement for the IMF.⁴⁰ Chifley

"Was afraid that the new institutions would prevent his government from carrying out its plan for the restructuring and reorientation of Australian capital."⁴¹

Even economists such as Coombs, Wilson and Melville were concerned about features of the Agreement which gave creditor countries the dominant role in the IMF and might curtail Australia's freedom of action in financial matters.⁴² Coombs saw it as "compatible with the 'positive approach'" rather than integral to it.⁴³ The "positive approach" was the Government's advocacy of multilateral commitments to full employment in international economic forums. Senior economic advisors did support Australian ratification of the Agreement "on balance", but only after urging the Government that it reserve its decision for a period.⁴⁴ This it did until late 1946.

While the Bretton Woods Agreement was being negotiated, Evatt said that the test of the IMF and IBRD should be "their direct assistance in helping to maintain high levels of employment."⁴⁵ Yet when the Labor Cabinet decided to endorse the Agreement, supporters of ratification in the labour movement portrayed it as already being an

34. E.g. H. W. Arndt "Labor and Economic Policy" Chifley Memorial Lecture, University of Melbourne, Melbourne 1956 p14 and J. Burton *The Alternative: A Dynamic Approach to Our Relations with Asia* Morgan's Publications, Sydney 1954 p77.

35. Crisp Ben Chifley op. cit. p203.

36. Butlin and Schedvin *War Economy 1942-1945* op. cit. pp661-7.

37. Coombs *Trial Balance* op. cit. p47

38. *Digest* 98 pp31-2 21/3/45.

39. Evatt *Australia in World Affairs* op. cit. p90.

40. Crisp Ben Chifley op. cit. p203.

41. M. Beresford and P. Kerr "A Turning Point for Australian Capitalism: 1942-52" in E. L. Wheelwright and K. Buckley (eds) *Essays in the Political Economy of Australian Capitalism* Volume Four Australian and New Zealand Book Company, Sydney 1980 p161.

42. Coombs *Trial Balance* op. cit. pp46-7; Crisp Ben Chifley op. cit. p200; and Kerr and Beresford "A Turning Point" op. cit. pp161 et seq.

43. Coombs *Trial Balance* op. cit. p46.

44. *ibid.* p47.

45. *Digest* 85 p17 19/7/44.

integral part of the post-war order of full employment, a corollary of Keynesian economics. Coombs and Melville's reservations indicate that this was far from being the case. For, by 1946-47 when the controversy over Bretton Woods took place, Keynesian economics was already an element in the Government's apparatus of legitimation. Full employment was the touchstone of that legitimation.

Love accepts too much at face value when he argues that the supporters of Bretton Woods "saw it as an essential component in the whole strategy mapped out in the 1945 White Paper" on full employment.⁴⁶ Beresford and Kerr are more attuned to the realities of the situation in drawing attention to the "cynicism" of the campaign for ratification.⁴⁷ Dedman argued that the Bretton Woods Agreement should be seen in the light of the inclusion of full employment in the United Nations Charter. He pointed out that Australian full employment depended on exports, which in turn could be aided by the stabilisation of exchange rates and encouragement of spending by creditor nations. The Agreement sanctioned discriminatory action against "scarce currencies". Moreover, a failure to join the IMF could result in discrimination against Australia. Dedman thus presented Bretton Woods as a solution to problems facing Australian capitalism. The IMF proved largely incapable of solving such problems when they did occur and, in any case Australia did not suffer from them in an acute form. Dedman's analysis had a basis in the real obstacles to capital accumulation in Australia and worries that the depression could be repeated, even if he overstated the case.⁴⁸

Between 1944 and 1947, a coalition of supporters of Money Power, anti-imperialist nationalist ideas and Communists, headed by Labor Minister Eddie Ward opposed the ratification of the Bretton Woods Agreement.⁴⁹ They did not address the problems of a capitalist economy Bretton Woods was designed to solve, but remained within the framework of assumptions of national capitalist development. They were most concerned about the matters over which Coombs and Melville had expressed reservations, that the Agreement would restrict Australia's freedom of action. The reasons Australian employers, their theoreticians and representatives on balance supported ratification of a key instrument of the post-war imperialist order and the implications for the international working class concerned them much less. Bretton Woods was portrayed as a threat to protectionism, White Australia, full employment and Empire trade.⁵⁰

Opposition to Bretton Woods was mounted on two fronts. One used Money Power traditions for its ammunition. Senator O'Flaherty thought

"The Scheme provides for an administrative body to implement the financial plan which would be controlled by the same old money power in a new situation."⁵¹

Ward maintained that the Agreement

"Offers no solution to world problems but quite blatantly sets up controls which will reduce the smaller nations to vassal states and will make every government the mouth piece and tool of international finance."⁵²

From 1944 S. F. Allen attempted to theorise laborite hostility to Bretton Woods and also provided less sophisticated arguments against the Agreement. Allen, who had a Douglas Credit background, maintained that "Too much attention is given to the question of exports and foreign trade". The first aim of monetary policy, he held, should be to increase the purchasing power of a country's own population, while trade would take care of itself:

"The end and aim of production should be consumption by each country's own people first, and then to export the surpluses to those countries in need of such products."⁵³

This view, while it came to similar conclusions to those of Australian Keynesians, was essentially a crude underconsumptionist one, devoid of the international perspective, beyond a conspiracy theory, of Keynesian economics. Apart from a passive isolationism, with a consequent decline in living standards as export income fell off, Money Power critics of Bretton Woods were unable to offer a plausible solution to the international financial problems Australia was expected to face.

46. Love *Labour and the Money Power* op. cit. p159.

47. Beresford and Kerr "A Turning Point" op. cit. pp164-5.

48. J. Dedman "The Case for Bretton Woods" in, e.g. *Standard Weekly* 17/4/47 p1; *Labor Call* 9/1/47 p7, 16/1/47; *Australian Worker* 15/1/47 p5, 12/1/47 p2; *Amalgamated Engineering Union Journal* February 1947 pp7-9. "Having won the fight for the recognition of full employment as an international policy", Dedman argued, "it would ill become Australia to turn around and refuse membership of the instruments for its achievement". Beresford and Kerr "A Turning Point" op. cit. p165 called this argument "deception to an almost farcical extent". Chifley in *Standard Weekly* 21/3/47 p8 explicitly linked Bretton Woods to other institutions of international co-operation, the United Nations, ILO, Food and Agricultural Organisation, in which his Government had had more success in promoting its ideas on full employment. Also see a confused justification for Bretton Woods from a former foe of the Money Power, M. M. Nolan *Labor Call* 23/1/47 p4. For Bretton Woods as a means for preventing international trade anarchy see *Labor Call* 30/1/47 p4.

49. Instances of Ward's prominence in the campaign are *Standard Weekly* 5/4/46 p4, 17/1/47 p4; *Labor Call* 9/1/47 p5, 16/1/47 p5, 31/1/47 p5; *Australian Worker* 15/1/47, 22/1/47; and *Amalgamated Engineering Union Journal* May 1947 pp10-4.

50. *Standard Weekly* 5/10/45 p11, 26/4/46 p6; *Australian Worker* 6/3/46 p7, 23/10/46 p7, 12/3/47 p11; *Labor Call* 30/1/47, *Amalgamated Engineering Union Journal* September 1945 p10. Love *Labour and the Money Power* op. cit. p233-4 gives a more detailed account of these arguments.

51. *Australian Worker* 6/3/46 p7.

52. *Labor Call* 23/1/47 p5. See Love *Labour and the Money Power* op. cit. pp158-64 for the use of Money Power arguments in the course of the debate on Bretton Woods.

53. *Standard Weekly* 16/11/44 p2. Also see *Standard Weekly* 23/11/44 p4, 26/4/46 p6 and *Amalgamated Engineering Union Journal* May and June 1947. Given the content of the article, "AFS" in *Standard Weekly* 2/3/44 could well have been Mr. Allen, with his initials reversed.

On the second front opposed to Bretton Woods there emerged a difficulty for laborites during the 1940s which L. Ross accurately identified:

"The uncertainties and confusions created by the struggle against the Communist Party are important in a period when often the policies supported by the Communist Party run parallel to those that Labor has supported in the past. Labor has often difficulty in supporting such ideas without being embroiled in Communist policy."⁵⁴

This problem was most acute for those on the left of the ALP, increasingly under siege from the Groups, their ideas anathema to the Government. The Communist Party was at the height of its strength during the 1940s and proved a very significant pole of attraction for rank and file leftists inside the Labor Party. The ACP argued convincingly that Bretton Woods entailed an extension of the influence of US imperialism. A Federal ARU publication, by J. J. Brown, Communist Secretary of the union in Victoria, and J. Chapple, General President, still proponent of some Money Power ideas and close to the Communist Party for many years, exemplified the ACP position and its proximity to that of left laborites:

"Under the Bretton Woods agreement. . . the world would be at the mercy of U.S.A. creditors, and Imperial trade within the British Empire will be well nigh impossible.

"It is evident that this wealth [from the interest on funds generated by the Agreement] will largely go to the U.S.A.'s '60 wealthy families' and their friends, and that the wealth of the world will be concentrated in fewer hands, principally in the U.S.A.'s financial oligarchy."⁵⁵

The pamphlet employed Money Power rhetoric alongside denunciation of US imperialism.⁵⁶ With the Communists now denouncing not only local monopolists and rich families, but also identifying an international conspiracy in the USA as the root of the world's problems, the distance between their position and Money Power theory became even narrower than it was during the late 1930s. In the course of the Bretton Woods debate this convergence was also furthered by Money Power theorists' recognition of the USA's vital role in events.⁵⁷

Despite the considerable controversy in the labour movement, there were indicators in the mildness of the public debate over the Agreement that it was not vital to the future of Australian capitalism. Only a few members of the opposition and a cross bencher, J. T. Lang, spoke and voted against ratification during the final debate in the House of Representatives. Ward, renowned as a ferocious fighter to the second last trench, and some of his supporters were absent from the Chamber.⁵⁸ Nor did the issue have a high penetration into public consciousness.⁵⁹ Given the range of countries that had adhered to the IMF, membership did offer Australia advantages, though not critical ones, in improved access to international reserves and loans which might prove useful at some stage, while failure to ratify made Australia entirely dependent on the good will of individual countries and lenders of such funds.⁶⁰

Foreign Loans and Wage Restraint

The dollar crisis from 1947 provided an important context for the Chifley Government's domestic economic policies until 1949. The Prime Minister contended that the international situation made necessary import controls, resulting in shortages, increased labour productivity and wage increases only in line with the growth of the economy. Given acceptance of the existing capitalist order this case was quite a logical one. Chifley took it to the people in his Reports to the Nation and found support in the laborite and daily press. His key themes were the need to increase production and Australia's loyalty to and dependence on Britain:

"What we can do, however, is to step up the quantity of our exports -- both dollar exports and other exports. Many of the commodities we ship to Britain are the means of saving dollars for her. But greater exports require greater production.

"And so we come round again to the same point -- the necessity I have so often stressed to you for greater and more sustained efforts by every one who has any part to play in essential production."⁶¹

54. L. Ross "Some Factors in the Development of Labor's Foreign Policies" *Australian Outlook* March 1949 p44.

55. J. J. Brown and J. F. Chapple *Bretton Woods* Australian Railways Union, Sydney 1946? pp5, 6. For Chapple's Money Power ideas see *Railroad* 25/1/46 p6, 8/2/46 p5, 22/2/46 p2, 8/3/46 p5, ironically Communist Gordon Crane offered a Keynesian critique of Chapple's position, *Railroad* 4/10/46 p2.

56. Brown and Chapple *Bretton Woods* op. cit. pp9, 10.

57. See, for example, Ward's "The Case against Bretton Woods" *Labor Call* 23/1/47 p5, S. F. Allen "'Dollar Imperialism' (is the right name for the Bretton Woods Scheme)" *Standard Weekly* 26/4/46 p6, *Labor Call* 30/1/47 p5.

58. Crisp *Ben Chifley* op. cit. p211.

59. *ibid.* p212. Since the issue was widely canvassed in the labour movement this can only have meant that bourgeois public opinion was not disturbed by the prospect of non-ratification, L. Overacker "Australia's Battle of Bretton Woods" *Forum* (Philadelphia) May 1947 p403: "Mr. Chifley's failure to trust the people was not fatal in this instance."

60. Beresford and Kerr "A Turning Point" op. cit. pp163-4.

61. *Digest* 143 p23 Report to the Nation 30, 3/4/49. Also see *Digest* 133 p10 broadcast by Chifley 26/1/48; *Digest* 139 pp5-8 Reports to the Nation 1-3, 12/9/48, 19/9/48, 26/9/48; *Digest* 139 p11 Report to the Nation 5, 10/10/48 on the Marshall Plan; *Digest* 141 p31 Report to the Nation no17, 2/1/49; *Digest* 143 p23 Report to the Nation 30, 3/4/49; *Digest* 147 pp23-4 Report to the Nation 55; *Australian Worker* 10/12/47, 28/1/48 p1, *Standard Weekly* 30/1/48 p5; *Labor Call* 30/1/48 p5, 29/9/49 p4, *Amalgamated Engineering Union Journal* February 1948 pp12-3. *Australian Worker* 12/11/47 p6 and *Standard Weekly* 5/12/47 p2 both ran material on the dollar crisis prepared by the Department of Postwar Reconstruction. *Labor Call* 11/12/47 p8, 12/3/48 p3 reported Dedman's argument that GATT would benefit not only Australia but also Britain and, 10/2/50 p1, chastised Menzies for letting Britain down by relaxing import controls and rationing.

In his August 1948 Conference with the trade unions Chifley drew particular attention to the problem of the sterling area and the need to increase production as a means of preventing Britain's collapse.⁶² The Government made a very direct, material contribution to Britain's economic recovery in the form of a L10 million donation in 1948, without apparently attracting criticism in the laborite press.⁶³

Late in 1948 the Government was still expressing Labor's traditional hostility to overseas borrowing by lambasting P. Spender, an opposition front bencher, for suggesting a loan from the USA:

"This country can and should live within its means in regard to sterling dollar income and expenditure."⁶⁴

Commenting on the 1949 budget, Chifley again stated that dollar loans were a last resort, while Labor papers claimed that the "Liberals would hand Australia to the pawnbrokers".⁶⁵ But, within a month, the Government negotiated a US\$20 million withdrawal (loan) from the International Monetary Fund to cope with further falls in dollar reserves.⁶⁶ The Menzies Government soon followed up with a \$100 million loan from the International Bank for Reconstruction and Development, in August 1950, and a further IMF drawing of \$30 million in August 1952. These loans and their successors were small in comparison with private capital inflow. While they assisted in the development of the Australian economy they did little to overcome the balance of payments problem which was primarily rectified by means of import controls.⁶⁷

By late 1949 the Chifley Government had come around to the view that it could not rely on international policies for full employment to overcome the problems the world economy presented to Australian capitalism. It now gave greater weight to the expansion of world trade and the promotion of Australian competitiveness, productivity and exports. Wage restraint was a necessary basis for such policies. *Labor Call* carried one of Chifley's Reports to the Nation under the headline "Expansion of World Trade Only Solution to Dollar Problems".⁶⁸ The "positive" approach had perished. Although this corollary of the bourgeois socialist aspect of Keynesian ideology did not survive even the cool breeze of the dollar shortage, the new economics continued to hold out the hope of a reformed, crisis free capitalism until the 1970s. While capitalism happened, for other reasons, to be crisis free, the Keynesian argument that Governments had successfully and deliberately reformed capitalism, retained some credibility.

By the end of the 1940s the Chifley Government, with moderate laborites in tow, had replayed the tragedy of the Scullin Government as farce. It had moved from enthusiasm over foreign direct investment to acceptance of the necessity of foreign loans and the restraint of working class living standards under the pressure of economic circumstances and its commitment to Australian capitalist development. The laborite opponents of the Bretton Woods Agreement had predicted dire consequences, in the form of economic sacrifices for the working class and international loans, such as the Government deemed necessary soon after the debate. These were required for reasons not directly associated with the Agreement. But those loudest in their criticisms of Bretton Woods stepped lightly when it came to the international economic policies from 1947, lest they taint the Government with any connection to the Money Power.⁶⁹ The Communist Party was, at this stage, stepping up its criticisms of the ALP for selling out Australia and thus increased its dominance over the left nationalist current in the labour movement. But the sequel was not, as many feared, another depression. It was the long boom.

62. *Digest* 148 pp9-10.

63. *Digest* 138 p15, Chifley 30/8/48.

64. *Digest* 141 p10 Chifley 7/12/48.

65. *Standard Weekly* 9/9/49 pp3, 9; *Labor Call* 16/9/49 p5.

66. *Digest* 148 pp18-9 Report to the Nation 60, 30/10/49. Also see *Standard Weekly* 4/11/49 p1: "How Purchase of Dollars Was Made". Note the use of the term "purchase", a somewhat misleading description of the transaction.

67. W. Prest "Economic Policies" in G. Greenwood and N. Harper (eds) *Australia in World Affairs 1950-1955* Cheshire, Melbourne 1956 pp40-1.

68. *Labor Call* 29/7/47 p4.

69. D. Cameron held firm to his Money Power theories, but did not let these implicate the Labor Government, *Labor Call* 2/9/47 p7, 30/9/49 p7.

Socialism (for the Good of Capitalism)

The leading figures in the Curtin Government, the Prime Minister, Chifley and Evatt, were explicit in their hostility to measures of socialisation during the War. Their Keynesian economic policies were designed to usher in a prosperity that made no class distinctions. The Government took measures that were aimed at reconciling classes in tripartite bodies or through Government/union consultation. In most cases where the interests of capital and labour came into sharp conflict the Curtin and Chifley Governments sided with the national interest, that is, the greater good of capital accumulation. Most importantly this took the form of policies of wage restraint. The Governments' approach was an important element in shaping the perspectives of laborites and in containing class conflict. The pressure of rank and file workers on union officials and the ALP machine tended in the other direction during the 1940s. So, although laborites applauded many of the Governments' policies of class collaboration, in the immediate post-war period there was hostility to the Chifley Government's attitude to shorter hours and wage pegging.

The above, broad picture was, of course, complicated by the objections of individual Labor leaders and laborite union officials to the general direction of Government policy, the changing line of the Communist Party and shifts in the economic situation. It provides, nevertheless, a satisfactory framework for understanding developments in the labour movement between 1941 and 1949. But if it holds good then the NSW ALP and the Chifley Government apparently behaved anomalously on a number of occasions, even after enthusiasm for socialism had subsided in the labour movement at large. Chifley's attempt to nationalise the trading banks in 1947 is the most dramatic example on which the Government's reputation for radicalism rests. During the mid-1940s, the NSW ALP machine, not otherwise noted for its leftwing politics, mounted a campaign for the nationalisation of the coal mining industry. There is no doubt that many of those who supported these measures regarded them as, in some sense, anticapitalist. That is not at issue. The problem revolves around the way the prime movers in the ALP perceived such measures and the concrete implications of their specific proposals. Was advocacy of coal nationalisation, centering on *Standard Weekly*, and Chifley's attempt to take over the banks in contradiction with our characterisation of the ALP leadership's view of the class anatomy of Australian capitalism and of the possibilities for sustained class collaboration?

The two main parties in Australian federal politics have always been committed to the pursuit of economic growth through the encouragement of capital accumulation. This was the overt form of Labor and Liberal/Nationalist/United Australia/Liberal acceptance of the capitalist order. Both have been prepared to continue the role of the 19th century colonial states in securing economic growth through direct intervention where necessary. A difference has been Labor's greater readiness to judge the circumstances right for increased state intervention. Both inside the labour movement and among its opponents there was a belief that socialism entailed state ownership and the establishment of state enterprise was therefore socialist. The Chifley Government took a number of such steps -- socialist for the good of capitalism. Curtin had already enunciated a broad framework for them in 1944:

"Although the Government was prepared to assist private industry after the war, industry would have to accept corresponding responsibility. . . If private enterprise cannot or will not undertake industrial development, the Government will have to consider what it can do."¹

The significance of proposals for coal and bank nationalisation can only be understood in the context of this framework and the other measures taken within it by the Curtin and Chifley Governments. Many of the modest state capitalist measures received scant attention in the laborite press, so that the questions of bank and coal nationalisation seemed dramatic departures.

The Chifley Government established the Commonwealth Employment Service because no private body was in a position to provide a comprehensive national service to enhance the supply of labour by increasing workers' mobility in a period of labour shortage. An innovation likely to appeal to both employers and employees, the laborite press did not pay special attention to it, but Chifley mentioned it in several of his Reports to the Nation.² The Service was dwarfed by the Government's immigration program, as a contribution to the improvement of the the supply of labour power. A. Calwell, the Minister for Immigration, was an active propagandist for his portfolio inside and outside the labour movement.³ The Snowy Mountains Scheme Agreement between the

1. *Standard Weekly* 3/8/44.

2. *Digest* 141 p25 Report to the Nation 15 19/12/48; *Digest* 144 p16 Report to the Nation 39 5/6/49; and *Digest* 144 p17 Report to the Nation 40 12/6/49.

3. The immigration program was probably the Government's most important "state capitalist" measure during the 1940s. It usually featured in the laborite press in the form of articles by Calwell or accounts of Chifley's speeches. Racism and fear of foreign workers, longstanding features of laborite ideology, led to some caution about the migration program in the movement. But the Government's arguments appealed to nationalism, on the basis of Australia's defence needs and the campaign for increased production. Economics displaced defence as the main argument after the War. See *Sydney Morning Herald* 10/8/43 p7 for Curtin's election statement along "populate or perish" lines; Waters 'The Postwar Reconstruction Plans' op. cit. p41 for immigration proposals during the War; *Digest* 66 p40 Curtin 20/10 43 on the establishment of the Departmental Committee on Migration, mainly for defence reasons; *Australian Worker* 4/12/46, 29/1/47 p1 both articles by Calwell; *Digest* 141 p25 Chifley Report to the Nation 13 5/12/48; *Labor Call* 2/4/48 p4 for Calwell at the Victorian ALP Conference: "Cannot Hold Australia Without More People -- Calwell", "It could be held only by carrying out a huge planned immigration, build up the country so that industries could expand"; *Labor Call* 6/8/48 p4 report of a Cabinet decision: on the contribution displaced people could make to Australian development;

Commonwealth, Victoria and NSW in 1949 and its preliminaries attracted a little comment in the laborite press, but more attention was paid to the reestablishment of the Commonwealth Shipping Line and the Government's policies for the domestic airlines.⁴ The Government attempted to establish a state monopoly in interstate air transport through its 1945 Australian National Airlines Act. When the Act was successfully challenged in the High Court, the two-airlines policy emerged as a fall-back position.⁵ The Shipping Line was reestablished in the longstanding Labor tradition of state competition with private enterprise to keep it honest.⁶ The purchase of QANTAS, the establishment of the Overseas Telecommunications Commission and the Bureau of Mineral Resources, other measures of state capitalism, went largely unnoticed in the labour movement, whose involvement in overseas travel, international communications and mineral exploration was limited. Defence as well as developmental considerations were involved in the former two initiatives. Neither the Government's efforts to diversify the Australian economy through large subsidies to the automotive and aluminium industries nor its shareholdings in Commonwealth Oil Refineries and Amalgamated Wireless of Australia emerged as issues in the labour movement.⁷

Coal and Industrial Development

The demand for nationalisation of coal mining arose from the economic and industrial conditions in the industry during and immediately after the War. Coal was, as it still is, one of the most basic raw material inputs for the Australian economy. It was the main fuel for electricity generation, town gas production, rail transport and numerous other industries. Processed into coke it was an indispensable ingredient in the iron and steel industry. These industries were, in turn, crucial to production in other sectors. It was, therefore, a matter of concern to the entire capitalist class when, during and after the War, supply failed to meet demand. From the point of view of capital the problem had two aspects:

"Broadly the limits on increased production... were technical, the need to modernize mining equipment and organisation, and human, the antagonism and suspicion prevailing between owners and miners."⁸

Owners and Miners' Federation leaders had complementary, partial insights on the problem. To the owners the shortage of coal, partly due to outdated technology, was not particularly upsetting -- it guaranteed high prices.⁹ But the strength of the Miners' Federation was irksome because it limited production within the overall situation of shortage and cut into profits. The owners wanted greater discipline in the industry and an end to the anarchic behaviour they attributed to the Federation and its leadership. The performance of the industry highlighted two inadequacies in the owners' analysis and claims that disciplining the union would solve its problems. First, despite a dramatic fall in the level of industrial disputes to 177,565 days lost in 1942, a figure comparable with those of the depression, production had remained inadequate.¹⁰ Under the disputes procedure enshrined in the 1942 "Canberra Code", the Communist leadership of the Miners' Federation undertook to police its own members, eliminate strike action and increase production in the name of the "great patriotic war against fascism". Secondly, the increasing number of days lost through industrial disputes in the industry from 1943, despite the union leaders' continued commitment to class collaboration, indicated that the workers' militancy could not simply be attributed to the officials. It went deeper, to the traditions and solidarity of the rank and file.

The Miners' Federation leadership professed a desire to increase coal production, even during the Communist Party's left turn from 1947. The officials argued that more coal could only be won if the miners' conditions were improved through better pay, conditions and shorter hours. Further, they maintained that the industry was inefficient due to the incompetence of the owners, so it should be nationalised and run on more scientific lines.¹¹ The union had, however, strong reservations about mechanisation, especially of pillar extraction.

Labor Call 22/8/48 p6 Chifley's Report to the Nation 6 on immigration; *Digest* 141 p25 Report to the Nation 6; *Digest* Report to the Nation 15 19/12/48; *Digest* 147 p26 Report to the Nation 56 2/10/49; *Standard Weekly* 29/4/49 p4 Calwell.

4. For the Snowy Mountains Scheme see *Standard Weekly* 14/1/49 p3, 11/3/49 p7, *Railroad* 17/10/47 p7 for a throw away comment in the course of S. F. Allen's discussion of Commonwealth Bank credit. On airline policy: e.g. *Australian Worker* 25/7/45 p1, 15/12/48 p7, *Labor Call* 27/8/48 p4.

5. D. M. Hocking and C. P. Haddon-Cave *Air Transport in Australia* Angus and Robertson, Sydney 1951 pp79-80. Also see *Standard Weekly* 11/2/49 p5.

6. The highpoint of state concerns competing with private enterprise was probably reached in Queensland in the decade after its first majority Labor Government was elected in 1915, see, for example, D. J. Murphy "Queensland" in D. J. Murphy (ed) *Labor in Politics* University of Queensland Press, Brisbane 1975 pp190-1.

7. The advent of the Menzies Government did not significantly alter the Commonwealth's activities in industry -- where private enterprise could clearly operate efficiently state activity was down-graded, the Government disposed of its shares in Amalgamated Wireless and the Commonwealth Oil Refineries and the rate of expansion of the state owned domestic airline slowed. But in less economically viable or strategically significant areas, such as the Commonwealth Serum Laboratories, QANTAS, the Employment Service and Migration program, state involvement continued. The McKell Government of NSW during the 1940s also engaged in some state capitalist exploits, see V. G. Kelly *A Man of the People: From Boilermaker to Governor-General: The Career of the Right Honourable Sir William McKell* Alpha, Sydney 1971 pp96-7.

8. R. Gollan *The Coalminers of New South Wales* Melbourne University Press, Melbourne 1963 p228.

9. At the end of March 1944 Chifley announced that L55,042 had been paid to mine owners in subsidies since a coal price ceiling had been introduced, *Digest* 79 p45.

10. *Labor Reports*.

11. E. Ross *How to Get More Coal* Miners' Federation, Sydney October 1947: "Pit and town amenities -- that's the answer to the coal problem!", p3; "The wanton destruction of national resources and the chronic chaos of coal under private ownership, point sharply to the pressing need for a democratically controlled scheme of complete nationalisation", p32. Note that Federation leaders and the Communist Party only started calling for nationalisation of the industry late in the War, in 1942 Communists on the NSW Labor Council voted against a motion calling for immediate nationalisations because it was a diversion from the War effort.

A rounded picture of the problem presented to the capitalist class by the coal industry has to take into account the partial insights of both the owners and the miners, while giving more prominence to mechanisation than either did. The Federation's leaders were correct in arguing that the owners were incapable of rapidly renovating the industry and, to a lesser extent in their contention that the miners' frequently disgusting conditions were an obstacle to increased production. On the other hand, to take full advantage of mechanisation to obtain cheap and plentiful coal, the power of the Miners' Federation would have to be curbed.

It became increasingly evident during the War that coercion of the miners was not in itself a solution to the problems of the industry. Fines and other penalties were imposed with the approval of the union, but they failed even to reduce the number of days lost after 1943.¹² By the end of the War the Communist Party had once more begun to accommodate itself to working class militancy. The Party endorsed the widespread view, in and outside the labour movement, that nationalisation could remedy the problems of the coal industry. In the context of rank and file enthusiasm for socialism *Standard Weekly*, in 1944, campaigned for nationalisation, better amenities, housing and new industries in the mining areas to employ miners displaced by mechanisation.¹³ The aim was completely in accord with the advancement of Australian capital accumulation. In a nationalised industry it would be possible to increase production and productivity through mechanisation, without lightening workloads, while also ameliorating the workers' conditions. An editorial in the paper argued that nationalising the mines would make it easier to encourage miners to scab during strikes, because in doing so they would not be siding with a boss.¹⁴ This was clearly a procapitalist justification for "socialisation". *Standard Weekly* used the increased production in mines taken over by the Coal Commissioner as an additional argument for nationalisation.¹⁵ At the 1945 ALP Federal Conference the NSW branch moved for the nationalisation of the coal industry.¹⁶ The post-war coal crisis deepened during 1946, due to the reluctance of the owners to modernise, equipment shortages and difficulties in reorganising the industry. *Standard Weekly* again took up the issue of nationalisation, although prosocialist sentiment in the labour movement had abated.¹⁷ The paper's position thus had a radical appearance. The editor, J. Ormonde, devoted a signed page one article to the call for nationalisation under the headline "More Mines -- More Miners -- More Coal". A month later another front page article indicted the owners for their failure to develop the industry. Later A. Calwell added his voice to those of the NSW Party leaders in support of nationalisation.¹⁸

That nationalisation of the coal industry was not necessarily a socialist proposal was apparent in a detailed study by two professional and far from radical economists. They attributed the economic problems of the coal industry to excess capacity between the World Wars:

"Excess capacity creates the major problem of the industry. . . It has been created by the extremely inelastic supply of coal, owing to the high cost of closing a mine even temporarily. Hence in the face of declining demand, adjustment by competitive means is slow, uncertain and inefficient. It does not necessarily drive out the least efficient firms, but those that have the least financial resources at a given time. It may prevent new and efficient mines developing through lack of capital. It may maintain old and possibly high cost pits working long past their proper time, at the ultimate expense of the nation as a whole."¹⁹

They concluded that nationalisation and worker participation were the most effective means of overcoming the coal shortage and rationalising the industry.²⁰ No doubt Shaw and Bruns were encouraged, as others in Australia were, by the British Coal Industry Nationalisation Act. In accord with the Labour Government's intentions the Act

"Imposed constraints on the N. C. B. [National Coal Board] which ensured it behaved like a private employer."²¹

In other words, it attempted to solve the problems of the British industry, in many ways similar to those in Australia, within well defined capitalist parameters, but by means of state intervention.

Most "respectable" and academic commentators in Australia favoured solutions to the problem of coal production other than nationalisation. The 1946 *Report of the Commissioner Appointed to Inquire into and Report upon the Coalmining Industry*, in particular, was essentially a manifesto for the owners. The NSW owners simply reprinted extracts from the Report as a pamphlet, no additional comment was apparently thought necessary. The Commissioner, Mr. Justice Davidson, was appointed by the Labor Government. He attributed the problems of the industry to its workers who not only disrupted production, but also hindered rationalisation. He believed that mechanisation was discouraged by talk of nationalisation, restrictive legislation and the cost of new equipment,

12. *Standard Weekly* 17/2/44 p1 urged "Miners' Leaders Must Face Facts: One More Task Before Them: Expel the Irresponsibles". For the ineffectiveness of precisely such methods see e.g. *Australian Worker* 19/3/44 p1.

13. *Standard Weekly* 22/6/44 pp1, 3.

14. *Standard Weekly* 24/8/44 p6.

15. *Standard Weekly* editorial 31/8/44 p6. For the war-time regulation of the industry see Walker *The Australian Economy* op. cit. p77, Butlin and Schedvin *War Economy 1942-1945* op. cit. pp444-53.

16. *Standard Weekly* 12/10/45 p11.

17. Gollan *The Coal Miners* op. cit. p228.

18. *Standard Weekly* 31/5/46 p1, 28/6/46 p1 and C. Kiernan Calwell: *A Personal and Political Biography* Nelson, Melbourne 1978 p151.

19. A. G. L. Shaw and G. R. Bruns *The Australian Coal Industry* Melbourne University Press, Melbourne 1947 p170.

20. *ibid.* p190.

21. V. Allen *The Militancy of the British Miners* Moor Press, Shipley 1982 pp32, 103.

rather than the vested interests of the owners.²² His explanation of the miners' militancy bordered on the bizarre, the product of a fevered, reactionary and Victorian legal mind:

"There must be an underlying pathological reason for the attitude exhibited by large numbers of mine workers in New South Wales."

Only the influence of the communist Party could explain why "most stoppages have not been based on a genuine" grievance.²³ His solution to the problems of the industry was a reactionary pipe dream: better living and social conditions for the miners; "enforcing the law and maintaining the sanctity of agreements"; "insisting on the right to impose discipline, if necessary by dismissal from the Industry of recalcitrant employees", i.e. a blacklist; mechanisation; appeal rights for miners to the Arbitration Court; and "by procuring the co-operation" of the Miners' Federation in all this.²⁴ He also favoured Government advances to the owners to help pay for modernisation.

The Chifley Government accepted neither proposals for the nationalisation of the industry nor for smashing the Miners' Federation. As early as 1943 Curtin said that

"The Government has no intention of nationalizing the coal-mining industry."

Chifley made the same point in 1947, in the wake of the ACTU Congress's call for nationalisation.²⁵ By legislating to establish the Joint Coal Board (JCB) in 1946, the NSW and Commonwealth Governments hoped to win the support of the miners and their unions, who were generally proponents of nationalisation, for increased production. The Board was given wide powers and a charter to modernise the industry, against the wishes of the owners if necessary, and to improve mine and community amenities. While continuing its criticisms of the owners, *Standard Weekly* quickly left its talk of nationalisation behind when the Board offered an alternative means of solving the problems of the industry.²⁶ The paper favourably reported a statement of the Board's Chairman on its aims and later produced a number of enthusiastic and uncritical articles on the JCB.²⁷ With the Communist Party still adopting a very conciliatory attitude to the Chifley Government, Miners' Federation leaders initially accepted the Board as "the best effort yet to bring the industry under control", although they still called for nationalisation.²⁸ In the event, the moderate state capitalist expedient of close supervision of the industry by the Board proved sufficient to tackle its problems, except that of the miners' militancy, for which nationalisation on terms similar to Britain would have been no solution either.

In its first annual report, the Joint Coal Board produced a realistic assessment of the difficulties facing it:

"The productive capital of the industry is inadequate in relation to Australia's coal requirements and this conclusion stands apart altogether from the question of industrial disputes."

"The industry is fundamentally inefficient and out-of-date."²⁹

It also referred to the hostility between owners and miners, lack of trained workers and the dependence of Australian industry on coal. Because of the reluctance of most owners "to adopt the Board's plans with the energy and aggressiveness which would be required if they were to be completed in time", and delays in obtaining new equipment, the JCB instituted its own program of ordering machinery. It even commissioned the manufacture of some machinery in Australia, to overcome difficulties securing supplies from overseas.³⁰ During 1947-48 the JCB introduced an industry wide system of workers' compensation insurance, established Medical Bureaus on the coal fields to examine the miners, handed out funds for community amenities and made directives on the standards of pit amenities.³¹

Although the JCB's first line of attack was to improve working conditions in order to win over the miners, it failed in its efforts to improve industrial relations in the industry.³² The militant miners, under an increasingly leftist Communist leadership, were quicker than the bulk of the Australian working class to regard concessions, such as those on pit head amenities and the Board's charitable undertakings in the coal towns, as an invitation to make greater demands for increased wages and shorter working hours. The Board made some progress on the technical side of the industry, despite the limitations imposed by shortages of equipment, but strike levels remained high, culminating in the 1949 coal strike. Regarding the strike as a Communist attempt to discredit it and the JCB having failed to improve the industrial situation by conciliatory means, the Government deemed it necessary to confront the miners head on. Only two days after the strike had begun the Government froze union funds. In speaking on legislation introduced to cope with the dispute, Evatt said

"There is no other industry in which a stoppage of this character can have such a serious effect on the community.

22. *Report of the Commissioner Appointed to Inquire into and Report upon the Coalmining Industry* Commonwealth Government Printer 1946 pp88, 101.

23. *ibid.* pp170, 173, 47. See also Davidson's series "Coal in Australia" in *Newcastle Chamber of Commerce Journal* especially June 1952 pp4, 13-5 for his contrast of the ideas in the Miners' Federation constitution and the *Communist Manifesto* with the "Christian Ethic" which offered "something more noble and possible".

24. *Report of the Commissioner* op. cit. p174. See also F. R. E. Mauldon's review of Shaw and Bruns *The Australian Coal Industry* op. cit. *Economic Record* December 1948 pp238-41, for a similar approach to Davidson's and rejection of nationalisation.

25. *Curtin Digest* 65 p20 12/10/43 and *Chifley Digest* 132 p17 12/11/47.

26. *Standard Weekly* 16/8/46 p6, 6/9/46 p2.

27. *Standard Weekly* 7/3/47 p3, 12/11/48 p6, 11/2/49 p2, 1/4/49 p9.

28. E. Ross *A History of the Miners federation of Australia* Australian Coal and Shale Employees Federation, Sydney 1970 p402.

29. *Joint Coal Board Annual Report 1947-8* p6.

30. *ibid.* p12.

31. *ibid.* pp18-9, 21, 26.

32. *Standard Weekly* 7/3/47 p3.

"... When one looks back upon the history of the coal industry one realises that for many years the employees of the industry have worked under unsatisfactory and often degrading conditions. Those times have gone. In the legislation that was passed by this Parliament and the Parliament of New South Wales, steps were taken to provide amenities for the miners because it was realized we had a duty to them. This bill deals with the converse situation. The employees of the coal-mining industry, having been given a special tribunal and a board to provide amenities for them cannot act in this way."³³

In the Macquarie District Assembly of the ALP, which included the western mining district, Chifley said it was a case of "boots and all".³⁴

The defeat of the miners was not only a turning point in the fortunes of the union movement and the Communist Party but also of the coal industry. In its wake the level of control miners exercised over their work, through the contract system and their close-knit organisation, declined. With this shift in the frontier of control and the easing of equipment shortages, the pace of mechanisation accelerated. By the beginning of 1951 the coal shortage had been overcome and, with the recession the following year, there was a glut of coal. During the 1950s thousands of miners were made redundant, never to work in the industry again.³⁵ The Government had accurately judged that nationalisation was not necessary to facilitate the growth of the national economy. The acceptance of this judgment by influential erstwhile supporters of nationalisation in the ALP helped ensure that the Government's rejection of the proposal did not tarnish its image. The acceptance of Keynesian ideas by laborites, discussed in more detail below helped pave the way for acceptance of the Government's onslaught against the miners.

It cannot be doubted that laborite proponents of nationalisation of coal mining favoured better conditions for the miners. But their vehement denunciation of the Miners' Federation during 1949 strike would appear to be in contradiction with their earlier behaviour if their calls for nationalisation are regarded as primarily socialist in inspiration and motivated by a desire to see justice done for the mineworkers. The alternative position allows for a greater consistency on the part of the NSW ALP leadership: in supporting nationalisation and attacking the striking miners they were attempting to ensure that (capitalist) economic development in Australia proceeded as rapidly as possible and that the ALP retained its working class base, unhindered by Communist inspired industrial militancy.

Finance and the Trade Cycle

The Labor Government managed to negotiate the problems of the coal industry without raising widespread objections that it had flouted the ALP's socialisation objective. This negative achievement was complemented by its later attempt to nationalise the banks, which forms the basis of the myth that the Chifley Government had progressive or even radical intentions. Thus a recent anniversary edition of the *Recorder* holds that the attempt to nationalise the banks was

"Arguably the most progressive and far reaching piece of legislation ever to come out of an Australian Parliament."³⁶

This myth served the Chifley Government (and subsequently the ALP in general) well; by helping to hold the loyalty of more militant supporters. The Government's motivation in the bank nationalisation controversy, which raged from 1947 after socialist sentiment amongst laborites had ebbed, was, however, far from socialist. The decision to nationalise the banks was taken more in the light of the requirements Australian capitalist development, defined in Keynesian terms, than a commitment to socialism or determination to resist the Money Power.

The most important step in the modernisation of the Australian banking system since the early 1930s was implemented by the Curtin Government's war-time banking regulations.³⁷ Money Power analyses and rhetoric continued to be used in the labour movement during the War, particularly when financial issues were discussed. Calwell, still outside the Cabinet in 1941 and pushing to get in, used leftish rhetoric and quoted Anstey's *Kingdom of Shylock*. H. E. Boote argued in *Australian Worker* that the War could be entirely financed through Commonwealth Bank credit and that Government loans only put an unnecessary burden on the real wealth producers. He took his Money Power views with him when he retired as editor of *Australian Worker* and started writing regularly for *Labor Call*. He raised citrus fruit to a new literary status in one headline:

"The World Is His Orange: The Money Monger Consumes the Fruit -- the People Get Only the Pips".³⁸

33. H. V. Evatt 29/6/49 in P. Deery *Labour in Conflict: The 1949 Coal Strike* Hale and Iremonger, Sydney 1978 p47.

34. Chifley 3/7/85 in *ibid.* p50.

35. Ross *A History* op. cit. pp442-8.

36. *Recorder* 130 1984 p25. The *Recorder* is the journal of the Melbourne Branch of the Australian Society for the Study of Labour History.

37. Butlin *War Economy 1939-1941* op. cit. p394.

38. Calwell: *Labor Call* 20/11/41 p3. Boote *Australian Worker* 5/8/42 p1, 26/8/42 p3; *Labor Call* 10/1/45 p1.

In October 1943 D. Lovegrove, a prominent figure in the Victorian ALP and Melbourne Trades Hall Council, urged the Government to nationalise the banks once it had a majority in the Senate.³⁹ The Brisbane *ALP Debaters' Bulletin*, under the direction of Senators Gordon Brown and Ben Taylor, published Money Power material during the War, some sympathetic to Douglas Creditism. In 1944 H. Lazzarini, MHR, published *The 'How' in Post-War Reconstruction*, with a sketchy Money Power analysis. But Chifley and Curtin justified the banking regulations by referring to the Report of the Royal Commission on the Banking and Financial System and the need to prevent a dangerous expansion of credit.⁴⁰ Leading figures in the Government and large sections of the labour movement continued to use a Keynesian framework in their discussions of financial questions. Chifley, in a rebuttal of Money Power ideas, warned that there were limits to the safe use of bank credit to finance the War. His argument was taken up in the laborite press.⁴¹

The Government did not act in accord with the ALP platform or the wishes of Money Power theorists by nationalising the banking system when it rendered the war-time regulations into more enduring legislation in 1945. The new laws consolidated the banking system in line with the regulations and the Royal Commission Report. The Commonwealth Bank and Banking Acts firmly established the Commonwealth Bank's powers as a central bank and instrument of Government monetary policy and expanded the scope of its commercial operations. Their Keynesian flavour was evident in provisions setting out that it was the duty of the Commonwealth Bank to pursue policies to secure currency stability, full employment and economic prosperity.⁴² Cartoon 17, from *Tribune*, summarised not only the Communist but also the laborite attitude to the banking legislation.

Love draws attention to the elements of Money Power analysis in the reception of the 1945 banking legislation.⁴³ His approach, however, underestimates the considerable currency of Keynesian ideas in the labour movement by 1945. Chifley's Keynesian justification of the Government's approach was widely reported in the laborite press and from January 1945 *Standard Weekly* gave extensive coverage to the Bills, most of it not inspired by Money Power ideas.⁴⁴ The favourable reception of the very mild legislation cannot, therefore, be regarded as an index of the currency of Money Power ideas. Even proposals for bank nationalisation on the ACTU Congress agenda later in 1945 can be interpreted as stemming as much from the socialist sentiment of the time as from Money Power theory.⁴⁵ Money Power ideas may have been near the heart of a populist phenomenon during the depression, but they certainly were not a decade later. By the 1940s Money Power analyses were seldom used in the laborite press except when strictly financial matter was being discussed.⁴⁶ In laborite circles, the major treatments of the likelihood of a new depression after the War used a Keynesian framework, if any underlying theory was discernible at all. Dedman summed up the argument:

"Without adequate banking controls little effect can be given to such a policy [for full employment] due to the extreme instability of private capital expenditure."⁴⁷

The Chifley Government decided to nationalise the banks in 1947 because the High Court had sustained a challenge to a section of the 1945 banking legislation. The section was not critical to the general thrust of the legislation. It required all government instrumentalities, Commonwealth, State and local, to hold their accounts with the Commonwealth Bank. But Chifley anticipated, incorrectly as it turned out, challenges to more vital provisions and sought to pre-empt these by nationalising the banks. His concern at the banks' intentions was certainly conditioned by the experience of the early 1930s, but this does not constitute a Money Power analysis of the nature of Australian capitalism. Rather than being a "progressive and far reaching" piece of legislation, or even one inspired by a residual anti-Money Power radicalism, the attempt to take over the banks was a defensive manoeuvre designed to bolster earlier legislation inspired by Keynesian economics. The moderate intent of the legislation was expressed in Cartoon 18. Chifley's speech on the 1947 Banking Bill, also published as a pamphlet, made this rationale clear:

"To deal with the economic and financial problems both of the transition period [to a peace-time economy] and of the following years, the Government must have the necessary powers over banking and monetary policy. Fluctuations in business activity are not solely due to monetary causes, but

39. Lovegrove: *Labor Call* 21/10/43 p7, 28/10/43 p1; *ALP Debaters' Bulletin* November 1940, March 1942, October 1942, November 1942, December 1942, November 1944, April 1945.

40. Chifley: *Labor Call* 6/11/41 p1; Curtin: *Digest* 8 p19 26/11/41.

41. Waters "Australian Labor's Full Employment Objective" op. cit. p231, *Standard Weekly* 6/5/43.

42. Coombs *Trial Balance* op. cit. p112; Butlin and Schedvin *War Economy 1942-1945* op. cit. pp612-8; and *Love Labour and the Money Power* op. cit. p166.

43. *Love Labour and the Money Power* op. cit. p167-8.

44. Chifley on the legislation, *Australian Worker* 14/3/45 p1, *Labor Call* 15/3/45 p1; *Standard Weekly* e.g. 11/1/45 p3, 26/10/45 p3, note, however, the quotes from W. M. Hughes's Money Power-influenced *Bond or Free?* in *Standard Weekly* 23/3/45 p3. Australian Labor Party, Victorian Branch *The Commonwealth Bank and Labor's Banking Proposals Melbourne 1945* p7 argued that the banks had accentuated the depression, rather than the Money Power view that financial institutions were responsible for the crisis.

45. *Love Labour and the Money Power* op. cit. p167.

46. For Money Power analyses of issues other than Bretton Woods or banking legislation see Chapple's treatment of the railway interest burden *Railroad* 25/1/46 p6, 8/2/46 p5, 22/2/46 p2, 8/3/46 p5. A few adherents to Douglas Credit and Henry Georgism kept up an abstract debate in *Amalgamated Engineering Union Journal* during the 1940s, e.g. H. E. Langford "This Money Complex" November 1943 p10, D. McInnes "This Money Complex" January 1944.

47. J. Dedman *Ministerial Speech on Secondary Industries* 1946. Also see J. B. Chifley *Digest* 103 p47 6/6/45:

"We cannot, by monetary policy rectify all the evils in the community. Nevertheless, monetary policy is the most powerful instrument in the community for rectifying economic ills."

they are certainly greatly influenced by financial policy. The Government would not be justified in gambling on the outcome of possible threats to the 1945 legislation."⁴⁸

May's detailed study of *The Battle for the Banks* confirms that this statement accurately represented the Government's overall position. For Money Power adherents the crux of the depression was that the banks had been responsible; for Chifley the banks had only accentuated the problems of that period.⁴⁹ The Keynesian justification was carried to the labour movement rank and file and to the public. The Henry Lawson Labor College pointed out, in answer to the question "Is Bank Nationalisation a step towards socialism?", that

"Nationalisation of the banks is necessary if full employment is to be maintained and depression to be prevented. Upholders of private enterprise should be the first to support bank nationalisation, since private enterprise cannot survive another depression."⁵⁰

Another very widely distributed publication, *Man Is Worth More . . . Than a L1 Note*, issued by the NSW Labor Council, did not develop an explicitly Keynesian analysis, nor did it adopt a Money Power perspective.⁵¹ The NSW Fabian Society, on the other hand, put a sustained Keynesian case in its *The Case for Bank Nationalisation*. The authors, Butlin and Arndt, were professional economists. With an eye to the possibility of a depression starting in the USA, which also gave a sense of urgency to other labour proponents of nationalisation, they proclaimed

"No measures that the Labour Government has taken in terms of office so far could not have been taken by any Liberal Government with a socially progressive policy for a capitalist system. That applies equally to bank nationalisation. In fact it could well be argued that bank nationalisation in the conditions of Australia in 1947 is a precondition of the survival of a private enterprise economy."⁵²

The Fabian pamphlet went through two impressions in November 1947 and the ALP purchased 5,000 copies.⁵³ A cruder, though similar argument was put in a NSW ALP circular.⁵⁴ While some ALP leaflets and some material in the laborite press propagated Money Power analyses, *Labor Call*, *Railroad* and especially *Standard Weekly* gave prominence to Keynesian arguments.⁵⁵ Despite the references to Money Power to which Love draws attention, and others could be added, the evidence does not suggest that the ALP oriented labour movement generally and the Government in particular regarded bank nationalisation as an onslaught on the Money Power or support his contention that

"After the private banks successfully challenged the 1945 Banking Act, the Chifley Government responded to its populist heritage by attempting to nationalize Australian Money Power."⁵⁶

Love's study is extremely useful in drawing attention to the undoubted existence of a current of Money Power thought in the labour movement, but he inflates its importance when he attributes the Government's failure to cope with the mobilisation against nationalisation to its "preoccupation with ideas about the Money Power".⁵⁷ The use of Money Power rhetoric by Chifley and many, though by no means all, others represented an employment of the strongest language available to justify what they saw as a crucial measure, rather than the resurgence of a genuine Money Power analysis of the ills of capitalism. The decision to nationalise the banks was based on Keynesian assumptions coupled with the mistaken assessment that the 1947 High Court

"Decision showed that full public control of banking as sought under the 1945 legislation could not be secured without public ownership of banking."⁵⁸

Coombs maintains that even during the 1940s the banks were not hostile to the main provision of the 1945 legislation, which survived, unmodified in essentials through the years of the Menzies Government.⁵⁹

In the light of the Keynesian motivation behind the attempt at nationalisation, the Government's lack of crusading zeal is less in need of explanation than Love or May⁶⁰ think: why mobilise support, with the risk of heightening

48. J. B. Chifley *Banking Bill 1947: Second Reading Speech Delivered on 15th October 1947* Government Printer, Canberra 1947 p7.

49. *ibid.* p2.

50. Henry Lawson Labor College *Questions on Bank Nationalisation and the Answers* Sydney 1947 p3.

51. 25,000 copies went to the NSW ARU alone.

52. NSW Fabian Society *The Case for Bank Nationalisation* Sydney 1947 p10. See also p8 for the short-term prospects for economic difficulties and L. Ross "Socialism and Australian Labor" *Australian Quarterly* March 1950 pp27-8; *Labor Call* 4/9/47 p5; and *Standard Weekly* 5/9/47 p2 for an article by W. C. Taylor warning of the danger of a depression due to the dollar crisis.

53. A. L. May *The Battle for the Banks* Sydney University Press, Sydney 1968 p52.

54. Australian Labor Party, NSW Branch *Nationalising the Banks* Circular 47/191 mimeo pp1-2, Mitchell Library emphasis in the original:

"One of the chiefest threats to full employment is the instability of private capital expenditure and of expenditure from overseas, the former because it depends on personal judgments of business prospects, the latter because of the fluctuations in the world economy.

"... The financial history of this country, and overseas, makes it plain that the policy of private banks fostered the boom conditions which have preceded the slumps, and has then shown conspicuous ignorance in finding the way out of the morass.

"... Labor says that Full Employment is already obtaining in Australia, and can be continued providing the flow of credit is stabilised according to national needs and not juggled according to the whims of self-interested speculators."

55. E.g. *Labor Call* 18/9/47 p3; *Railroad* 31/10/47 pp1, 6; and *Standard Weekly* 5/9/47, 19/9/47. On the other hand for Money Power positions *Labor Call* 11/9/47 p4; *Standard Weekly* 12/9/47, 11/7/47 p2 5/9/47 p3; Australian Labor Party, NSW Branch *Yes: Nationalisation Concerns You!* Sydney n.d. Love *Labour and the Money Power* op. cit. p169-72 gives an extensive account of labour movement responses to bank nationalisation, many of them neutral as between Money Power and Keynesian theory. "Editor's Notes" *Amalgamated Engineering Union Journal* November 1947 p7 maintained

"Nationalisation will not prevent depressions affecting Australia; it will, however cushion the depression, and, so soften its effect on the wage and salary earner particularly."

56. Love *Labour and the Money Power* op. cit. p185.

57. *ibid.* p185-6.

58. *Digest* 131 p14 15/10/47.

59. Coombs *Trial Balance* op. cit. p116.

60. May *The Battle for the Banks* op. cit. p177.

class conflict, in support of the logical extension of an already well established and quite popular policy designed to eliminate the need for class antagonism by increasing economic growth? Money Power theory also promoted nationalism and class collaborationism. In its heyday it had done so in a climate of working class mobilisation and radicalism. But Keynesian economics, which shared a view of the possibility of reconciling classes and perfecting capitalism with Money Power theory, was the primary rationale behind the attempt to nationalise the banks. The Government may have recognised that the measure was a daring one, but did not intend it as a radical assault on the existing order. It was the vehement response of opponents of the legislation that cast it in a radical light and did the Government the service of helping it maintain credibility in the eyes of some militant supporters as it continued on its non, or even anti-socialist course.

The Frowning Face of J. M. Keynes

Soon after the War as one of the Chifley Government's headaches, in the form of rank and file enthusiasm for socialism abated, another complaint increased in intensity. In the language of economics it was called "inflation". In practice it meant persuading the working class to shoulder the burden of Australia's economic development. Concern about inflation was the obverse of Keynesian economics' promise of full employment. The Curtin Government had regarded inflation as a major economic danger during the War but, by raising loans and imposing controls on the distribution of resources, prices and especially working class incomes, had successfully contained the problem.¹ Cartoon 19 shows how War loans were promoted and inflation was identified as a danger in the laborite and daily press. In 1946 Evatt thought that

"Possibly the most important achievement of the Labor Government was the effective control of inflation. . . Australia has escaped one of the greatest dangers that can threaten a nation at war."²

Chifley and professional economists anticipated greater inflationary pressure and its adverse consequences for Australia's position on the world market when the War ended.³ They were right: even before the close of hostilities, with the decline of the "nation in danger" justification for wage restraint, workers had begun to take industrial action to secure improved wages and conditions. Soon the dollar shortage exacerbated the related problems of maintaining international competitiveness, holding down inflation and increasing production. Inflation became Chifley's main economic worry during the second half of the 1940s.⁴ Sheridan draws attention to a contradiction between labour movement support for the Government's reconstruction policies in general, and hostility to Government restraint of wages, which was a part of reconstruction policy.⁵ The contradiction did not particularly arise from serious flaws in the economic analysis of the Government or the working class. Its roots lay in the divergent interests they pursued. For the Government there was a continuity between the incomes policy of the War and that it sought after the War: they were both necessary to advance the interests of the Australian nation in sustained economic growth, safeguarded by an independent state. The hegemony of nationalist thought in the rank and file of the labour movement during the War meant that it accepted economic sacrifices as a means to military victory. But even before the extreme circumstances of the War had passed, workers began to pursue their class interests in conflict with the interests of the nation/ruling class. Untutored in the finer points of the *General Theory*, they did not accept that there was a connection between continued wage restraint and full employment, which was regarded as the core of reconstruction policy in the labour movement, nor that wage restraint would improve their living standards in the long run.⁶ The union and ALP bureaucracies found themselves pulled in two directions by this situation. As brokers between capital and labour, seeking to maintain credibility on both sides, a situation of heightened class conflict could be threatening. They were also caught between their interest in maintaining Labor in office and the need to maintain their working class base by delivering improvements in wages and conditions opposed by the Government.

The Chifley Government attempted the difficult task of preventing inflation by ending industrial unrest on capital's terms while maintaining its own popularity. No doubt in an *ad hoc* and somewhat haphazard fashion the Government responded with two different, but not mutually exclusive tactics. The first was an attempt to gain the consent of the union movement, or at least a significant part of it thus isolating the militants, to a moderation of its demands and pursuit of them along the proper channels. The labour movement was to be persuaded of the correctness of the Government's policies which were the conclusions of Keynesian economics. Secondly coercive measures, such as delaying the lifting of war-time regulations and state interference in union affairs through fines, gaolings and scabbing by troops, were used. The Government successfully began to contain the militancy of the working class which lay at the root of its fear of inflation. An effective balance of the above approaches and the climate of the emerging cold war were both important facts in this success. So, particularly after 1947, was the support of laborite union officials fearful of rank and file revolt and Communist aspirants to their jobs. Chifley's relative success in restraining wages and the strike wave rendered the Labor Government redundant and paved the way for a more overtly conservative government.

1. For worries about inflation during the War amongst professional economists see, for example, E. R. Walker *Wartime Economics* Melbourne University Press, Melbourne 1939 p123.

2. H. V. Evatt *Speech at the Opening of the Barton Electorate Campaign* mimeo 1946 p3 Mitchell Library.

3. Chifley referred to inflation in his December 1943 *Sydney Morning Herald* articles. Crisp Ben Chifley op. cit. pp195-6, 165, 225, 300 gives an indication of Chifley's and the economists' position on inflation during and shortly after the War. The first problem dealt with in H. C. Coombs *Problems of a High Employment Economy* Hassell Press, Adelaide 1944 p30 was inflation, and the contribution of wage claims to it. Inflation was also at the top of Curtin's list of reason for supporting the Powers referendum, *Standard Weekly* 27/7/44 p3. He made the logic of his position clear to a conference of representatives in February 1945:

"Competitively with the world, Australia must keep costs to the absolute minimum.

"This meant that all elements in costs, including wages, must be stable." (*Australian Worker* 7/2/45 p2)

Commonwealth of Australia *Full Employment in Australia* Government Printer, Canberra 1945 pp9-12 also dealt with the the danger of inflation, wages and the importance of increasing production.

4. Crisp Ben Chifley op. cit. p303.

5. Sheridan 'Australian Trade Unions' op. cit. pp14, 22-3.

6. References to economic authorities could never have the impact of Curtin's tirade in 1943:

"I regard every coal miner who stops work not only as breaker of the law, for which he should and will be punished, but also as a factor giving aid to the enemies of this country." (quoted in Walker *The Australian Economy* op. cit. 313)

Selling Keynes

In 1943 Coombs raised the possibility of using the organisations of the labour movement to obtain working class consent for post-war economic policies:

"Perhaps now we will be able to solve the problems of labour turnover and labour discipline by using existing institutions [for consultation with the trade unions], instead of using the threat of unemployment which has been in the past one of the most significant factors."⁷

By 1944 he had expanded this into a strategy:

"In the past labour discipline was based primarily upon the threat of dismissal, with its consequent fear of unemployment. If that fear is removed there may be reduced output, increased labour turnover, absenteeism, and so on."

So there was a need for new incentives:

"We can interest workers in figures of production, costs and efficiency for individual plants, and for production as a whole. We can educate them in the relationship between wages and profits on the one hand and national income on the other.

"In a more detailed sense we can build up a consciousness in the worker that his work is significant to production as a whole, and a sense of participation in the total achievements of the economy. We can provide a progressively improving physical environment on the job and at home, better housing and community facilities, effective safety measures and industrial welfare services, adequate opportunities for training and transfer to other jobs, and an understanding and acceptance of the principles on which his wages are based.

"Furthermore, we can develop those measures used during the war which bring the worker and his representatives increasingly into the tasks of production planning, wage determination, and labour control. Briefly we must build up the worker as a partner in the tasks of production and management, and this established, the co-operation which can only come from a sense of common responsibility."⁸

While this statement was not a blueprint for the Government's approach to the problems of industrial unrest, it was a manifesto of confident bourgeois socialism, in the guise of Keynesian economic "science" and indicated the direction of Government policy. If only workers accepted this science too, there would be no need for class strife. The *White Paper on Full Employment* also expressed Coombs's strategy and stressed, in code, the importance of the union bureaucracy in securing its success:

"The trade union movement includes the great majority of consumers, and should protect their interests by ensuring that a minority does not obtain benefits which will involve higher prices for consumers in general."⁹

During the War Curtin and others had also expressed hopes that "employee participation" would be a means to improve production and industrial relations. Although the proposal cropped up both in laborite publications during the 1940s and found support from the IPA and some of its business backers, worker participation did not take off.¹⁰ "A sense of common responsibility" was necessarily propagated by other means, for the lesson of worker participation in a period of industrial conflict would have been quite to the contrary, demonstrating the distance between employers and employees rather than their common interests.

Labor Party bodies, Ministers, unions and economists laboured a number of arguments and theories to secure working class consent for the Government's postwar labour/economic policies. The main elements in this ideological campaign were:

- 1) the idea that capitalism was perfectible, in the sense that full employment could be secured through the Government's (Keynesian) policies and especially its plans for counter-cyclical public works projects.
- 2) the idea that inflation was a threat to the working class.
- 3) some basic propositions of Keynesian theory.
- 4) the conclusion that increasing the size of the national cake, through increased production and control of inflation, was a more effective means of improving working class living standards than income redistribution through class struggle.

None of the elements of the Keynesian offensive was universally accepted inside the working class. The Communist Party and those who looked to it for leadership explicitly rejected many of them. Their verbal acceptance by others belied a practical continuation of industrial struggle. The conclusion that increasing production was a priority over redistribution was not widely accepted until 1947. Before 1947 considerable rank and file pressure on trade union officials meant that even laborite officials were critical of the Government on a number of important questions, despite their loyalty to it. The acceptance of Keynesian ideas was accompanied by and reinforced changes in the nature of the class struggle during the second half of the 1940s: the contradictory

7. *Standard Weekly* 23/9/43 p4.

8. Coombs *Problems a High Employment Economy* op. cit. p33. Also see H. C. Coombs *The Special Problems of Planning* Melbourne University Press, Melbourne 1944 p17.

9. *Full Employment in Australia* op. cit. p12.

10. *Labor Call* D. Cameron 21/1/43 p1; *Digest* 95 p17 J. Curtin and the same *Australian Worker* 7/2/45 p1; on the IPA's position H. Gepp "Secondary Industry in Post-War Australia in Australian Institute of Political Science *Australia's Postwar Economy* 1945 p204; *Labor Call* 2/4/48 p5, 25/6/48 p2; *Standard Weekly* 18/2/49 one of Chifley's Reports to the Nation; NSW Fabian Society *Towards a Socialist Australia* Sydney 1949 p16. The Catholic Social Studies Movement also favoured joint consultation, see Appendix to this Chapter.

position of union officials was increasingly displaced into the ranks of the working class itself in the form of a polarisation workers who accepted and opposed the Government's industrial policy.

During and after the War Labor Ministers, and following them the laborite press, advertised the Government's anti-depression policies. Fear of another depression remained a potent means of attracting working support to the ALP. Especially during the campaigns before the 1946 and 1949 federal elections, the ALP emphasised the measures the Government had in hand to counter any downturn in the economy, notably its national works program. Opening the campaign in his electorate in 1946 Evatt said that

"Adequate steps shall be taken to ensure economic prosperity and full employment throughout the whole of Australia, not only now, but continuously."¹¹

In his 1949 election policy speech Chifley gave prominence to the question of full employment.¹² The popular appeal of the Labor Party's stress on full employment is understandable in the context of the dollar crisis and the apparent emergence of a recession in the USA. The Party's message was that the Government could at least ameliorate and at best eliminate capitalism's economic problems. A NSW Fabian Society lecture in 1949 conceded "unemployment is an inevitable consequence of the capitalist system" but reassured that

"It is now accepted that the worst onslaught of depression may be mitigated by expanding capital works until the 'confidence of private investment is restored'."¹³

Standard Weekly proclaimed "Full Employment Not Accident", *Labor Call* "Labor Plans Counter Depressions" and *Australian Worker* "Australia Rides Out the Economic Blizzard: Employment Rising Despite Adversity Abroad".¹⁴ The NSW Industrial Groups and Labor College made the same point.¹⁵ A statement of Professor Hytten, economic advisor to the Bank of NSW on the possibility that effective labour discipline would require an increase in the level of unemployment was seized upon to demonstrate that Labor's opponents also opposed full employment.¹⁶ (See cartoon on this subject.) *Labor Call*, which for a period ran a column on the statistics of business prosperity, and the NSW Labor College revelled in the boon the Government was to private enterprise.¹⁷ As we have seen, Australia's international economic policies were also used during the second half of the 1940s to associate the Government with the effective pursuit of full employment.¹⁸

The Government connected popular fears of another depression with its arguments about inflation: the inflationary consequences of a boom had to be controlled or they would inevitably give way to the deflationary phase of the trade cycle.¹⁹ In the context of the forthcoming prices and rents referendum, Senator Cortice put it this way: "Booms must bust if prices are uncontrolled."²⁰ During the 1948 referendum the laborite press followed the Government in arguing that inflation was a threat to full employment and wages.²¹

The activities of the Industrial Groups and the NSW Henry Lawson Labor College, established in 1944, assisted in the propagation of Keynesian ideas and conclusions in the labour movement. Although the Groups played an important role in fighting Communists for power in the unions, in NSW at least they were initially seen "as mere propaganda bases in the union" by laborite unionists.²² Less stress seems to have been placed on the Groups as simply propagandist bodies in Victoria where covert, preexisting anti-Communist organisations of union officials and Catholics quickly became influential in the new industrial institutions of the ALP.²³ In 1947 *Standard Weekly* still attributed a primarily ideological role to the Groups, as well as the Labor College:

"The Capitalist Press sets up its daily barrage. The Communist Press sends out its destructive criticism.

"For that reason Labor has to embark upon a more vigorous campaign of favourable publicity. The Labor College and the ALP Industrial Group organisation, both functioning from Party headquarters, are part of that drive."²⁴

H. Arndt and K. Laffer, both Sydney University economists, lectured for the Labor College. The College helped equip leaders of the Groups with Keynesian arguments: one of its regular addresses to the Group Executive was on "the Economics of Full Employment".²⁵ During 1946 and 1947 the College published a monthly journal. The first seven issues ran a series called "Economics for Australian Workers", by R. Mendelsohn, a Master of

11. Evatt *Speech at the Opening of the Barton Electorate Campaign* op. cit. p6. Also see F. Forde *Address to the Capricornia Divisional Executive* 16/2/46 pp5-6, Mitchell Library.

12. *Labor Call* 18/11/49 pp4-5 and *Digest* 146 p50 21/8/49. For other 1949 election material see, e.g. *Standard Weekly* 22/4/49 p3, 26/8/49 p1, 9/9/49 p1.

13. *Standard Weekly* 21/1/49 p5.

14. *Standard Weekly* 21/1/49 p1; *Labor Call* 26/8/49 p1; and *Australian Worker* 14/9/49 p5, a report of Chifley's broadcast on the budget.

15. The NSW Groups: *Standard Weekly* 9/12/49 p2; the Henry Lawson Labor College 10/6/49 p7. Also see *Standard Weekly* 11/2/49 p5; *Labor Call* 9/9/49 p1; and E. Holloway to the Victorian Labor Conference *Standard Weekly* 9/12/49 p2.

16. E.g. *Standard Weekly* 21/1/49 p7, 4/3/49 p1, 21/10/49. Also see material in Communist influenced publications "Editor's Notes" *Amalgamated Engineering Union Journal* February 1949 p7 and *Labor News* 21/12/49 p3.

17. *Labor Call* July-August 1946 and *Standard Weekly* 2/9/49 p7.

18. E.g. *Labor Call* 12/3/48 p3 for Dedman on world agreements; *Australian Worker* 31/8/49 p1 on Australia's full employment proposals to the United Nations.

19. J. B. Chifley, cited in D. Stephens "The Effects of the Great Depression on Federal Labor Governments, 1941-9" *Australian Journal of Politics and History* 22(2), August 1976 p259.

20. *Labor Call* 27/2/48 p6. Also see E. Holloway *Digest* 132 p22 19/11/47.

21. E.g. *Australian Worker* 21/1/48 p and *Labor Call* 26/3/48 p6.

22. T. Sheridan "The 1945 Steel Strike: Trade Unions, the New Order and Mr. Chifley" *Labour History* 42, May 1982 p26.

23. R. Murray *The Split* Cheshire 1972 pp16-8.

24. *Standard Weekly* 28/2/48 p7. Also see *Standard Weekly* 21/6/46 p1, 22/8/47 p6.

25. *Standard Weekly* 27/6/47 p7, 8/8/47 p7, 31/10/47 P7.

Economics graduate of Sydney University.²⁶ These articles probably constituted the most comprehensive attempt to carry out Coombs's program of educating workers in their place in the economy. They conveyed the main points of the Government's ideological campaign and much more. The first installment, "Supply Demand and Direct Action", Mendelsohn defined economics in orthodox terms as "the science of scarce means and alternative uses". He then went on to the crux of the Government's policies:

"The socialist case, while pointing to the injustice of inequality, is concerned principally with so organising the relations of production that more can be produced with the same or less effort.

"You and I, as workers, have a deep interest in the efficiency of industry, no matter what the form of society."²⁷

So the main issue was to increase the size of the cake, not how it was sliced. He went on to explain how economic policies, of the kind the Labor Government was then espousing, could secure efficiency through full employment and industrial peace. Mendelsohn used some socialist rhetoric but his socialism was of the never-never variety:

"We believe on the grounds of efficiency and justice capitalism should be put aside, but that is no reason why we should not make the best of things while it is here."

The punch line followed from his preceding exposition of Keynesian economics:

"In recent times many strikes have been misguided, and have failed in their object for that reason.

"A better understanding of the workings of the economic system will often change the type of demand, the time at which it is made and the weapon used.

"The strike may sometimes be a confession of weakness rather than a sign of strength."²⁸

Mendelsohn's second article dealt with wage determination and restated the initial reason for laborites being attracted to Keynesian economics during the 1930s:

"Keynes pointed out, what the leaders of the working class movement have always known instinctively, that a reduction in wages does not necessarily result in an increase in employment, and that it is almost always right to resist pressure to reduce money wages."²⁹

He concluded that the Australian system of wage determination was based on technical considerations, rather than struggle. As a consequence,

"Would it not benefit the Australian Council of Trade Unions to maintain a skilled staff of economic and statistical interpreters?"

(He would have been ecstatic over recent developments.) In the face of longstanding demands for a higher wages and shorter hours, his only suggestion was that

"Some adjustment is due, and it might well come as a result of the long-needed general investigation into living costs and standards."

Subsequent articles used a Keynesian perspective to explain how the banking system, social security, taxation, the profit motive and price control fitted into the economy. Mendelsohn's outlook was summed up in a rhetorical question and, in view of Labor leaders' explicit statements and the Government's policies, a spurious answer:

"What, in general terms, is the present objective of the Australian Labor Government?"

"Is it to run the capitalist system as efficiently as possible, mitigating its worst effects so as to benefit the workers?"

"Or is it to arrange what a recent writer in the London 'New Statesman' called the 'calm, constitutional transfer of authority to the workers?"

"Probably the answer is that we haven't yet decided."³⁰

In addition to Mendelsohn's essay, the first issue of *Labor Digest* carried a piece by Dedman. He argued the origins of unemployment lay in "the chronic instability and regular insufficiency of private investment". Government spending was to offset deficiencies in private investment, so that,

"Far from weakening private investment in its legitimate spheres its maximum turnover will be virtually underwritten by Government action."³¹

Like the laborite press, during 1949 the Labor College and Industrial Groups particularly stressed that the Government's economic policies had created full employment and prevented a depression.³² See Cartoon 20 for an illustration of this argument.

The NSW Fabian Society, established in 1947 by Sydney University economists and some others, was also involved in the propagation of Keynesian ideas. In January 1949, for example, a weekly Fabian lecture explained "No Need for Depression", thanks to the Government's economic policies.³³ The Society's series of pamphlets also provided Keynesian analyses of current issues.³⁴

26. Mendelsohn explained his political position in 1954, in terms quite commensurate with the thrust of his *Labor Digest* articles:

"I would be happy to think that I could carry on that tradition of social reform by reason – by the patient, persistent analysis of facts backed, but never warped, by a deep feeling for social justice – which he [Professor Robson of the London School of Economics] in his turn inherited from Sidney and Beatrice Webb." (R. Mendelsohn *Social Security in the British Commonwealth* Athlone Press, London 1954 pviii)

27. *Labor Digest* January 1946 p51.

28. *ibid.* p54.

29. *Labor Digest* February 1946 p50.

30. *Labor Digest* August 1946 pp52-3.

31. *Labor Digest* January 1946 pp17-8.

32. *Standard Weekly* 10/6/49 p7, 2/9/49 p7, 28/1/49 p6.

33. Sydney University economists associated with the Fabian Society were K. Laffer, R. S. G. Rutherford, N. G. Butlin, *Standard Weekly* 21/1/49 p5.

34. *The Case for Bank Nationalisation* has already been mentioned. *Fighting Inflation* Sydney 1949 especially p26 explained that an uncontrolled boom could lead to a depression and regretted the relaxation of controls over prices and labour.

Caught in the Middle

While the Government was consistent in its policies on inflation during and after the War, union officials behaved in a contradictory way particularly during the two immediate post-war years. Many called for shorter hours and higher wages, but supported the Government's insistence on the need to fight inflation. *Labor Call's* summary of the *White Paper on Full Employment* echoed it by asserting that

"Trade unionists, as consumers, should protect their interests by ensuring that a minority does not obtain temporary benefits which will mean higher prices to all. Claims for sectional increases can be dealt with by existing arbitration machinery, although this should be overhauled so that it works more quickly."³⁵

Despite their support for the Government, laborite union officials, under very strong rank and file pressure around the end of the War, were very critical of the continuation of wage pegging and demanded legislation for the forty hour week.³⁶ Even P. W. Clarey ACTU President and a Labor Member of the Victorian Legislative Council

"Urged workers to save rather than boost inflation by 'competitive spending' and called for price and rent control with progressive abolition of wages pegging."³⁷

The pragmatic arguments of trade union underconsumptionism were used to justify improvements in wages and hours: they were necessary to boost purchasing power and hence to expand production and employment.³⁸ *Labor Call* proclaimed that

"Labor must fight with all the ferocity of Billy Hughes' Bengal tiger. . . against acceptance by the people of this country of any suggestion that increased efficiency in Australian production is the paramount post-war need. The first and most important task is to promote efficiency in distribution and consumption of the goods that bountiful nature, science and machinery have already made it possible to provide.

". . . Labor must counter all publicity in favour of improved productivity to enable Australia to sell in competition with the United States of America or any other country. . ."³⁹

This Hobsonian argument could not be as effectively bolstered, as during the late 1930s, by reference to Keynesian economics because the latter had now been appropriated by the Government, Opposition and even employers to demonstrate that wages should be restrained.⁴⁰ Wishful thinking was also a feature of ALP and laborite union official thought during this period. The argument that the Chifley Government wanted to get rid of wage pegging regulations, when in fact it was working hard to limit wage increases, was not uncommon.⁴¹ The extra-Parliamentary wing of the Labor Party, in a statement by the Federal Executive, recognised the threat to the Party's electoral support constituted by the contradiction between Government policy and the aspirations of rank and file workers. But all it could do was to endorse the Government's outlook as well as workers' demands and urge patience on unionists:

"The fullest possible utilisation of the productive resources of the Commonwealth, together with the achievement of full employment through Australia wide planning, should make further additional increases in living standards possible and attainable."

"Factors in Australia causing discontent are such matters as continued pegging of wages, high taxation, and the lowered standard of living arising from such taxation, the continuance of the 44 hour week, together with the inability to secure a higher standard of living by means of an increased basic wage."

"These desires are natural. They should be granted.

"Needless upsets of industries to attain these objectives slow down the field of production and in the long run delay and make harder the attainments of the workers' aims."

"The Executive urges workers to recognise the grossly improper methods which have been and will be used by Labor's opponents and refuse to be provoked into direct action, however just and reasonable their grievances may be."⁴²

The cross-purposes between workers and employers over the question of production, illustrated in Cartoon 21, were apparent inside the ALP. The Communist Party recognised the contradiction inside the ALP and laborite union bureaucracies in 1947. But the Party overstated and predicted the continuation of the divisions inside the ALP shortly before they declined intensity. L. L. Sharkey argued that "Chifley and Co." regarded the ACTU, Labor Councils and big unions as too responsive to the rank and file,

"Both the ACTU and the NSW Labor Council have repudiated economic Chifleyism. That is to say, there is a growing divergence of policy within the Labor Party itself, between the most important re-

35. *Labor Call* 28/6/45 pp6-7.

36. E.g. *Labor Call* 26/10/44 p2, 18/1/45, 15/1/45 p4, 10/10/46 pp1, 8, 31/5/47; *Standard Weekly* 20/4/44 p1, 27/4/44 p3, 18/5/45, 28/9/45 p1, 2/11/45 p1; and Australian Council of Trade Unions *Official Report of the Proceedings of ACTU Congress 1945*.

37. G. R. Dunkley 'The ACTU 1927-1950: Politics, Organisation and Economic Policy' PhD Thesis Monash University 1976 p506.

38. O. Schreiber *Furnishing Worker* 8/5/45 p1; P. Clarey 'Industrial Relations after the War' in Australian Institute of Political Science *Australia's Post-War Economy* op. cit. pp253-4; Labor Council of NSW *Why the 40 Hour Week?* Sydney 1945 p2; and *Labor Call* 8/2/45 p2 13/9/45 p1.

39. *Labor Call* 8/3/45 p1 emphasis in the original.

40. O. Schreiber *Labor Call* 15/11/45 p4 explicitly referred to Hobson.

41. *Labor Call* 24/10/46 p2.

42. Australian Labor Party Federal Executive *Strikes and Their Provocation* Australian Labor Party, Victorian Branch, Melbourne 8/6/46 p3 and *Standard Weekly* 24/5/46 p3. Also see *Railroad* 31/5/46 p1 for a restatement of the Federal Executive's position and the realistic conclusion that the "Communist Party is no more responsible for the prevalence of disputes than is the Citizens' Rights Committee"; the increasing level of disputes was "a social complaint".

formists in the trade union movement and the 'liberal' Keynesian group that dominates the Federal Cabinet."⁴³

"Unswerving Loyalty"

Wavering by union officials and even by the ALP machine, for a period after the War, helps explain changes in the target for Chifley's speeches against inflation. Sheridan draws attention to a

"Notable feature of the economic speeches of the Prime Minister and other leading ministers in the first two post-war years that they spent most of their time endeavouring to educate their own supporters. It is not until approximately 1948 that the emphasis swings more to the uncommitted and opposing listeners."⁴⁴

In the first instance Chifley recognised the need to strengthen the resolve of the Government's closest supporters. But during 1947 the relationships amongst laborite union officials, the ALP and the Government changed. Friction decreased and some of the intimacy of war-time relations was restored as a modest consensus on the priorities of Australian capitalism and for the working class was established. Success in the long fought wages and hours struggles of the immediate post-war period was the main factor responsible for this shift, aided by the refurbishing of the Arbitration Court with amendments to its Act and the appointment of additional Conciliation Commissioners to speed up the processing of disputes.⁴⁵ The hope of a responsive Arbitration system contributed to the increased sectionalism of industrial struggles by helping to divert them along official channels. At the same time as the contradiction between rank and file pressure and loyalty to the Government eased, laborite officials were being pushed closer to the Chifley regime as a source of legitimacy and assistance in their struggle against Communists aspirants to their jobs.⁴⁶ They thus became more effective instruments of the Government's desire to increase production and contain working class militancy. The continuation of considerable rank and file pressure in some areas and the influence of the ACP, then turning leftwards, made a full blown incomes policy impossible.⁴⁷ But a more modest "accord" on the need for greater production and directed against militants was achieved. It facilitated the labour movement's toleration of a high enough level of coercion, culminating in the defeat of the 1949 coal strike, to achieve an important shift in the balance of class forces between 1949 and 1952.

The tripartite Better Industrial Relations Conference of August and the September 1947 ACTU Congress provided evidence of the changes taking place in the labour movement. The need to increase the size of the cake had previously been a conclusion from Keynesian economics mainly preached to the union movement. The Joint Declaration of the Industrial relations Conference, endorsed by the ACTU Congress, represented the explicit acceptance of this principle by a substantial section of the union bureaucracy. Hagan points out that

"Thus were laid down as basic premises for the A.C.T.U.'s industrial relations: the importance of private enterprise as the foundation of full employment in the post-war economy, the maximization of production as the way forward to securing benefits to the worker and a public commitment to tripartite co-operation."⁴⁸

Chifley recognised, even more explicitly than Coombs had, the importance of the trade union officials in successfully implementing his ideologically Keynesian program for the development of Australian capitalism:

"I appeal then to every individual Australian to give of his best in whatever occupation he may follow. To do less is a denial of the needs of his fellow Australians. . . I appeal to the leaders of the trade union movement to exercise firm discipline over the units they lead, to prevent unauthorised disputes over small matters, and to concentrate their efforts and thoughts on the production this country so sorely needs.

"I call on each unionist to give unswerving loyalty to such leaders."⁴⁹

This speech to the tripartite Conference was widely reported in the laborite press.⁵⁰ The issue of incentive schemes was raised at the Conference, although the ACTU had a longstanding policy of opposition to them.⁵¹ Subsequently both Chifley and Holloway, the Minister for Labour, advocated the introduction of incentive payments as a means to raise productivity.⁵²

43. L. L. Sharkey "The Labor Movement at the Crossroads" *Communist Review* March 1947 p451.

44. Sheridan 'Australian Trade Unions' op. cit. p16.

45. On reforms of the Arbitration system see B. Healy *Federal Arbitration in Australia* Georgian House, Melbourne 1972 pp79-80 and B. Dabschek and J. Niland *Industrial Relations in Australia* Allen and Unwin, Sydney 1981 p225.

46. Hagan *The History of the ACTU* op. cit. p195.

47. Compare the situation in Britain at this time, L. Panitch *Social Democracy and Industrial Militancy* Cambridge University Press, Cambridge 1976 pp26, 28:

"The policy's success with regard to wages was the direct result of the unions acting not as representatives but as agents of control over their members' demands. It was moreover, a task which only the unions themselves could have undertaken; direct application by the Government of such a policy, in conditions of rising prices and profits, would certainly have led to massive industrial unrest."

48. Hagan *The History of the ACTU* op. cit. p193. See *Standard Weekly* 8/8/47 pp3, 5 for the Joint Declaration.

49. J. B. Chifley *Things Worth Fighting For* Melbourne University Press, Melbourne 1952 p277.

50. *Australian Worker* 6/8/47 p1 declared "The Australian Workers' Union will co-operate with the Government in its efforts to increase production".

51. *Standard Weekly* 8/8/47 p5.

52. E.g. *Digest* 140 p22 22/10/48; *Digest* 142 pp17-8 20/4/49 a Report to the Nation; and *Standard Weekly* 18/2/49 p5 another Report to the Nation. Crisp *Ben Chifley* op. cit. p349 reports that Chifley favoured incentives schemes provided "that employers do not use incentives or task systems for the purpose of unduly exploiting the workers".

In March 1946 the British Labour Government had launched a productivity drive at a Conference with trade union officials.⁵³ No doubt combining this British model with the experience of class collaboration during the War Chifley embarked on his own "production drive". In his 1947 budget speech he used the identification of the Government's (Keynesian) policies for full employment to justify a call for greater output and for a fight against inflation. Full employment required

"Unremitting efforts to achieve greater production. . . It also required a continuance of measures to prevent unwarrantable increases in costs and prices."⁵⁴

At the 1948 Victorian ALP Conference Chifley

"Said that workers who do not do a fair day's work were cheating their own people, not the boss, the Government, or the Treasury."⁵⁵

A *Standard Weekly* editorial endorsed the call for increased production. Chifley made a similar appeal to the NSW ALP Conference in June 1948.⁵⁶ The September Federal Conference endorsed the call too, with provisos designed to maintain rank and file support. The conditions provided for consultation between unions and Government on increasing production, legislation to protect workers from "exploitation and speed-up", to prevent greater productivity from leading to profiteering or more inequality and to ensure that living standards rose in line with productivity.⁵⁷ Shortly afterwards a conference was convened between federal unions and the Government. The laborite press noted that in his pitch for increased production at the conference Chifley

"Illustrated how Labor had provided insurance against unemployment through over-production and overseas trade slumps by planning a huge works programme."⁵⁸

He explained that

"Representatives of Trade Unions are better able to make such an appeal [for greater production] than I am. I therefore would ask every delegate to make a simple appeal not only on behalf of the Labor Government, but also on behalf of the nation of which they are members to pull their weight and do their best."⁵⁹

He also linked the need for greater production to the dollar crisis.

The Federal Labor Advisory Committee (FLAC) was revived in October 1948 to facilitate consultation between the ACTU and the ALP. The Committee discussed changes to the Arbitration Act which the Industrial Groups had been advocating for several years. The ACTU Executive and then the 1949 Congress supported amendments, enacted in August 1949, which provided for Court controlled ballots in union elections. These provisions for interference by the state in union affairs were extended by the Menzies Government in 1951. Discussions in the FLAC also led to an ACTU Executive recommendation that the 1949 Congress reconsider the question of incentive payments. The Congress rejected the proposal by only three votes, but the 1951 Congress reversed the decision and in 1953 the ACTU established guidelines for incentive schemes.⁶⁰

Chifley used his Reports to the Nation, often reprinted in the laborite press, to take his drive for more production directly to the rank and file of the labour movement.⁶¹ In February 1949 he opened an "anti-inflation appeal" for more production and saving.⁶² *Railroad* probably wins the prize for the most zealous trade union opposition to inflation during 1949-50. The paper ran a series of articles on economic topics, but especially on the dangers of inflation and the need to increase production, by economics professors from around Australia.⁶³ An article in the issue before this series started was headlined "The Prime Minister Opens Drive Against Inflation" and proclaimed

"All must work as efficiently as possible.

"The greater the production, the quicker shortages will be reduced."⁶⁴

The complicity of laborite union officials in the Government's economic policies and their determination to stop the ACP culminated in their endorsement of the measures taken against the coal miners during their 1949 strike. Some officials went further and actively campaigned against the miners themselves. In a leaflet dropped on the coal fields during the strike the NSW Labor Council used Keynesian ideas to justify opposition to the strike and its leaders:

"Only Labor can maintain full employment.

"The Communist Party: Promises a depression, wants a depression, works to create a depression.

53. Panitch *Social Democracy and Industrial Militancy* op. cit. p12.

54. *Labor Call* 25/9/47 p5.

55. *Standard Weekly* 2/4/48 p1 and editorial p1.

56. *Australian Worker* 16/6/48 p1 and similar in *Labor Call* 18/6/48 p1.

57. *Standard Weekly* 8/10/48 p6 and *Australian Labor Party Official Report of the Proceedings of the Commonwealth Conference* September 1948 p50.

58. *Standard Weekly* 22/10/48 p3.

59. *ibid.*, *Australian Worker* 20/10/48 p1. For the full text of the speech Chifley *Things* op. cit. p39-42 and *Digest* 140 p9 16/10/48.

60. Hagan *The History of the ACTU* op. cit. pp195, 247-8 and Department of Labour and National Service *Wage Incentives in Australian Industry* Government Printer, Canberra 1959 pp112-3. *Labor Call* 4/3/49 p7 optimistically suggested that "Employers Would Oppose Incentive payments" if their introduction meant consultation with trade unions as Chifley suggested *Digest* 142 p15 Report to the Nation 13/2/49.

61. *Digest* 141 p31 Report to the Nation 8/7/49 and *Digest* 142 p115 Report to the Nation 13/2/49.

62. *Standard Weekly* 4/2/49 p5.

63. *Railroad* 18/2/49 p4, 24/6/49 p7, 8/7/49 p5, 5/8/49 p5, 2/9/49 p11, 30/9/49 p5, 17/2/50 p2, 28/4/50 p5.

64. *Railroad* 4/2/49 p6.

"The Labor Party: Fears the results of a depression, rejects a depression, knows that Labor's policy of full employment can prevent a depression."⁶⁵

D. B. Copland, however, offered a more realistic assessment of the origins of full employment during the late 1940s:

"Full employment during and since the war has been inevitable and has not been due to any overt act on the part of economists or governments."⁶⁶

By the end of the 1940s significant sections of the labour movement and especially laborite union officials accepted the logic of Keynesian economics. They agreed that improved wages and conditions depended on the expansion of the economy and that unions should take an interest in expanding production. This stood in contrast with the position in 1945, when, despite support for Government statements about inflation, the emphasis in the labour movement was on improving workers' living standards through struggles to redistribute income from capital to labour:

"The first essential -- before increasing the per capita output of the primary or secondary worker -- is to improve the standard of living, so that the existing productive capacity will not produce gluts with misery for millions of workers of the world."⁶⁷

Despite this change in perspective it was not possible for union officials to retain rank and file support simply on the basis of exhortations to greater output in the national interest. They still argued for some wage increases that could not be justified simply on the grounds that productivity had risen and they even supported strikes on some occasions. When dealing with the national economy they now accepted Keynesian assumptions, but the broad church of Keynes could accommodate a wide spectrum of views, so laborites generally argued for more expansionist economic policy than the Liberal Party.

The emerging hegemony of Keynesian ideas helped prevent the emergence of an effective analysis or the sustained generalisation of the strike wave during the immediate post-war period, so that it could be turned to socialist ends, as the Communist Party attempted (too late) after 1947. Keynesian ideas helped polarise the working class between supporters of the Government and a militant minority. This took place when the contradiction between support for the Chifley Government and opposition to its wages and economic policies was displaced from being a problem for the laborite union bureaucracy into a conflict inside the working class itself. The willingness of the bulk of laborite union officials to condone the Chifley Government's harsh measures against militants helped secure working class compliance with Government policy under Menzies. There was no longer the need nor the possibility of consensus or "accord" between the unions and the new conservative Government. Although the conservative Liberal Government like its social democratic predecessor promised economic prosperity on the basis of industrial restraint, union officials did not publicly offer their support. Panitch's account of the behaviour of union officials in Britain helps explain this difference:

"The real reason for their support [for the Attlee Government] was political, and based on the loyalty these leaders felt for the Government and its ideological position."⁶⁸

During the early 1950s a tendency quickly emerged for trade union officials to make *ad hoc* arguments, with a tenuous theoretical basis, for wage increases and to play down the link between wages and inflation while accepting the general priorities of the Keynesian economics. "H. P." in *Railroad* thought that orthodox economists, and by implication the Menzies Government, over-emphasised increased production and thrift as the cure for inflation: better working class living standards and a greater share for wages in national income would play an important part in reducing inflation too.⁶⁹ A front page article in *Australian Worker* argued

"Workers are urged to work harder and over longer hours with the ostensible purpose of doubling the wealth pool from which all pay envelopes are filled.

"Trade Union leaders, however, are not convinced that more production alone would be an effective check to the sky-rocketing prices engineered by the profiteers, racketeers and middlemen. . . "⁷⁰

Such protestations were grounded in the material conditions of the union bureaucracy caught between capital and labour who protested that the pursuit of working class interests was compatible with the logic of Keynesian economics, itself an expression of the dominant interests in society. In this sense they were similar to pre-war trade union underconsumptionists. Hobson had at least provided the semblance of a theoretical justification for the latter position. Now laborites made do with pragmatic arguments or scraps from the Keynesian high table of professional economists, conservative parties and business, at which they also aspired to sup. The fact that laborite union officials and ALP politicians still offered such arguments was a tribute to the pressure of the continuing, if lower level, of the class struggle. That struggle embodied the logic of an alternative interpretation of Australian capitalism. Despite his mistaken suggestion that class collaboration necessarily led to material benefits for workers, Arndt identified this logic:

65. NSW Labor Council leaflet p4, Mitchell Library.

66. D. B. Copland *Inflation and Expansion* Cheshire, Melbourne 1951 p25.

67. *Labor Call* 8/2/45 p2. Also see *Furnishing Worker* 8/5/45.

68. Panitch *Social Democracy and Industrial Militancy* op. cit. p30.

69. *Railroad* 4/8/50 p5.

70. *Australian Worker* 25/1/50 p1. Contrast this with *Australian Worker* 20/10/48 p1 headline: "Ben Chifley's Personal Drive: 'The Bigger the Wealth Pool -- the Bigger the Dividend'".

"There is a far from universal, but still widespread, attitude among Australian workers which regards working harder than one must to keep one's job not merely as an act of pitiable stupidity, a view which might be endorsed by Australians in all walks of life -- but also as a betrayal of one's mate in the class war against the capitalist employer. . . the code rests on the assumption which few Australian workers would want to take to its logical conclusions, the assumptions that the capitalist system must be destroyed if the workers are to enter upon their inheritance, and it is better for workers to forgo immediate benefits in terms of higher standards of living than to aid and abet the survival of an iniquitous social and economic system."⁷¹

⁷¹ Arndt "Economic Policy -- Stability and Productivity" in A. Davies and G. Serle (eds) *Policies for Progress* Victorian Fabian Society, Melbourne 1954 pp56-7.

Appendix to Chapter Eight: The Ideas of the "Movement"

The distinctive ideology of the Catholic Social Studies Movement, carried into the ALP and unions by the Industrial Groups, assisted the widening of divisions in the Australian working class during the second half of the 1940s. Its ideas constituted a current of economic thought in the labour movement distinct from Keynesian, Money Power or Communist theories.

A distinctive aspect of the Movement's ideology was its claim to provide a means for workers to build a better life away from industry and their current employment. This approach, at variance with traditional labourism and Communist theory alike, did not have a great impact on the established institutions of the labour movement. Movement ideas did not even feature on the Industrial Groups' page in *Standard Weekly*, while Murray points out that they were infrequently raised and then usually defeated at Federal ALP and ACTU Conferences.¹ These ideas were, however, an important component of the ideological ensemble of an organisation which had a substantial impact on working class politics during the 1940s and especially the 1950s. The economic thought of the Movement is primarily worthy of examination because it provided a motivation for the activities of the cadre of the Movement.

The core of Movement belief was anti-Communism.² This made the organisation acceptable to employers and other social groups threatened by the Communist Party and the working class militancy (sometimes mistakenly) identified with it. But this was not sufficient to build up a base of active support inside or outside the labour movement. A simple conservative defense of the status quo did not lie behind the Movement's anti-Communism; it embodied, rather, a vision of a different society that had an appeal to specific social groups. Moreover the Movement's ideas and activities had the imprimatur of the Church to recommend it especially to Catholics.

Catholic Social Theory

One of the foundations of Movement ideology was Catholic social doctrine, which grew out of the Papal encyclicals *Rerum Novarum*, *Quadragesimo Anno* and *On Atheistic Communism*. Pope Leo XIII's 1891 *Rerum Novarum* was an attempt to provide a Catholic alternative to the increasingly popular socialist solution to the "social problem". Its premises were "the natural right" to private property, sanctioned by divine law; the inevitability of inequality; that "to suffer is the lot of man"; and the wrongfulness of class war.³ The encyclical maintained that the remedy for the "misery and wretchedness pressing so unjustly on the majority of the working class" lay in moral behaviour by employers and labourers. The former should take care of the physical and moral well-being of their employees, while the latter should refrain from injuring property or people. The state should take action in the interests of the working classes. On the one hand "wages ought not to be insufficient to support a frugal and well behaved wage-earner" but on the other should allow him, "by cutting down expenses, to put by some little savings and thus secure a modest source of income".⁴ The law should encourage people to become property owners.

Pope Pius XI's *Quadragesimo Anno* was a further attempt to maintain the credibility of the Church in the face of the crisis of the depression and leftist critiques of capitalism. Again the distribution of wealth that led to poverty was criticised. The solution offered was alms giving and just behaviour by employers and the state. Pius recommended class collaboration through corporatist institutions and affirmed the desirability of workers attaining property, without reference to savings as a source of income.⁵ In 1937 he made an additional statement *On Atheistic Communism* in the context of the popular front governments in Spain and France. It alerted Catholics to Communism as "a doctrine destructive of the foundations of civil society and subservience to social order".⁶ "This peril of our times" needed to be contained by urgent action, both through the solution of the social problem by employers adopting the correct attitude and through organisations of Catholic Action amongst workers to win them back to Christ.⁷

These encyclicals acknowledged the injustice of the conditions of some workers but did not constitute a serious critique of or challenge to capitalism. They were founded on the assumption of the inviolability of private property, a term which ambiguously referred to both the means of production and property for personal use. The assertions that it was desirable for workers to own private property did not, therefore, threaten the capitalist class's monopoly ownership of the means of production. The Church's perspective was commensurate with its position in the main Catholic countries, not only as a large scale property owner and employer in its own right but also in

1. Murray *The Split* op. cit. pp37, 54, 56.

2. See especially B. A. Santamaria *The Movement of Ideas in Australia* mimeo 1953 pp1-2.

3. Pope Leo XIII *Rerum Novarum* in S. Z. Ehler and J. B. Morall (eds) *Church and State Through the Centuries* Burns and Oates, London 1954 pp326, 328-9, 332-3.

4. *ibid.* p346.

5. Pope Pius XI *Quadragesimo Anno* in Ehler and Morall *Church and State* op. cit. p443.

6. Pope Pius XI *On Atheistic Communism (Divini Redemptoris)* in Ehler and Morall *Church and State* op. cit. p551.

7. *ibid.* pp562, 571.

terms of its relationship with its multi-class constituency, of which capitalists were the most influential part, and with capitalist states. The doctrine of the encyclicals was a much cruder and more explicit version of bourgeois socialism than Keynesian economics. It was without the apparatus of sophisticated social scientific analysis to explain the possibility of capitalism functioning harmoniously in the future, once some technical problems had been sorted out. Instead it relied on moral assertions. In commenting on another bourgeois socialist argument Engels argued that

"... Our bourgeois Socialist takes us... from the economic sphere into the moral sphere. And nothing is more natural. Whoever declares that the capitalist mode of production, the 'iron laws' of present-day bourgeois society, are inviolable, and yet at the same time would like to abolish their unpleasant but necessary consequences, has no other recourse but to deliver moral sermons to the capitalists, moral sermons whose emotional effects immediately evaporate under the influence of private interests and, if necessary of competition."⁸

The Catholic Church's undeniable sensitivity to the development of the class struggle, as capitalism expanded, meant that only twenty years after Engels's articles such sermons were delivered from real pulpits.

Distributism

Where a more radical critique of capitalism could be legally propounded, Catholic social theory could have only a limited impact on working class Catholics, especially where Catholicism was not the established religion. From early in the 20th century, however, two Catholic literary intellectuals in England had drawn on elements of Catholic social doctrine to construct a more aggressive ideology, distributism, which was both anti-socialist and anti-capitalist. Hilaire Belloc and G. K. Chesterton maintained that social injustice was inherent in capitalism. They believed that the desire of the mass of the people for security under capitalism was driving them to accept the reintroduction of slavery. Unlike the papal encyclicals, Belloc drew a distinction between property and the means of production, indicting capitalism for its restriction of the latter to a small minority. He saw in legislation, such as that for employers' liability for injuries to their employees at work, evidence for the development of a "Servile State" in which workers voluntarily gave up their freedom in exchange for the security offered by employers.⁹ In a literally reactionary utopia, Belloc and Chesterton looked to the supposedly wide dispersal of property in the means of production amongst the craftsmen and peasants of the middle ages for a model of an alternative to capitalism and socialism.¹⁰ The solution to the social problem therefore lay in the wider distribution of the means of production and especially land. In Chesterton's case, a corollary of this view was a certain hostility to modern machinery because of the large scale industry it necessitated.¹¹ Belloc also foresaw the possibility of increasing the number of shareholders and their ability to control large enterprises which could not be broken up for technical reasons. Other large units were to be redistributed by the state, through the use of the taxation system and other measures to encourage "independent production".¹²

Belloc and Chesterton's ideas very much fitted the bill as a petty bourgeois ideology, commensurate with the social position of small owners of the means of production, dependent on their own labour. They raised the conditions of this class to a transcendental plane, as the solution to society's problems and proposed state and other initiatives to assist them. Belloc and Chesterton's thought matched that of Proudhon both in their indictment of the evils of capitalism and their reactionary utopianism. The main difference between Proudhon, "the philosopher and economist of the lower middle class" against whom Marx and Engels had polemicised in the middle of the 19th century, and his literary English successors was the former's fervent anti-clericalism and the latter's fervent Catholicism.¹³ Despite their anti-capitalism, Chesterton and Belloc used the bourgeois socialist ideas of the social encyclicals as their means of expression. But, as Draper points out,

"Normally the petty bourgeois thinks like a bourgeois even in order to formulate resentments against the bourgeoisie."¹⁴

In the writings of Chesterton and Belloc the founders of the Movement, and especially B. A. Santamaria had an ideology which motivated its supporters by providing not only a critique of communism but also of the iniquities of capitalism and offered a positive alternative. Like Douglas Credit theory, distributism denounced the class

8. F. Engels *The Housing Question* Progress Publishers, Moscow 1975 p44. The articles that make up the book were originally published in 1872.

9. H. Belloc *The Servile State* T. N. Foulis, London 1912 pp14, 156. Apparently the workers actually fought to force employers and the state to make them servile.

10. H. Belloc *Essay on the Distribution of Property* The Distributist League, London 1936 pp41-2. Also see G. K. Chesterton *What's Wrong with the World* Cassell, London 1913 and his *Outline of Reason* Methuen, London 1926.

11. Chesterton *Outline of Reason* op. cit. pp179, 224.

12. Belloc *Essay on the Distribution of Property* op. cit. pp42, 52.

13. See K. Marx and F. Engels *Manifesto of the Communist Party* Progress Publishers, Moscow 1971 pp58-9 for a critique of petty bourgeois socialism that could have been explicitly written of Belloc and Chesterton. Also see J. Strachey and V. McNabb *Communism or Distributism: A Debate* Distributist League, London 1937 p27 for Strachey's comment,

"Now if you believe it is possible to go back to the means of production current in the Indian village, then you can end exploitation by distributing the means of production. But not otherwise."

Note that the characterisation of Proudhon as a petty bourgeois socialist is from Marx's letter to Annenkov 28/12/46, appendix to K. Marx *The Poverty of Philosophy* Progress Publishers, Moscow 1975 p178. In the *Manifesto* he is referred to as a bourgeois socialist. For an explanation of this shift see H. Draper *Karl Marx's Theory of Revolution Volume II: The Politics of Social Classes* Monthly Review Press, New York 1978 p295.

14. Draper *The Politics of Social Classes* op. cit. p295, emphasis in the original.

struggle as a means for workers to collectively improve their conditions and transform society. Instead individual virtue and/or pressure for state measures would establish independent production, supplemented by profit sharing or similar schemes in the remaining large-scale industry, as the basis of the new social order. The main difference between the two approaches, as Belloc pointed out, was that Douglas Crediters sought to redistribute income, distributists property.¹⁵ To that extent distributism had a greater appeal to aspirant, Douglas Credit theory to established petty bourgeois. In 1953 Santamaria said that Catholic workers, tradesmen and unionists, rather than the educated had borne the brunt of the Movement's battles.¹⁶ This must, of necessity have been true of the Movement's work inside the trade unions. But Charlesworth locates the social standing of the bulk of the Movement's supporters in general amongst

"People who had moved up the social ladder and no longer felt sentimentally bound to the ALP the way their fathers had."

The Movement satisfied "the social, psychological and quasi-religious needs of the new lower middle-class Catholics".¹⁷

The fact that distributist ideas were endorsed by the Catholic hierarchy was an important factor in the Movement's success. According to Chesterton's biographer, distributism probably had its greatest impact anywhere in the world in Australia, the only country whose hierarchy adopted it.¹⁸ In Australia the Church's constituency was more proletarian in its class composition than in most other countries. One consequence of the relative smallness of the Australian Catholic bourgeoisie was to increase the influence of middle class Catholic intellectuals, with their own idiosyncratic perspectives, in the development of the Church's thinking. The first aggressively Catholic and sustained intellectual grouping in Australia was that of Santamaria's generation, in the form of the Campion Society in Melbourne. It was the product of recently established Catholic upper secondary and tertiary education institutions.¹⁹ In Australia there were proportionately fewer Catholic capitalists to be outraged by Santamaria's anti-capitalism of the 1930s and, toned down considerably, the 1940s, than in other countries. With the formal establishment of Australian Catholic Action in 1937 the ideas of the new generation of university trained Catholic intellectuals provided the Church with a new and effective means of relating to its working class constituency, independently of the Labor Party. During the post-war boom, as the differentiation of the Catholic flock led to a class pattern more reflective of society at large, the Church's position on social problems became more orthodox. This process in part proceeded by way of severe conflicts inside the hierarchy and the Catholic community over the Church's role in politics. During the period 1957-62 the Church rejected the petty bourgeois socialism of distributism and adopted a "prudent conservatism" or bourgeois socialist outlook.²⁰

Independent Production in Australia

The Movement's central focus in fighting Communism was apparent in the balance of material in its organ *Freedom* (renamed *News Weekly* in 1946). Other aspects of the ideology that drew people to the organisation were covered in the newspaper but they often found fuller expression in publications of other Catholic Action organisations dominated by Santamaria -- the Australian National Secretariat of Catholic Action (ANSCA), the National Catholic Rural Movement and some of the Bishops' social justice statements of the 1940s and 1950s -- and in material by C. Clark, the Queensland Government's economic advisor, who inspired some of Santamaria's policies.²¹

The annual Catholic Social Justice Statements by the Australian bishops were drafted by Santamaria. The 1942 *Statement For Freedom*, started with an explanation of the social encyclicals and went on to argue that

"The Catholic is opposed to that modern brand of capitalism which deprives the masses of ownership and concentrates it in the hands of a few monopolists."

"... THE GREATER FIGHT TO BE CARRIED ON IN THE FUTURE IF AUSTRALIA IS TO BE FOUNDED ON JUSTICE AND ON FREEDOM, IS THE FIGHT TO RESTORE OWNERSHIP TO THE PEOPLE -- OWNERSHIP OF HOMES, OF LAND, OF WORKSHOPS, AND OF MEANS OF PRODUCTION."²²

This theme was inspired by distributism, rather than directly by the social encyclicals, and ran through subsequent Social Justice Statements and *Freedom/News Weekly*.²³ The newspaper offered the occasional critique of monopoly capitalism as unstable and prone to depressions. Manpower budgets and social services did not go to the heart of the problem because

15. Belloc *Essay on the Distribution of Property* op. cit. p4.

16. Santamaria *The Movement of Ideas* op. cit. p9.

17. M. Charlesworth *Church, State and Conscience* University of Queensland Press, Brisbane 1973 p38.

18. M. Ward *Gilbert Keith Chesterton* Sheed and Ward, London 1944 pp445, 447.

19. G. Henderson *Mr. Santamaria and the Bishops* Hale and Iremonger, Sydney 1983 pp7-8, 11.

20. *ibid.* p97-9.

21. On Clark's contribution see Henderson *Mr. Santamaria and the Bishops* op. cit. p57.

22. ANSCA *For Freedom* Advocate Press, Melbourne 1942 pp5, 6.

23. E.g. ANSCA *Pattern for Peace* Melbourne 1943 p5; C. Clark's review of Hayek's *The Road to Serfdom* in *Freedom* 4/10/44 p2; *Freedom* 27/8/45 p3, 22/1/44 p2, 28/6/44 p4.

"The real solution is the unfashionable one of Distributism -- of the widespread diffusion of capital ownership among a majority of the population."²⁴

In 1945 *Freedom* took up the cudgels against monopoly as an obstacle to Keynesian full employment policies, to back up its case against monopoly on distributist grounds.²⁵ This indicated the considerable popularity of the Government's commitment to full employment. In Clark's *Property and Progress*, distributed by ANSCA, anti-monopolism verged on conspiracy theory. Employers might welcome the elimination of the trade cycle but

"Even this desirable objective may be thwarted by the sinister but extremely powerful interests that make their fortunes out of the ups and downs of the stock market, large-scale money lending and the buying up of embarrassed businesses at distressed prices."²⁶

In some cases the Movement portrayed Communism as the collusive twin of monopoly. Clark raised the possibility that the two might combine against the idea of independent production.²⁷

Santamaria and the Movement's greatest hope for small property lay on the land. Hence their support for "independent farming" (self-sufficient agriculture) regionalism and opposition to tariffs, which benefitted large-scale manufacturing to the detriment of primary production.²⁸ Australia's need for an increased population was used to justify rural settlement, because the birthrate was supposedly higher in country areas.²⁹ The Movement was somewhat more cautious in its attitude to technology than Chesterton and Belloc were. Even so it tended to deny that economies of scale existed in many industries and maintained that, in any case, the costs of smaller units of production would be worth paying if such economies did exist.³⁰

"The social problem will be solved", *News Weekly* maintained, in establishing the link between distributism and the working class,

"When the worker is given command over goods and services sufficient to enable him to live a decent and full life, and this can only be done by making available to him an increased share arising from economic and technical development, so that he can fend for himself. . . and so that he may have the opportunity of establishing himself (if he so desires) as an independent working proprietor."³¹

This perspective, therefore, justified increased wages as a means to change society. The demand for better pay would have appealed to workers, even if few relished the prospect of transforming themselves into peasants. Other means to a distributist society, besides increased working class incomes in the form of the "family wage", included tripartite industrial councils to run large enterprises, credit facilities for craftsmen and small businessmen (for the Movement they were always "-men") and taxation of monopolies.³² Some of these offered succour to the established petty bourgeoisie.

The practical significance of the Movement's support for increased wages was much diluted by its rejection of class struggle and its consistent advocacy of class collaboration. *Peace in Industry*, the 1946 Social Justice Statement, was an attack on Communist inspired industrial militancy and provided a rationale for Catholic and especially Movement anti-Communist activity in the unions to fight "the imminent danger facing this country".³³ *Freedom/News Weekly* might assert that wages should have priority over profits, but its frequent articles on industrial councils, profit sharing and similar schemes emphasised that "If Australia is to survive in a hostile world, Capital and Labor must pull together."³⁴ Worker participation and profit sharing were only steps towards a holy goal, because

"The Natural Law cannot be denied. God created the material resources of the earth for man's use and benefit -- for the benefit of all men.

". . . The natural right to own productive property is perfectly clear."³⁵

The Movement's approach to industrial relations had important elements in common with the Government's stress

24. *News Weekly* 23/3/49 p4. *Freedom* 2/10/43 p4 quotes Clark on the superiority of distributist measures over social security legislation. C. Clark *News Weekly* 10/8/49 p5 drew attention to the emergence of the servile state, as "foreseen in an extraordinary book published by Mr. Hilaire Belloc as early as 1912".

25. *Freedom* 14/11/45 p4. Also see *News Weekly* 12/3/52 p4, 19/10/49 p1 on the monopolisation of Melbourne's milk supply.

26. C. Clark *Property and Economic Progress* Catholic Social Guild, Melbourne 1945 pp9-10.

27. *Freedom* 14/11/45 p4, 3/6/44 p2; *News Weekly* 13/10/48 p1; and Clark *Property and Progress* op. cit. p6.

28. For example, ANSCA *The Land Is Your Business* Melbourne 1945, ANSCA *Pattern for Peace* op. cit. p45 et seq.; *Freedom* 13/11/43 p1, 20/11/43 p1, 25/3/44 p4, 8/4/44 p4, 16/8/44 p4, 23/8/44 p1, 2/9/44 p2, 19/12/45; *News Weekly* 9/7/47 p4, 30/7/47 p4, 9/3/49 p4, 29/6/49 p4.

29. See, for example, B. A. Santamaria *The Earth Our Mother* Araluen Publishing Co., Melbourne 1945 pp10-1; ANSCA *The Land Is Your Business* op. cit. pp2-4; *Freedom* 18/10/44 p1; and *News Weekly* 9/3/49 p4.

30. *Freedom* 30/10/43 p3 and *News Weekly* 30/7/47 p4, 3/8/49.

31. *News Weekly* 30/7/47 p4.

32. See, for example, ANSCA *For Freedom* op. cit. pp7-9; ANSCA *Pattern for Peace* op. cit. pp5, 11, 20, 29; *Freedom* 22/1/44 p2, 12/2/44 p2; and *News Weekly* 29/6/49 p4. The Movement approved the attempt to nationalise the banks, because this would facilitate the provision of credit facilities to independent producers, although it also lifted the idea of credit union straight out of Belloc's *Essay on the Restoration of Property* op. cit. pp87-8; *Freedom* 13/11/43 p3, 30/10/43 p1, 19/7/44 p3; and *News Weekly* 13/8/47 p4, 1/10/47 p4, 22/10/47 p1. On the other hand it opposed the nationalisation of industries more amenable to organisation along independent lines, for example the health industry, e.g. *Freedom* 30/10/43 p4. The 1948 Social Justice Statement *Socialisation* summed up the organisation's position, see Henderson *Mr. Santamaria and the Bishops* op. cit. pp70-5.

33. Quoted in Henderson *Mr. Santamaria and the Bishops* op. cit. pp70, 68.

34. *Freedom* 16/10/43 p1. Also see *Freedom* 13/11/43 p1; *News Weekly* 18/6/47 p3, 9/7/47 p1, 3/12/47 p4, 18/8/48 p4, 28/9/49 p5, 4/10/49 p4. *Freedom* 29/1/44 p2 for how worker owned businesses could put an end to the need for strikes and lockouts.

35. *News Weekly* 16/2/49 p4.

on the need to increase the size of the economic cake and to end industrial disruption. So the Movement endorsed incentive payments and Chifley's production drive. A *News Weekly* pamphlet, *Production or Poverty?* exhorted "AUSTRALIANS
"Support the Labor Government and the Peace in Industry Conference in the fight for greater production."³⁶

In accord with this logic and despite rhetoric about needs based wages, *News Weekly* in April 1949 explicitly opposed the L10 basic wage claim as inflationary, as it had earlier supported temporary continuation of wage pegging.³⁷ Eventually Movement support for productivity rather than quarterly wage adjustment tipped the balance in its policies overwhelmingly against demands for across the board wage increases.³⁸ Class harmony was a greater good for the Movement than increased wages.

^{36.} *News Weekly Production or Poverty? 10 Reasons Why You Should Increase Production Melbourne 1947?* p4. Also see *News Weekly* 23/7/47 p3, 30/7/47 p1, 6/8/47 p1, 5/1/49 p3, 19/1/49 p4, 13/4/49 p4, 18/5/49 p5.

^{37.} *News Weekly* 6/4/49 p3.

^{38.} Murray *The Split* op. cit. p56.

CHAPTER NINE

LEFT NATIONALISM, CONSERVATIVE AND RADICAL

The development of laborite thought can be related on the one hand to the requirements of Australian capitalism and its contradictions, reflecting differences in the capitalist class as over Bretton Woods. On the other hand class contradictions inside the ALP, concerning questions like post-war nationalisations, abolition of wage pegging and the introduction of the forty hour week, were involved. Communist strategic and economic ideas were also shaped by the exigencies of the class struggle. But they were shaped by developments on the plane of the international capitalist system more directly than ALP thought was. Communists had a primary interest in the interplay of the great powers during the war and then the emergence of superpower blocs around Russia and the USA after it, because of their identification of Russia as the socialist motherland. Where the ideas of the ALP were in part determined by Australia's place in world capitalism, the Communists were explicitly concerned with and gave priority to events of international significance.

During the decade after the start of the "Great Patriotic War Against Fascism" in June 1941, Communist policy underwent two profound reorientations. The Party's attitude to the war and its economic analyses of the period changed very rapidly when Germany invaded Russia. Clearly Communists' international preoccupations, rather than the Australian class struggle, were virtually the sole consideration here. The CPA's economic thought quickly came to include an appreciation of the progressive role of the Labor Party, as the representative of Australian capitalism, and an optimistic assessment of the socialist potential of the Government's anti-depression policies, prefiguring the Communist Party's own reformist underconsumptionism from the mid-1960s. Then the Australian Communist Party (the Party changed its name in 1944 on its merger with the State Labor Party) entered a transition period, during which it became more and more critical of the Government's foreign and domestic policies, as the war was drawing to a close. It began to revise its attitude to the role of the ALP and the progressive sections of the Australian capitalist class Labor was held to represent. This criticism was encouraged by a quickening in the pace of the domestic class struggle, the self-evident emergence of a cold-war foreign policy in Australia and then by events in the international communist movement -- the Conference of Empire Communist Parties in February 1947, the establishment of the Communist Information Bureau (Cominform) in September 1947 and developments in the "New Democracies" of eastern Europe. During this transition period the Party gave greater emphasis to the role of the monopolies in Australian capitalism and reasserted the inevitability of economic crises. The Party's nationalism developed an increasingly anti-American flavour, which still characterises much of the Australian left today. The May 1948 ACP Congress confirmed the new radical position and supplemented it with an extremely polarised picture of the structure of Australian capitalism. On the one side stood the Collins House monopolists, on the other the ACP, the only genuine political expression of Australia's national independence. Militant class struggle replaced measures by a Labor government as the most important means of obtaining a measure of economic security for the working class. The radical line remained in place until 1951-2, when changed international circumstances and a severe decline in the Party's fortunes dictated more moderate policies.

Despite the diversity of Communist policy between 1941 and 1950 the period possesses a unity. It was the period of the Party's highest membership and greatest influence, particularly in the trade union movement. The Party's three hundred union officials acted as a bridge carrying Communist ideas into the wider labour movement and rank and file worker sentiment into the Party. Communist theory was consistently nationalist during the period: it justified its policies as being in the interests of the Australian nation or people (for analytical purposes it is often better to read such justifications as "in the interests of Russia's rulers"¹). To highlight the doctrinal continuity as well as the changes in the ACP's ideas it is useful to divide the period between 1941 and 1951 into three sub-periods -- the war, 1941-45; transition 1945-7; and the radical phase, 1947-51. These are examined in the context of the Party's interpretation of a statement on Australia's place in world capitalism and the structure of Australian politics: Lenin's 1913 article "In Australia". This article provided an important theoretical reference point for the Communist Party between 1941 and the early 1950s. Official interpretations "reoriented" the article to accommodate the Party's current position.

Lenin's article was known in Australia before the 1940s. In order to make the Communist Party's use of the article during and after the war clear, earlier references to the article and the context of its production are examined. The primary importance of real social forces in defining the content of an "idea" is also nicely illustrated in the career of Lenin's little article of 600 or so words before 1941.

"In Australia" was first published in the legal *Pravda* of 13 June 1913.² Lenin based his account on the analysis of

1. c.f. L. L. Sharkey "We oppose current foreign policy, not so much because it is or is not in the interests of Soviet Russia to do so, but because this policy is a menace to Australia" *Australian Communists and Soviet Russia* Current Book Distributors, Sydney 1947 p10.
2. V. I. Lenin *Collected Works Volume 19* Progress Publishers Moscow 1913 pp216-7.

the Australian elections published in the press of the senior party of the Second International, the German Social-Democratic Party.³ Cliff has pointed out that

"Lenin knew how to write very popular, short articles for *Pravda*. They were always factual, and every article centred on just one idea, which was argued out".⁴

The message in this article was that class struggle could not be avoided under capitalism, including in Russia. The Australian situation, with its class-collaborationist Labor Party, was exceptional. It could last only a short time because Australia was a colonial country which had not yet achieved full independence or a proper central government. By implication Australia was more backward politically than Russia. Underlying the article were a number of assumptions which derived from Lenin's conception of the socialist revolution at that time. He believed that socialist strategy would have to go through two stages. The first was appropriate to the period of struggle for the achievement of the bourgeois revolution, as set out in the minimum program of the Russian Social-Democratic Labour Party -- a democratic republic, land reforms, certain labour reforms. The second stage could only start after the first had been completed. It was the struggle for the socialist revolution.

Lenin's article was designed to deprive liberals in Russia of an example of the advantages of class peace. But it also illustrated some of Lenin's assumptions about revolutionary strategy. In particular, Lenin's account of Australia lent weight to his argument that a labour party could play a leading role in the achievement of the tasks of the bourgeois revolution and could even participate in a revolutionary government committed to carrying out those tasks if it conducted "1) a revolutionary struggle against counter-revolutionary attempts, and 2) the defence of the independent interests of the working class".⁵ He counterposed this position to that of the Mensheviks who thought the working class should only play a passive political role, supporting the bourgeoisie's political actions in attaining its revolution. In the course of 1917 Lenin changed his attitude to the stages socialist strategy would have to pass through. In his *April Theses* he affirmed that the socialist revolution was on the immediate agenda,⁶ adopting a position indistinguishable from Trotsky's theory of permanent revolution. The 1913 article is also notable because it prefigures one aspect of Lenin's analysis of the majority of social-democratic parties, by at least a year. As a result of the collapse of the Second International at the beginning of World War I Lenin's characterisation of the ALP as a bourgeois labour party was extended to most of the parties of the International.⁷ The article bore some of the marks of a second or third hand account. Lenin attributed uniform national education, factory (still not a feature of Australian society) and tariff legislation to the ALP, as well as the land tax the second Fisher Government did introduce. Nevertheless his conclusion that the ALP was a "liberal" party was a real insight and constituted a point of interest for Australian socialists.

Lenin's sole attempt to specifically analyse the conditions of Australian capitalism and the ALP apparently had no direct influence on Australian Communists until 1933 when it was published in Australia for the first time and with great fanfare in the CPA's *Labor Review*.⁸ Neither this edition, nor those that followed made any serious attempt to place the little article into historical context. Presumably such a step would have reduced the ability of CPA leaders to interpret it flexibly. "Lenin 1913" did not immediately become a touchstone for Communist analyses of the Labor Party or of Australia's place in world capitalism. Within a month of its publication, Jack Mason⁹ made a reference to the article: What Lenin wrote proved that Jack Lang's proposal to unify Australia was simply a capitalist policy.

"In Australia" did not fully accord with the extreme leftist spirit of the Communist Party as it went through its Third Period stage. Where the Stalinist Comintern called social-democratic parties "social fascist", Lenin had more accurately described the ALP as a "Liberal Labor Party". The article was revived in January 1935, on the occasion of the eleventh anniversary of Lenin's death, as the CPA was in a transitional phase between Third Period and Popular Front politics. For a while the Party's orientation roughly accorded with Lenin's. The Communist Party had cast off the worst of its sectarian excesses and was advocating a United Front with the ALP, though not yet a Popular Front. An article in *Communist Review* and a *Workers Weekly* editorial announced that Lenin's prediction was coming true as the bourgeois Labor Party made way for the socialist Labor Party, in the form of the CPA.¹⁰

The logic of the CPA's Popular Front politics led it to reinterpret Lenin's 1913 essay in 1938. J. B. Miles had already foreshadowed that affiliation of the Communist Party to the ALP would prepare

3. For a discussion of the German Social-Democratic press's treatment of the ALP before World War I see J. Tampke "Pace Setter or Quiet Backwater?: German Literature on Australia's Labour Movement and Social Policies, 1890-1914" *Labour History* 36, pp3-17

4. T. Cliff *Lenin Volume 1: Building the Party* Pluto Press, London 1975 p343.

5. V. I. Lenin *Two Tactics of Social-Democracy in the Democratic Revolution* in his *Selected Works Volume 1* Progress Publishers, Moscow 1977 pp434-7, 494 (first published 1905).

6. V. I. Lenin *The Tasks of the Proletariat in the Present Revolution* in his *Selected Works Volume 2* op. cit. pp29-33 (first published) 1917.

7. See V. I. Lenin *Imperialism and the Split in Socialism* Progress Publishers, Moscow 1975 p19 (first published October 1916):

"The fact is that 'bourgeois labour parties', as a political phenomenon, have already been formed in *all* the foremost capitalist countries."

Also see *The Collapse of the Second International* Progress Publishers, Moscow 1975, first published 1915.

8. *Workers Weekly* 24/3/33 p4: "... 'In Australia', in which the genius of Lenin unerringly estimates the make-up of this Party. Every student must have this article".

9. probably a pseudonym for J. B. Miles, the CPA's leader.

10. *Workers Weekly* 18/1/35 p2. This issue of the paper also carried a reprint of Lenin's article on p3, R. D[ixon]. "Socialism and the Australian Labour Movement" *Communist Review* January 1935 p6-16.

"the way for a fundamentally class outlook on essentials in the ALP ranks, and for a united working-class party for the struggle to end the power of capital, establish a class government of workers to suppress all counter-revolutionary opposition and go forward to the building of socialism".¹¹

L. L. Sharkey trimmed Lenin's article to fit the new perspective. He indicated that the struggle to reform the NSW ALP was part of the process Lenin predicted whereby a Socialist Labor Party would emerge. The implication clearly was that the ALP could be transformed into a Socialist Labor Party.¹²

Within a year of Sharkey's article the Party's interpretation of Lenin 1913 changed again. Just as Stalin's increasing exasperation with the western democracies which he was attempting to woo into an anti-fascist pact, led him to turn to Germany, Australian Communists were becoming increasingly exasperated with the Labor Party by mid-1939. Despite repeated overtures for a Popular Front, the ALP had shown no willingness to collaborate with the Communist Party or with "progressive" sections of the conservative parties. For this latter crime ALP leaders were labelled "sectarian" in the Communist Press.¹³ In June 1939 Dixon anticipated the leftism of the Party's line during the "Second Imperialist War". He said that "the Labor Party is by no means a socialist workers' party. It is, to quote Lenin, a 'bourgeois Labor Party'".¹⁴ But Dixon did not refer to Lenin's wider analysis, in the article, of the role of the ALP in developing Australian capitalism nor to the need for a Socialist Labor Party. Once Communist leaders had sorted out the correct response to the outbreak of war and the Hitler-Stalin Pact the Party embarked on a more thorough-going leftist course, eschewing nationalism and for the first time raising Lenin 1913 to the status of a key doctrine. It retained that status throughout the 1940s, despite two further changes in the Party's orientation.

In *What Is This Labor Party?* Mason (Miles) and McShane (Sharkey) set out to discredit the ALP and its support for Australia's efforts in the "Second Imperialist War". "Our starting point," they announced "is Marxism-Leninism, more especially Lenin's well-known analysis of the Australian Labor Party, made in 1913".¹⁵ They emphasised the non-socialist nature of the ALP, its nationalism and protection of Australian capital. These undesirable features were explained in terms of the Party's base in the petty bourgeoisie and the aristocracy of labour. That is, they employed the Leninist critique of social-democracy in general which attributed the corruption of the aristocracy of labour to bribes made out of the proceeds of colonial exploitation, and identified the conservative influence of trade union officials in the parties of labour. Mason and McShane conceded that the Labor Party had achieved "liberal" reforms before World War I, but, as in Lenin's article, they counterposed these advances to the need for a Socialist Labor Party, quickly identified as the CPA. This, the main conclusion, indicated why Lenin's article was summoned up to play an important role during 1940: where the Popular Front strategy had been premised on a relatively uncritical attitude towards the ALP, a merit of Lenin's analysis was precisely that it highlighted the obsolescence of Labor's class-collaborationism as far as the pursuit of working class interests was concerned.

1941-45: A National Front for Victory¹⁶

After June 1941 Communists were secure in the belief that their patriotism, now permanently exchanged again for internationalism, served the interests of the socialist motherland.¹⁷ So it did, because the ruling classes of Russia and its allies had a common interest in the defeat of the Axis powers. The Communist Party of Australia's most substantial explanation of its war-time orientation was L. L. Sharkey's 1942 pamphlet *Australia Marches On*.¹⁸ The pamphlet included Marx's "News from Australia, 1855" and Lenin's "The Labor Government in Australia", i.e. Lenin 1913. Where *What Is This Labor Party?* was primarily concerned to document the ALP's anti-working-class features, including its nationalism, Sharkey's contribution to *Australia Marches On* stressed a different aspect of Lenin's argument. He gave priority to an issue that in Lenin's article was subordinate and transitory: the progressive role of the ALP in developing Australian capitalism. Lenin regarded the influence of and working class support for the ALP as a preliminary to the emergence of a Socialist Labor Party. Earlier CPA interpretations of the article accorded with this expectation, either maintaining that the ALP was on the verge of transforming itself into, or that the CPA was about to supersede the ALP as the Socialist Labor Party. In both cases the old role of the ALP was already redundant. Thirty years after Lenin had innocently produced the topic for extensive antipodean biblical exegesis, Sharkey turned earlier interpretations on their heads: the ALP was still playing a progressive role by taking the process of the development of an independent and centralised Australia to fulfilment. Sharkey gave the ALP credit for legislation that helped to consolidate and develop an independent

11. J. B. Miles "The Federal Conference of the Australian Labor Party" *Communist Review* September 1936 p23.

12. L. L. Sharkey "Working-Class Unity" *Communist Review* October 1938 pp55, 57.

13. R. Dixon "Towards A People's Front" *Communist Review* September 1938 p55.

14. R. Dixon "Labor Reformism and the Popular Front" *Communist Review* July 1939 p397.

15. Mason and McShane *What Is This Labor Party?* Forward Press, Sydney (as the covers says "Published... For The Communist Party Of Australia" the pamphlet probably appeared before May 1940 when the Party was banned) p2.

16. Communist Party of Australia *A United Working Class and a National Front for Victory: Resolution of the 13th Congress* March 1943, Sydney 1943.

17. The "Australian Working Class March" (Tune: "Men of Harlech") in Australian Communist Party *A Book of Community Songs* Sydney 1945 p5 began "Sing Australia's greatest glory, Battles in her epic story. . ."

18. L. L. Sharkey *Australia Marches On* NSW Legal Rights Committee, Sydney 1942. Also see the third impression Communist Party of Australia, Sydney 1943. L. H. Gould's review of *Australia Marches On* indicated the exalted status of Lenin 1913 at this stage. "The author's starting point", according to Gould, "is Lenin's analysis in 1913, of the Australian political scene, and his forecast of future developments - amazingly fulfilled in all details" *Communist Review* February 1943 p13.

Australia, including that for the Commonwealth Bank, land taxation, the Scullin tariffs and, following Lenin's mistakes, the uniform Customs tariff, Federation Acts and Factory Acts. The Curtin Government's ratification of the Statute of Westminster and proposed constitutional alteration were evidence that this process was still going on and that the CPA should support it.

"Independence, unification, democratic institutions, industrialisation and numerical and political growth of the working class, these are the basic conditions which capitalism itself has been compelled to create, but which are, historically, also the basic preconditions for the transition to a socialist society. . . it is for us to help along the historical development."¹⁹

The Communist Party, in other words, should promote capitalist development so long as it proceeded along prescribed lines, as it was doing during the war. The argument was the same as that used by Labor Party supporters for decades and was extended to the Communist analysis of Australian imperialism.

On the basis of its current interpretation of Lenin 1913 the Party achieved greater insight into the dynamics of Australian imperialism than it had since embracing nationalism in the mid-1930s or it ever did subsequently. Ironically this was because of Communist endorsement of, or at least indifference to, Australia's imperial ambitions. During the War Lenin's insight that the ALP pursued the interests of Australian capital was wholeheartedly accepted by the Party, unencumbered by contradictions between bourgeois foreign policy and the interests of the Russian ruling class. The Party not only identified with Australian nationalism but also regarded the Government's war policy as essentially in accord with the nation's interests. After the war, as during the Popular Front period, there was a divergence between the Party's conception of the national interest and that of the Government, because the latter was increasingly anti-Soviet. This distorted Communist perceptions of the capitalist class's pursuit of its own (in the final analysis, the only operative "national") interest. Dixon found little to object to in the Curtin Government's ambitions in the south Pacific and accurately assessed the motivation behind Government policy in the last years of the war:

"If left to itself Australian imperialism has little chance of asserting itself against America. Hence, whereas in 1942 Mr. Curtin appealed to America for aid, now, at the end of 1943, he is for a strengthening of the ties of the British Empire, so as to strengthen Australian capitalism for the struggle against U.S. imperialism. It must not be assumed from this that he wants to strengthen the Empire on the old basis."²⁰

A contribution to the development of a unified, robust and independent Australian capitalism was not the only condition for Communist support for Government measures. Sharkey specified another: that such measures represented the influence of the people on national and foreign policy.²¹ Thus the Party had previously opposed referenda introduced by conservative governments even though they would have served to unify the Australian political system (Bruce's first referendum on arbitration is the most notable example). But in practice the Party's identification of the Curtin Government as the bearer of progressive liberal policy made this condition redundant.

Sharkey supplemented Lenin's analysis by explaining that the ALP's liberal capitalist behaviour was a result of its greater independence from any sectional capitalist interests than the conservative parties could attain. The Labor Party was therefore better able to "legislate for Australian capitalism as a single entity."²² Although Sharkey maintained that the Curtin Government was still worthy of support, because of this progressive capitalist role, he defined a space for the CPA by arguing the ALP's old role was nearly exhausted and that the CPA was leading the working class in independent action and stood ready to lead the way to socialism, as the promised Socialist Labor Party. The CPA's *Handbook for Tutors* also stressed this argument.²³ E. J. Rowe, an AEU Commonwealth Councillor, explained the connection between the development of Australian capitalism and the inevitable ascendancy of the Communist Party in the labour movement. He linked the rise of an independent Australian capitalism and its large factories to wartime dilution of skilled trades and hence the erosion of reformism's base in the labour aristocracy. This development occurred because over the past forty years "the Australian bourgeoisie refused the role of 'hewers of wood, etc,' to the British imperialists and commenced a sturdy development that

19. *ibid.* p44. In *Tribune* 5/4/45 p5 Sharkey paraphrased this statement:

"The Communists support this trend towards an independent Australian national sovereignty, not because we are narrow nationalists, 'superior racists', chauvinists and flag waving 'patriots' of the imperialist type, but because we are true Australian patriots who place the welfare of this land first.

"... It is a necessary stage of our nation's growth, for the establishment of an industrialised and self-governing nation increases the strength and importance of the working-class and creates the conditions for eventual socialism."

Also see L. L. Sharkey *An Outline History of the Australian Communist Party* Australian Communist Party, Sydney December 1944 p30 for a reference to Lenin 1913.

20. R. Dixon "The Federal Labor Conference" *Communist Review* January 1944 pp180-2. The CPA's position on New Guinea was to oppose "Australian imperialism", and call for an eventual exercise of national self-determination by the local people, R. Gibson *Communist Review* April 1943 p37; S. Purdy "Post-War for the Fuzzy-Wuzzy's" *Communist Review* October 1943 pp138-9; E. Laurie "A Democratic Policy for New Guinea" *Communist Review* December 1943 pp165-6; E. A. H. Laurie *Australia in New Guinea* Current Book Distributors, Sydney August 1944. L. H. Gould "New Zealand and Australia" *Communist Review* February 1944 pp201-2 greeted the Australia-New Zealand Agreement as a fulfilment of Lenin 1913's predictions. He said its provisions concerning defence in the south-west Pacific had "the earmark of unwarranted grab - not large, perhaps, just commensurate with Australia's position as a 'second-rate imperialist power'" but he nevertheless endorsed Australia's claim to retain bases on the Pacific islands.

21. L. L. Sharkey *Australia Marches On* op. cit. p22

22. *ibid.* p26.

23. Communist Party of Australia *Handbook for Tutors* 1943 (no date is given but internal evidence indicates it was published after 1942 and the Party changed its name to Australian Communist Party at the beginning of 1944) p10; *Tribune* 26/8/43 pp1, 3, 7/10/43 p3; J. R. Hughes "Amalgamation - A Historical Step" *Communist Review* January 1944 pp178-9; R. Dixon *We Must Go Forward* Australian Communist Party, Sydney March 1945 p5.

resulted in Australia becoming a second-class imperialist power".²⁴ Australian capital accumulation now deserved the same attribute that British imperialists reserved for the "sturdy" English yeoman.

The Communist Party propagated the "Leninist" perspective on the role of the Labor Party and Australian capitalism in *Australia Marches On* extensively during the War. It was invoked to refute the renegade Lloyd Ross's defence of the ALP,²⁵ to justify support for ratification of the Statute of Westminster²⁶ and the Curtin Government's proposed constitutional changes,²⁷ on the sending of an Australian ambassador to Moscow,²⁸ and to explain a variety of the Government's other actions.²⁹

The Party's line was imbued with the *Australia Marches On* perspective even where it and Lenin 1913 were not mentioned. In November 1942 "Dublin" maintained that the manner of Menzies' declaration of war in 1939 "was just one of the last splutters of the old system of complete subordination" to Britain. Australia was reaching its independence and "success will be ensured to the degree that the working-class can effectively influence and support progressive actions by the Curtin Government in foreign affairs".³⁰ The Party praised the "liberal reform tradition established by the Andrew Fisher Labor Government" and "never failed to recognise the Labor Party's services in building an economically strong, a more unified and more independent Commonwealth".³¹ On the third anniversary of the Curtin Government *Tribune* maintained that "The period witnessed Australia's quickened pace towards nationhood".³² During the War full independence for Australia seemed as perpetually imminent to the Communist Party (thus prolonging support for the Curtin Government) as the threat to Australia's independence has seemed from the late 1940s to the present. The actual point at which independence was reached was only retrospectively identified, after the Party's line had changed, as the ratification of the Statute of Westminster.

The perspective incorporated in "Lenin's" analysis of the ALP and Australian capitalism provided the framework for the CPA's other economic ideas. During the War these can be roughly grouped into three categories. 1) The importance of Australia developing as an independent capitalist state. Such an assessment fitted in well with the class collaboration the Party encouraged during the War. Unlike the Popular Front, the cross class unity of the War period went well beyond agreement on international issues to include questions of production and budgetary policy. 2) A much less polarised view of the anatomy of Australian capitalism. Again in contrast to the earlier Popular Front interpretation, the Communist Party's war-time line militated against an economic analysis of Australian capitalism based on anti-monopolism, and against the demand for nationalisation of key industries. 3) A drift into left-Keynesian economic policy prescriptions. In emphasising the progressiveness of the Curtin Government's policies, Communists tended to suggest that a Labor Government could overcome some of the constraints placed on economic policy by the capitalist system, including the inevitability of economic crises. This aspect of Communist thought became particularly pronounced in 1944 and 1945.

"Some Profits Must Be Left To The Capitalists"³³

The CPA's policy on the class struggle stood in notable contrast to its earlier attitudes. An editorial in the *Ironworker* (later *Labor News*), the newspaper of the Communist dominated FIA, summed up the Party's attitude, only a few months after the German invasion of Russia:

"Apparently one of the diseases to which a militant trade union is subject is the periodical outbreak of strikes and stoppages which serve no real purpose and which only weaken the organisation.

"... We have had many examples of an irresponsible attitude towards the union and the belief by small sections of the workers that they can take action in spite of, and in defiance of the union, and then expect the union to handle the dispute and finance it."³⁴

At other times Communists would have called such an attitude "industrial solidarity". Indeed Ernie Thornton, the union's Communist secretary, had boasted of the extent of the FIA's involvement in industrial action in the June 1941 *Ironworker*. But the Party had moved from encouraging virtually any industrial action to hostility to any

24. E. J. Rowe "New Processes Demand New Union Policies" *Communist Review* January 1944 p188-9.

25. *Communist Review* July 1942 pp11-12

26. *Tribune* 23/9/42 p3; J. Mason "Changing the Constitution" *Communist Review* October 1942 pp2-3; "S.P." "The Constitution and the Post-War World" *Communist Review* December 1942 p4.

27. J. Mason "Changing the Constitution" op. cit.; J. Mason "More Power for National Parliament" *Communist Review* November 1942 p8, "S.P." "The Constitution and the Post-War World" op. cit.; E. F. Hill "The Need for Greater Federal Powers" *Communist Review* February 1944 p206; *Tribune* 16/9/43 p1 editorial, 13/1/44 p4.

28. "Dublin" "Envoy to Moscow: Australia Grows Up" *Communist Review* November 1942 p1.

29. e.g. Evatt and Curtin's renunciation of nationalisations during the War "Lenin, Curtin and Evatt Agree on ALP" *Communist Review* September 1943 p118; the signing of the Australia-New Zealand Agreement *Tribune* 27/1/44 p1; and the 1945 bank legislation *Tribune* 5/4/45 p5, 29/3/45 p1 editorial.

30. "Dublin" op. cit.

31. *Tribune* 29/3/45 p1 editorial.

32. *Tribune* 5/10/44 p1 editorial.

33. "Economist" "War Finance and the Chifley Budget" *Communist Review* October 1942 pp10-12.

34. *Ironworker* September 1941 p4 editorial See also R. Dixon "The United Front" draft resolution for the CPA's 1943 Congress *Communist Review* March 1943 pp19-20. Dixon advocated "A firm stand for disciplined adjustments of grievances, for an end to unauthorised strikes and stoppages and avoidable absenteeism". Later the Central Committee congratulated the Party for the way this task had been carried out:

"The fight for production and transport of the necessary war materials was no easy task, the Party being forced to struggle not only against irresponsibility shown by some sections of workers, and against Langite and Trotskyite disruption and sabotage, but also against pin-pricking and provocation by some employers and against Government weakness and mistakes."

Australian Communist Party Report of the Work of the Central Committee from the 13th to 14th National Congress Sydney June 1945.

disruption of work when Russia became one of the gallant allies. By opposing fascism, capitalists and capitalist governments were playing a progressive role, which neatly meshed with that of the "liberal" ALP's mission to establish an independent capitalist state in Australia.

The *Ironworker* asserted that the union's (and the Party's) attitude to industrial action did not entail an abandonment of the class struggle because it defended the right to strike after conciliation and arbitration had been exhausted. But when workers advanced the struggle, for example by ignoring the Government's abolition of the 1943 New Year's Day holiday, the union chastised them.³⁵ Nevertheless, the thrust of Communist policy during the War should not lead to an overstatement of the distance between the attitudes of Party members and the working class in general. In their support for the War Communists were going with the mainstream of Australian opinion, including that inside the working class. This was the case even if that current served the interests of capital labour and a growing minority of workers went against it in their shop-floor practice by engaging in industrial action. Moreover Communists still raised criticisms of war-time working conditions and wage movements, recognising that employers were taking advantage of the hostility of ALP and Communist union officials to strikes.³⁶ The Party also raised the demand for equal pay, even if only for "equal work" (but again opposed industrial action to achieve it).³⁷

If Communists were not usually blatantly class collaborationist on the crucial question of struggles actually in progress, they could have hardly been more so when it came to the maximisation of production. Because winning the war was the immediate and absolute priority, workers were urged to increase production as far as possible and to accept some deterioration in working conditions if this was necessary. While the Party was still illegal in 1941 or early 1942, its front organisation the Legal Rights Committee issued a leaflet matching the most extreme jingoism of World War I:

"Communist call to action! Mad Dogs of Japan Move Closer to Australia!

"WORKERS! SPEED UP PRODUCTION -- be ready for all sacrifices."³⁸

Dixon expressed the same sentiment in a less overtly racist way:

"The policy of the Communist Party calls for maximum war effort and for unity in support of the Curtin Government which is so effectively mobilising Australian manpower and resources for the people's war."³⁹

Jack Lindsay, the Communist Research Officer of the NSW Labor Council contributed to the war effort by writing a number of pamphlets on the importance of raising production and advocating an extension of the shop committee movement to help increase output.⁴⁰

By emphasising the role of the workers in the war the CPA maintained its orientation to the working class, even if its content had changed from supporting at least some level of industrial militancy to advocating that workers accept the goals of capitalist production:

"For production, as indeed in every phase of the war effort the central point of our propaganda is the decisive role the working class can and must play."⁴¹

The point was made on all possible occasions, including May Day with the slogan "Produce More for the People's War".⁴² The Communist argument for reducing working hours (to above the pre-war level) and for improved conditions was an unintentional parody of the laborite case for the 40 hour week before the war: such steps would increase production.⁴³ Thus the Party welcomed the Government's limitation of working hours to 56 per week as a real break-through.⁴⁴ Stakhanov, the "man of marble" who gave his name to the super-exploitation of Russian workers, became a popular figure in the Communist press during 1942. In August 1942 Stakhanov conveniently died at the front making him totally reliable as a political hero from the viewpoint of the Russian bureaucracy.⁴⁵

The Communist Party's attitude to the war generally led it to tail the Labor Government on questions of budgetary policy as on those of production. The Communist attitude to the Curtin Government's first budget set the tone for the rest of the War: it was progressive but the Government could have done better.⁴⁶ "Economist" endorsed and

35. *Ironworker* January 1943 p3. The CPA had welcomed the Government's December 1941 decision to cut public holidays to a minimum but *Tribune* nevertheless went into recess over Christmas-New Year 1941-2, *Tribune* 19/12/41.

36. e.g. *Tribune* 25/2/42 p4, 14/10/43 p1, 16/12/43 p1 editorial; R. Dixon "The United Front" op. cit. pp19-20.

37. L. Finch "CPA Women and the War" *Hecate* 10(1) 1984 p23; *Tribune* 21/1/42 p1, 11/2/42 p4.

38. in 'Australian Communist Party Literature 1927-40' Mitchell Library.

39. R. Dixon "The United Front and Labor Reactionaries" *Communist Review* June 1943.

40. J. Lindsay *The Battle for Production* Labor Council of NSW p2, also see his *Factory Front and Women in the Workplace*, on the role of shop committees in increasing production see *Tribune* 11/3/42 p1, 25/2/42 p2.

41. *Communist Review* May 1942 p7.

42. *Tribune* 27/4/44 p3, also see a series of articles "Struggle for Production" starting in *Tribune* 26/8/42 p4. As late as April 1945 the Party boasted "Mines Output High Where ACP Strongest" *Tribune* 10/4/45 p4.

43. Lindsay *The Battle* op. cit. pp5-7, *Tribune* 4/3/42 p1, 14/11/41/p1, "Hours of Labor and Production" *Communist Review* November 1942 pp4-5.

44. *Tribune* 4/11/42 p4

45. "Stakhanov -- Organiser of Socialist Labor" *Communist Review* June 1942 pp8-10, "Stakhanovism -- On the Collective Farm Fields" *Communist Review* August 1942 pp8-9, *Tribune* 16/9/42 p3, 27/1/43 p4.

46. *Tribune* 7/11/41 p1. The Party accepted the Government's income tax measures, but argued that the rich should make a greater contribution, *Tribune* 7/1/42 p3, 4/2/42 p2, 17/2/44 p1; J. B. Miles "A Programme for the People" *Communist Review* October 1943 p132. For criticism of the level of war-time profits and the cost-plus system of war contracting see e.g. J. Lindsay *Tribune* 2/12/43 p4. Reporting a Conference of Federal union in February 1942, *Tribune* 18/2/42 p1 said "The general features of the [Government's] economic plan will no doubt be accepted" and emphasised the importance of Government consultation with the unions. The plan and its most important feature, wage pegging, was accepted by the unions and the CPA.

accurately assessed Chifley's approach to war finance as attempting to reduce civilian consumption in order to redirect resources to the war effort. "Economist" was particularly solicitous of the interests of capitalists, using arguments employed today by conservative opponents of high taxation:

"Some further taxation and compulsory loans may be needed later, but they must not be so heavy as to reduce the incentive to work to the utmost."⁴⁷

Since war effort required the support of capitalists they had to be left some profits. He also favoured better wages for the lower paid and improved working conditions in general.

The logic of the CPA's support of the Government's economic policies while the outcome of the war remained in doubt was apparent in an anonymous contribution to *Communist Review*. The author argued against "Junius" that workers should not be compensated with pay rises for higher prices due to more expensive imports, higher taxation and increased costs of production. If the basic wage was to rise then the total wage bill should be kept in check by increasing taxation on workers without dependents, in order to avoid a drain on resources going to the war.⁴⁸ "Junius" had argued that inflation was due to "the general crisis of capitalism expressing itself in the current capitalist State finance" rather than to higher wages. This was one of the few times during the war, after 1941, that the general crisis was mentioned, although "Junius" did not explain the mechanics of its relationship with inflation. He argued that price control, greater taxation of the wealthy and increased public subscriptions to war loans were the solution to current financial problems. In reply to his anonymous critic "Junius" said that, wherever price rises came from, workers should be compensated for them, commenting that "Starvation will not be sweeter because it is not caused by profiteering".⁴⁹ The anonymous critic was allowed to restate his case in a further article in July 1943, an indication that while his position was not that of the Party the editors believed that it deserved a sympathetic hearing amongst Communists -- *Communist Review* was far from being an open forum.⁵⁰ An article by S. Purdy attempted to defuse the issue by stressing that war finance through "The method of loans is by far the best method for the working class and middle class", compared with the alternatives of taxation and bank credit.⁵¹ From October 1943 the Party ambiguously called for increased wages "as far as the war allows" and argued for a relaxation of wage-pegging to permit an increase in the level of the lowest wages.⁵² This was a response to the improved military situation and the rising level of industrial struggle. Communists argued for the "relaxation", "modification", "liberalisation", and "easing" of the wage pegging regulations. The trade unions, the Party held, were behaving correctly because "Despite the drastic effect of the wage-pegging regulations, the unions have never demanded that they should be abandoned".⁵³ Only when the War ended did the Party and its senior trade union officials call for the abolition of wage pegging, but this was also a consequence of the change in line inaugurated at the Party's August 1945 Congress.⁵⁴

Apart from contributing to the Curtin Government's economic policies by trying to restrain working class militancy, Communists assisted the war effort by campaigning actively and extensively for the various war loan programs. Appeals for the "Austerity", "Liberty" and "Victory" loans were made on public occasions, such as "Russia Day" in November 1942 (a date formerly celebrated as the anniversary of a revolution), and by the Communist press.⁵⁵ Cartoon 22 was such an appeal. We have already seen that S. Purdy regarded the voluntary reduction of workers' wages through loans as the most desirable means of war finance.⁵⁶ The Party now used the experience of factory gate meetings, gained through the organisation of workers in struggle before the War, to solicit for war bonds.⁵⁷ Norman Jeffrey, a founder member of the Party, became the Secretary-Organiser of the Industrial Loan Panel.⁵⁸

The Anatomy of Australian Capitalism During the War

National unity was the keynote of Communist analysis and propaganda during the "Great Patriotic War Against Fascism". For the CPA the Curtin Government expressed that unity by representing the interests of Australian capitalism and, for the time being, those of the working class. Unlike World War I, the present conflict was

"a war in which rich and poor alike, capitalist and worker, farmer and small business man, are fighting for a common aim in the defeat of fascism."⁵⁹

Thus the Communist Party was prepared to support what it acknowledged to be a capitalist government. In fact while Lenin was in vogue during the 1940s the ALP in its efforts to reform Australian capitalism was regarded as a political proxy for the enlightened bourgeoisie, although the UAP and Country Parties were the parties of the

47. "Economist" "War Finance and the Chifley Budget" op. cit. pp10-12.

48. "Inflation -- Some Criticisms" *Communist Review* April 1943 pp43-6.

49. "Junius" "Inflation" *Communist Review* February 1943 pp10-1, "Junius" "Inflation -- A Reply" *Communist Review* May 1943 p63.

50. "A Further Reply to 'Junius'" *Communist Review* July 1943 p92.

51. S. Purdy "War Finance" *Communist Review* May 1943 pp51-2

52. *Tribune* 14/10/43 p1; Communist Party of Australia *Federal Election Policy of the Communist Party of Australia* Melbourne 1943; J. B. Miles "A Programme for the People" *Communist Review* October 1943 p131.

53. T. Wright "Wage Pegging Problems" *Communist Review* February 1945 p425. Wright was an official of the Sheetmetal Workers Union and a member of the Party's Central Committee. For calls for relaxation of the regulations see *Tribune* 5/2/45 p7, 19/6/45 p3; J. McPhillips "Economic Demands of the ACTU" *Communist Review* August 1945 p573.

54. *Tribune* 30/8/45 p7.

55. See, for example, *Tribune* 18/11/42 p3, 7/10/43 p3, 14/10/43 p1, 21/9/44 p5.

56. S. Purdy "War Finance" op. cit.

57. Finch "Women and the War" op. cit. p16.

58. *Tribune* 16/3/44 p4.

59. R. Dixon "What Kind of National Government" *Communist Review* June 1942.

capitalist class⁶⁰. To avoid frightening off the capitalist class or overstepping the limits of the current stage of its strategy for achieving socialism, the Communist Party opposed calls for nationalisations until 1944.⁶¹ In 1942 and early 1943 Communists alluded to the capitalist class as essentially homogeneous and stressed the capitalist nature of the Government. Before the publication of *Australia Marches On* Dixon had said that the existence of the Labor Government was of serious concern to the ruling classes "even though Labor has not done anything to endanger the capitalist system". He did not distinguish amongst sections of the "ruling classes".⁶² In *Australia Marches On* Sharkey maintained that the ALP was a more effective party of capitalist government because of its greater independence of sectional bourgeois interests. While he referred to "big capital", Sharkey did not deal with differences inside the capitalist class. Moreover the terms "big capital" and "big business" are ambiguous as they can embrace the capitalist class as a whole (as opposed to the petty bourgeoisie) or just a section of the bourgeoisie. At this stage those hostile to the Curtin Government were characterised by their fascist sympathies, conspiracies and insignificance compared with the "people" rather than as "monopolists". Thus Menzies and Fadden represented "the most reactionary leaders of big business -- those who are most closely aligned to fascism". Len Fox's *Australia's Guilty Men and Their Conspiracy Against the Labor Government* was an expose of prominent conservative politicians. It made much of their supposed fascist sympathies and associations, but not their connections with various monopolists.⁶³ The pamphlet thus contrasted with Fox's earlier *Monopoly* and later *Wealthy Men* which both focused on the relationships amongst leading monopolists as well as their connections with particular politicians.⁶⁴

In the same way as Communist policy on wages became a little more aggressive, when the military situation eased, the Party again raised demands for nationalisation. It also came to place more stress on divisions inside the capitalist class. Where previously the Party had wanted an alliance with almost the entire capitalist class, now it looked to progressive sections of it.

A revival of a more polarised view of Australian society and the ruling class was apparent as early as December 1943, when the policies of the right wing of the Victorian ALP were identified with "the interests of the Victorian Monopolists".⁶⁵ Later, E. F. Hill contrasted the "reactionary capitalistic groupings" with the "national bourgeoisie", represented by the Government.⁶⁶ For a while Sharkey straddled the old and new positions. At beginning of an article in June 1944 he attributed opposition to national unity and the referendum proposals to the capitalist class as a whole. At end he said that Menzies and company acted in the interests of monopolists and black-marketeers.⁶⁷ At this time the ACP also began to call for the nationalisation of the big monopolies after the war. It denounced them for opposing the referendum and emphasised their links with overseas capital.⁶⁸ Moreover, according to the June 1944 Party Programme nationalisations were in the interests of a "substantial section of the capitalist class".⁶⁹ Dixon justified the Party's new demands in the following terms:

"At an earlier stage in the war, the raising of post war issues was dangerous to the war effort, as they are highly controversial and could have had the effect of dividing the nation when unity was vital"⁷⁰

Now that killing the conscripted workers of other countries was no longer vital to Australia's and Russia's interests, unity could be moderated and the Party could afford to see and press home divisions in society and in the capitalist class. Reactionary policies could again be attributed to the interests of the big monopolies, rather than to short sighted delusions, purely ideological sympathy for fascism or an ambiguous "big business" which had fewer implications of divisions in the capitalist class. Nevertheless E. W. Campbell in a review of *The Rich Get Richer* still criticised Brian Fitzpatrick for arguing that monopoly led to fascism. This position had been the orthodoxy for most of the 1930s and was again orthodox later in the 1940s. In a display of uncharacteristic disinterestedness Campbell maintained that

"Monopoly is not, therefore, an absolute evil; it has its progressive as well as its retrograde side."⁷¹

During the second half of 1944 the Communist led Miners Federation took an increasingly aggressive stance on the organisation of the coal industry. Not only the change in the Party's attitude to post-war questions, but also mounting rank and file militancy must have been considerations in this and later developments in the union. The Federation's President H. Wells, called for Government control of the mines, though not nationalisation, in

60. see e.g. Sharkey *Australia Marches On* op. cit. p26; *Tribune* 7/10/43 p3 referred to Lenin 1913 in its explanation that the conservative parties were those of the capitalist class, while the ALP tried to reform capitalism in the interests of privileged workers and the middle class. The CPA represented the real interests of the working and middle classes.

61. *Tribune* 13/5/42 p1 where Lloyd Ross's calls for nationalisation were diversions from the campaign for a second front, 23/12/43 p1.

62. R. Dixon "The Labor Government" *Communist Review* May 1942 p5.

63. The model for Fox's pamphlet was "Cato" (Michael Foot) *Guilty Men* Gollancz, London 1940. Written with the encouragement of Beaverbrook, Foot's employer, the British pamphlet attacked Tory appeasers and Labour pacifists, C. Bambery "The People's War" *Socialist Worker Review* May 1985 pp20-1.

64. R. Dixon "The Labor Government" op. cit., Sharkey *Australia Marches On* op. cit. pp22-3, quoting J. B. Miles. Later L. Fox continued the conspiracy theory tradition of the Money Power in his *Australia's Guilty Men and Their Conspiracy Against the Labor Government* State Labor Party, Sydney April 1943. 50,000 copies of the pamphlet were sold to February 1945, *Tribune* 15/2/45 p2.

65. "M. C." "Right Wing Domination of Victorian Labor Party" *Communist Review* December 1943 p173.

66. E. F. Hill "The Labor Party in Victoria and the 1944 Conference" *Communist Review* May 1944 p245.

67. L. L. Sharkey "Which Class Champions Democracy" *Communist Review* June 1944 pp257-9.

68. e.g. *Tribune* 15/6/44 p7, 22/6/44 p1, 29/6/44 p3, 6/7/44 p1.

69. Australian Communist Party *Programme of the Australian Communist Party* Sydney 1944.

70. R. Dixon "Labor's Policy for Private Enterprise" *Communist Review* September 1944 p315.

71. E. R. Campbell *Communist Review* September 1944 pp329-30.

October 1944 but by early 1945 the union's leadership was demanding nationalisation of the industry.⁷² Sharkey and Campbell's pamphlet *The Story of Government Enterprise in Australia* provided an extensive Communist Party case for widespread nationalisations, while the Party unequivocally, if late in the piece, began to endorse rank and file workers' demands for nationalisations and socialism, which had found greater expression in the ALP than the ACP during 1943 and 1944.⁷³

Despite this somewhat more aggressive stand (with Dixon expressing concern that the Government would not take the steps necessary to control the monopolies) the Party continued to affirm the validity of concessions to the "national bourgeoisie". The CPA rejected the view "that socialism must be the immediate post-war aim of the Communist Party".⁷⁴ Communists critically supported the Government's banking legislation because it would go some way towards curbing the power of the monopolists, even if it did not go far enough.⁷⁵ In the lead up to the Party's August 1945 Congress, then, it was already moving back to a view of the class anatomy of Australian capitalism more appropriate to its Popular Front strategy of late 1930s than to that of 1941-44. The Communist conception of the nature of capitalist crisis was much more moderate and closer to its reformist position from the mid-1960s, than it was even to its relatively uncritical attitude to Keynesian ideas of the late Popular Front period, until the Congress when J. B. Miles, in unconscious homage to Gertrude Stein, proclaimed that "Capitalism remains capitalism, monopoly remains monopoly".

Full Employment

Up until the start of the "Great Patriotic War" the Communist Party remained wedded to the view that capitalism was either in the midst or on the verge of an economic crisis.⁷⁶ Subsequently discussion of the inevitability of capitalist crises was largely confined to abstract expositions of marxist economics.⁷⁷ From 1943 the Communist Party justified support for the Government's referendum and some other proposals on the grounds that they were a means for avoiding a post-war economic crisis. This position was part of the Party's accommodation to the politics of the Curtin Government as a result of its desire for national unity and the lure of respectability.⁷⁸

The Australian Party never moderated its policies to the extent that the Communist Party of the United States (CPUSA), under Earl Browder, did. The American Communists moved to liquidate their Party and renounced the class struggle in anticipation of the class peace of the war continuing into a postwar period of economic development. The forces at work on the American Party were more extreme than those operating in Australia. The Roosevelt Government, which the CPUSA was constrained to support because it was an ally of Russia, was to the right of the Curtin Government. The effects of the sudden rush of respectability to the brains of American Communists must have been more dramatic than in Australia, given the more anti-Communist prewar atmosphere. Russia and the world's Communist Parties must also have been very much more anxious about US involvement in the War, to take pressure off the Russian front, than they were about Australian or even British commitments. Australia's preoccupation with the Pacific theatre and Britain's with the European were established policies over which Communists could hope to have very little influence. Despite these differences, the Australian Party

72. H. Wells "Program for Mining Industry" *Communist Review* October and November 1944 pp339, 358; *Tribune* 29/3/45 p3.

73. L. L. Sharkey and E. W. Campbell *The Story of Government Enterprise in Australia* Australian Communist Party, Sydney January 1945. For reviews of the pamphlet see e.g. *Labor News* March 1945 p5, *Tribune* 7/8/45 p4. According to *Tribune* 10/7/45 p6 400 copies had been sold to date. In June 1944 J. R. Hughes had acknowledged the existence of rank and file support for socialism, without endorsing any immediate steps in that direction, such as nationalisations, "Amalgamation A Historic Step" op. cit. p179. For Communist attitudes to nationalisations in 1945, before the end of the war, see e.g. *Tribune* 22/2/45 p1, 29/3/45 p3, 5/4/45 p5, 31/7/45 p3; E. J. Hansen "The Queensland Trade Union Congress" *Communist Review* February 1945; E. W. Campbell "The Australian People v. the Bank Tsars" *Communist Review* May 1945 p495; N. Bonney a favourable review of B. Fitzpatrick's *Public Enterprise Does Pay* *Communist Review* May 1945 pp510-1.

74. R. Dixon Report to the Central Committee meeting of February 1945 Communist Party of Australia Papers National Library of Australia MS3000 Box2 Folder1, at its May meeting the Central Committee included the efforts of progressive employers amongst the forces available to support national planning *Tribune* 31/5/45 p3. Contrast Dixon's position in "Post War Policy and the National Congress" *Communist Review* July 1945 p541 where he outlined the main division in the capitalist class ("not just one reactionary bloc") between the reactionary element, led by Menzies, and the progressive section which had supported the referendum to L. L. Sharkey's position a year before. Sharkey had argued that the whole capitalist class had opposed the referendum "Which Class Champions Democracy?" op. cit. Dixon reported on the traitorous role of France's "200 rich families" in *Tribune* 7/8/45, the last mention of that particular gene pool I have located in Communist discussions until 1948.

75. *Tribune* R. Dixon 20/3/45 p4. Also see Sharkey's less critical response *Tribune* 15/3/45 p1. Australian Communist Party *Facts About Banking Reform* Sydney 1945 p6 argued that a banking dictatorship, like that during the depression, would be broken by the new legislation.

76. For example, the Party published an edition of E. Varga *Changes in Capitalism During the War* in 1941 Communist Party of Australia, Sydney 1941, while it was still underground.

77. "Junius" in "Inflation" op. cit. p10 argued that inflation was due to the general crisis in contrast to S. Purdy in "'Private Enterprise' and 'Incentives'" *Communist Review* August 1943 p107, who maintained that the war had enabled capitalism to avoid economic crisis or "a state of chronic economic depression". Three of the discussions of marxist economics were reprints of overseas publications: E. Burns *What Is Marxism?* International Bookshop, Melbourne 1945, first published Britain 1939; M. Dobb *Economics of Private Enterprise: An Introductory Outline* Current Book Distributors, Sydney 1944, first published Britain 1943; A. Leontiev *Political Economy: A Beginners Course* Current Book Distributors, Sydney 1945?, first published in English Moscow 1935. Australian publications were the Communist Party of Australia's *Handbook for Tutors* op. cit. 1943, which also referred to Varga's "Changes in Capitalist Policy During the War" (sic.); Communist Party of Australia *An Introduction to Marxist Political Economy: Ten Lectures* International Bookshop, Melbourne 4th edition 1940?; Communist Party of Australia *The Capitalist Social System* International Bookshop, Melbourne 1942 (300 in first, 1941, printing, 5,000 in the second). None of these publications discussed economic crisis in the context of current circumstances, but only as an inevitable result of the mechanisms of capitalist accumulation: for Dobb the tendency of the rate of profit to fall, for Burns and the *Handbook* radical underconsumptionism, for Leontiev both, with the emphasis on the latter.

78. see Petersen "The Labor Movement and World War II" text of a lecture delivered on 7/12/80 in Sydney, p5, copy held by E. Petersen and E. Upward's novel *The Rotten Elements* Quartet, London 1979 for a fictionalised account of similar respectability amongst the leadership of the British Communist Party.

followed a few steps along the path taken by the CPUSA.⁷⁹ As the end of the war approached the ACP not only contemplated a post-war alliance with sections of the capitalist class, but its attitude to the ALP also softened and, according to Davidson, Communists came to believe in a peaceful transition to socialism.⁸⁰ The ACP's responses to Curtin's death and Chifley's accession epitomised the Party's willingness, for the time-being, to acknowledge not only the ALP's leadership of progressive forces in Australia but also the effectiveness of Labor's strategy:

"Victory, Progress Are Curtin's Memorials."⁸¹
 "... in his first public address as Prime Minister, Mr. Joseph Benedict Chifley set for the Australian workers and their middle-class and farmer allies the only possible course for victory in war and peace."⁸²

Initially the ACP's new attitude to the ALP involved another request to be allowed to affiliate to the Labor Party. Communists argued that such a move would consummate the advance towards working class unity already expressed in the amalgamation of the CPA and the State Labor Party at the beginning of 1944. After the failure of the affiliation move the ACP sometimes talked uncritically about "Labor's Socialist objective". This was a step back from the analysis in *Australia Marches On*, with its recognition that Labor's objective did not make the ALP socialist, and conflated the re-election of the Curtin Government, even alongside ACP Members of Parliament, with the transition to socialism.⁸³ The ACP also adopted an uncritical attitude to the Government's post-war economic policies, outlined in most detail in the *White Paper on Full Employment*.

The "powers" referendum was the first major issue in relation to which the Communist Party demonstrated its reformist attitude to economic policy after the war. H. B. Chandler, a former leader of the State Labor Party said of the powers sought in the 1944 referendum:

"If they are not granted it would mean retrogression, and a return to the doles and depressions, unemployment and unrest that characterised the prewar days."⁸⁴

Other Communist writers were even more explicit, reproducing the arguments of ALP leaders that the powers were needed to prevent another depression:

"The main issue at stake, as stated by Acting Prime Minister Forde, is whether the Commonwealth is to have the power to prevent post-war unemployment and depression."⁸⁵

Later Tom Wright suggested that the "laws of capitalism" would only be manifested in a depression after the War under a Menzies-Fadden Government. A Labor government, aided by international agreements might be able to avoid such an outcome.⁸⁶

Labor News went further than the official Communist press. Before the 1943 elections it predicted

"From then we can go forward to win the war and plan the New Order that will win the peace, if the Australian electors sweep the Curtin Government back to office."⁸⁷

The FIA's paper wished success to the referendum "To ensure jobs for all" and "To ensure decent wages".⁸⁸ FIA secretary Thornton, it should be noted, became Browder's most prominent admirer in Australia.⁸⁹ When in August 1945 the ACP started its turn back to support for militant class struggle and greater criticism of the

79. for reports on developments in the CPUSA in *Tribune* see 20/1/43 p3, 24/2/43 p3, 1/6/43 p2 and especially L. L. Sharkey "How US, Australian Communist Tasks Differ" 9/3/43 p3.

80. A. Davidson *The Communist Party of Australia: A Short History* Hoover Institution Press, Stanford, 1969 pp98-9.

81. *Tribune* 10/7/45 p1.

82. *Tribune* 17/7/45 p1 my emphasis.

83. *Tribune* 30/11/44 p3:

"The Australian people's rising prospects of a rapid advance towards socialism in the post-war, and the Australian Communist Party's determination to help lead the people to Labor's Socialist objective were stressed by Party leaders at last weekend's plenary session of the Party's Central Committee."

Also see L. L. Sharkey and E. W. Campbell *The Story of Government Enterprise in Australia* op. cit. p76 and T. Wright "Arbitration and the Living Standard" op. cit. p399, which called for the development of the Labor Government in the direction of a People's Government. In *Tribune* 5/4/45 p5 L. L. Sharkey propounded a position more in the spirit of *Australia Marches On*: "The Labor Party builds an independent and democratic Australia, the role of the Communist Party is to carry this work further and establish a democratic Socialist Australia." The ACP distinguished between the progressive forces inside the Labor Party and the reactionaries especially in the Victorian ALP, see e.g. "L. J. S." "Victorian Labor Party Conference" *Communist Review* October 1942 pp9-10; R. Dixon "The United Front and Labor Reactionaries" *Communist Review* June 1943; "M. C." "Right Wing Domination of Victorian Labor Party" *Communist Review* December 1943 p173; and especially E. F. Hill "The Labor Party in Victoria and the 1944 Conference" *Communist Review* May 1944 pp242-5:

"Upon men like Pollard, Dedman, Monk, Crofts, Cain, Slater and many others, who express the real tradition of the Labor Party, rests a great responsibility to take the initiative in ending the position in Victoria. They are people who occupy in Victoria the position occupied in the Federal sphere by the Curtin Government — a Government, it is true serving the interests of the national bourgeoisie, but, in present circumstances also the interests of the working class."

84. H. B. Chandler "Extend Federal Powers — And the United Front" *Communist Review* May 1944 p253. Also see, e.g. E. J. Rowe "Engineers Must Vote 'Yes'" *Amalgamated Engineering Union Journal* June 1944 p7.

85. *Tribune* 15/6/44 p7. As early as *Tribune* 20/1/44 p4 J. Lindsay had said that the referendum could prevent "great and needless hardship" after the War. Also see *Tribune* 1/6/44 p8 (Lindsay again); L. Fox *Vote Yes For Homes and Jobs* 1944; R. Dixon "The Case for the Referendum" *Communist Review* August 1944 pp297-9; and R. Dixon "Labor's Policy for Private Enterprise" *Communist Review* September 1944 p315: "Full employment and higher standards are possible and, therefore, should be the aim of national policy."

86. T. Wright "Arbitration and the Living Standard" *Communist Review* January 1945 p399.

87. *Labor News* July 1943 p1.

88. *Labor News* August 1944 p1.

89. for Thornton at his most Browderist see *Labor News* June 1945 p2:

"I believe that the Labor movement should aim in the post-war years at the preservation and extension of the maximum amount of national unity, a minimum of friction within our country, and the widest co-operation of all sections of the Australian people to make Australia a free, democratic, prosperous nation, with growing industrialisation, an increasing population, full employment and a rising standard of living."

Government's domestic policies, Thornton bore the sins of the Party. In the meantime he reproduced the arguments of reformist underconsumptionism:

"The real message Mr. Thornton is putting again and again to the people in his forceful manner, is that only by our united efforts can we achieve prosperity, and that only by giving workers a fair share of increasing productivity can employers build up a home market that will win them real prosperity."⁹⁰

The Communist Party's program of June 1944, revised in January 1945, reaffirmed that the final solution to the problems of capitalism was socialism. It went beyond the Curtin Government's proposals to some extent, advocating nationalisations for example, but still expressed a reformist logic: the problems of capitalism could be overcome on the road to socialism.⁹¹ The measures proposed in the Programme are very much in line with the left-Keynesian strategy advocated by, amongst others, Joan Robinson and inside the British Labour Party during the later 1940s. That current was much weaker inside the ALP and was probably best represented between late 1944 and August 1945 in Australia by the ACP, even if the Party did not acknowledge it. Thus L. L. Sharkey and E. W. Campbell argued that

"State capitalism or Nationalisation is a transitional form preparing the way for a socialised economy."

They believed that "a progressive labor government" (sic) acting in the spirit of the Teheran Conference could secure a prosperous Australia by undertaking nationalisations and other essential economic and financial measures.⁹²

Concern over the well-being of the Australian economy and acceptance of arguments usually associated with the ALP and even its right wing extended to Communist assessments of immigration and international monetary policy. Dixon argued that immigration policy was a part of planning for full employment and therefore called for the imposition of a quota system to ensure that the number of migrants accorded with economic conditions in Australia moreover, "Mass immigration from low-wage countries in particular must be avoided."⁹³ The Bretton Woods Agreement was acceptable to the Communist Party, until early 1946. For E. F. Hill the Bretton Woods Monetary Conference was "an integral part of the post-war settlement and stability visualised at Teheran and the Crimea".⁹⁴

Tribune held that the 1945 banking legislation "clips the talons of overseas financial dictators" and could prevent inflation. It was in the praiseworthy "liberal reform tradition established by Andrew Fisher".⁹⁵ Communist criticisms of the Beveridge Plan and the Government's post-war economic policies were made in essentially left-Keynesian terms. The ACP's main criticism was that the state should have a much expanded role, through additional nationalisations so that the Government's plans could be really effective in preventing a new depression.⁹⁶ The Party endorsed the 1945 banking legislation on the basis of the Government's Keynesian logic, as necessary so that full employment, prosperity and currency stability could be achieved.⁹⁷ E. W. Campbell welcomed the Government's *White Paper on Full Employment* in the following terms:

"The Communist Party will certainly give full support to the proposals outlined in the White Paper.

These are substantially in accord with its own policy."⁹⁸

He thought that full employment, better living standards and shorter working hours could be achieved, in classic Keynesian terms, "by Government accepting responsibility for stimulating spending on goods and services to the extent necessary". Government direction of the activities of the monopolies was a necessary (left-Keynesian) supplement to such a policy.⁹⁹ On the eve of the ACP's Congress and its change of line, Dixon rejected the idea that "the post-war world will be marked by unemployment, the struggle of workers and soldiers for jobs, and economic crisis. . .".¹⁰⁰ Cartoon 23 shows the ACP promising that its policies could achieve full employment after the War, before the introduction of socialism.

90. *Labor News* December 1944 p1, for similar concern about the expansion of the Australian market see Dixon *Tribune* 27/1/44 p6.

91. Australian Communist Party *Programme of the Australian Communist Party* Sydney 1945 pp4-5. Also see *Tribune* 31/5/45 p3.

92. L. L. Sharkey and E. W. Campbell *Government Enterprise in Australia* Australian Communist Party, January 1945 pp72,77-8, the lengthiest Australian left-Keynesian publication at least until the 1950s, and Australian Communist Party Victorian State Executive *Communist Plan for Victory and Peace* Melbourne 1945. At the Teheran Conference Churchill, Roosevelt and Stalin demonstrated a spirit of co-operation, which the Communist movement hoped had inaugurated a new period of international peace and economic prosperity, by starting to carve the world up into spheres their own states' influence, see F. Claudin *The Communist Movement* Penguin, Harmondsworth 1975 pp376, 406-7.

93. R. Dixon *Immigration and the "White" Australia Policy* Current Book Distributors, Sydney 1945 pp3-4. Despite Dixon's opposition to the White Australia policy his key argument about "low-wage wage countries" was the same as that of traditional labour movement racism – most low-wage countries happened to be non-white. For a discussion of this justification for racism see V. Burgmann "Writing Racism Out of History" *Arena* 67, 1944 pp 78-92. Dixon's opposition to racism condemned the treatment of the Chinese on the goldfields, but condones opposition to "Kanaka" labour, which resulted in the forced expulsion of Melanesians, rather than their organisation into the mainstream of the labour movement. On the ACP's immigration policy also see *Tribune* 7/6/45 p6, 12/7/45 p3, 14/8/45 p3.

94. E. F. Hill "Victorian Labor Party Easter Conference, 1945" *Communist Review* May 1945 p493.

95. *Tribune* 29/3/45 p1.

96. e.g. *Tribune* 16/11/44 p2 on the Beveridge Plan, Communist Party of Australia Papers op. cit. Box2 Folder1 for pertinent comments at the February 1945 Central Committee plenum, R. Dixon *We Must Go Forward* Australian Communist Party, Sydney March 1945 p7. Dixon maintained that "By a combination of efforts by Government, progressive employers, workers, farmers and middle classes – there can be national planning for full employment." *Tribune* 31/5/45 p3.

97. Australian Communist Party *Facts About Banking Reform* op. cit.

98. E. W. Campbell "Government White Paper on Full Employment" *Communist Review* July 1945 p549.

99. *Tribune* 7/6/45 p3.

100. R. Dixon "Post War Policy and the National Congress" *Communist Review* July 1945 pp540-1.

The rising pressure of industrial struggle on the Party, doubts about the thrust of Evatt's foreign policy, Browder's excommunication from the international Communist movement and the imminence of the War's end led to the change of line at the August 1945 Congress.¹⁰¹ It cut short the Communist Party's flirtation with reformist and especially Keynesian underconsumptionist analysis which had started shortly before the War, cooled for a few years and then reignited during the first half of 1945. The relationship was rekindled during the 1960s when the Party began to break with Stalinism. The early period of Communist Keynesianism, although prompted by factors that became relevant again later, only left an ephemeral trace after the line changed, in some *Railroad* articles of late 1946 by Gordon Crane.¹⁰²

101. For increasing Communist criticism of the Government's foreign policy see *Tribune* 31/5/45 p3, 5/6/45 p1, 14/6/45 p2 and R. Dixon "San Francisco Conference" *Communist Review* June 1945 p516. For Browder's fall see *Tribune* 14/8/45 p1 and L. L. Sharkey "The American Communists and Our Congress" *Communist Review* August 1945 pp567-70.

102. *Railroad* 26/7/46 p2, 23/8/46 p2, 4/10/46 p2. Crane's obituary in *Advocate* 15/2/49 p4 did not mention his Party membership, so he may not have been an ACP member at this stage. In any case "Since his discharge from the Army, ill-health prevented him from taking an active part in the Labour and Trade Union Movement."

1945-47: "The Leaders of the ALP are Today Vacillating"¹

In some ways the 1945 Congress of the ACP was an expression of the Party's later war-time policies, including the affirmation of an "Australian way to socialism". The Congress took place a few days before the War ended and it held to the possibility of a peaceful transition to socialism.² Moreover the Party continued to support an alliance with sections of capital until its left turn of 1947-8. But even before the Congress the Party had started to move away from its most conciliatory war-time position. Not only had the ACP returned to a more forthright anti-monopolism, with concomitant demands for nationalisations, and called for the relaxation of wage-pegging; Communists had also become increasingly critical of the Government's foreign policies, notably Evatt's opposition to the veto at the United Nations.

It is most useful to see the Congress as the end of the Communist Party's period of war-time class collaboration and the opening of a new period. By rejecting "Browderism" the Party explicitly rejected the post-war implications of its own war-time policies and implicitly criticised the thrust of its economic thinking during 1945. The Congress thus saw the Party reverse its position on the Government's Keynesian proposals and return to its earlier belief in the inevitability of an economic crisis.³ Neglected for several years, the idea of economic crisis again became a matter for immediate concern, even if Communists still believed, for the time being, that Government policies could be effective in alleviating its worst effects. Finally, as far as the Party was concerned, the Congress marked the end of the class truce of the war period. The most tangible short-term consequence was the demand that wage-pegging be abandoned.⁴ Miles spelt out the wider implications:

"Government, Executive and Court delays will not be overcome only by resolutions and deputations. No other pressure can equal job meetings, including stop-work meetings, trade union rallies and demonstrations and, if necessary, well-organised strikes."⁵

Henceforth the Party's conception of the class-struggle underwent a growing radicalisation. Moving from a defensive conception, which lagged behind the tempo of rank and file militancy during the second half of 1945 and 1946, through a more aggressive view that workers were on the offensive and should win improvements in wages and conditions through industrial action while economic conditions were favourable, to the position of the Comintern-encouraged left turn which saw the ACP displacing the ALP as the main party of the working class by means of industrial struggles. If a "wrong decision" was made to drop the class collaboration or "moderation" of the war period it was made around the time of the 1945 Congress rather than in 1946 as Davidson indicates.⁶ Early in 1946, however, the Party became much more critical of the Government's foreign policy.

The transitional nature of the period 1945 to 1947 is reflected in contemporary interpretations of Lenin 1913. As in *Australia Marches On* "Lenin's" analysis was still trotted out to demonstrate that the ALP was a progressive "Liberal Labor" rather than a "Socialist Labor Party".⁷ The most interesting use of the article was in references to divisions inside the Labor Party over its historical role as proponent of Australian independence. During the War the ACP had had no doubts of the progressiveness of the ALP's Federal Parliamentary leadership and the Party as a whole. The Chifley Government's foreign and industrial policies, however, led to increasing concern that the right wing of the Labor Party, opposed to the old progressive role, was gaining in influence. In December 1945 Sharkey noted that

"The Australian Labor Party is still fulfilling its Liberal tasks, while within it there is also a vicious right wing. . ."⁸

The situation deteriorated during the ensuing six months:

"The leaders of the ALP today are vacillating between the traditional liberal progressive policy of the ALP and the imperialism and anti-Sovietism of Bevin. Their current policy is a weird mixture of both."⁹

While holding on to the interpretation of Lenin 1913 expounded in *Australia Marches On*, Sharkey also compared the positions of the now "right wing" leadership of the ALP with the "disastrous" policies of the German Socialist

1. L. L. Sharkey "The Role of the British Labour Government" *Communist Review* May 1946 p132.

2. Davidson op. cit. p98-9 assesses the Congress in this light. For an affirmation of the "peaceful approach to socialism" see Australian Communist Party Victorian State Executive *Communist Plan for Victory and Peace* Melbourne 1945.

3. compare R. Dixon "Post War Policy and the National Congress" op. cit. p540 with his "Full Employment and Capitalism" *Communist Review* August 1945 p570 and the Congress Resolution in *Communists In Congress: The 14th Congress of the Australian Communist Party* Current Book Distributors, Sydney 1945 p12.

4. R. Dixon in *Communists In Congress* op. cit. p13. Compare J. McPhillips "Economic Demands of the ACTU" *Communist Review* August 1945 p573, with its call for the easing of wage-pegging, to *Tribune* 30/8/45 p7 where the demand is abolition.

5. J. B. Miles "The Fight on the Industrial Front" *Communist Review* October 1945 p516. *Tribune* 28/9/45 p3 reported ACP policy in the following terms:

"While our general attitude of support for the Labor Government continues we must engage in more constructive criticism, especially on such issues as the disposal of war facilities, refusal to modify wage-pegging, failure to life [sic] the burden of taxation from lower income groups etc."

6. Davidson op. cit. p99.

7. see, for example, Congress Resolution in *Communists In Congress* op. cit. p16: "The policy of the Government is liberal and progressive and will help promote the further development of Australia", *Tribune* 20/8/46 p6; E. W. Campbell and L. L. Sharkey "After the Federal Elections" *Communist Review* November 1946 p323.

8. L. L. Sharkey "The Role of Reformism in the Post War World" *Communist Review* December 1945 p680.

9. L. L. Sharkey "The Role of the British Labor Government" op. cit. p132 also see *Tribune* 24/5/46 p3.

Party.¹⁰ Despite this growing criticism of the ALP leadership and a belief that the ACP had an increased responsibility for continuing the traditions of the labour movement, the Party still had a realistic assessment of its own limited influence.¹¹

Sharkey's reluctance to abandon the war-time interpretation of Lenin 1913 found expression in his view that the Government's encouragement of foreign investment could be in accord with that analysis:

"Although development by native Australian capital is preferable, the labor movement raises no barriers to the transfer of industries that would provide employment, consumer goods and capital goods for Australian development [from the USA]."¹²

At any time after 1948 such a view would have been derided inside the Communist Party.

The transition evident in the ACP's use of Lenin 1913 to interpret the behaviour of the Labor Party is also apparent in three areas of Communist economic thought: the Party's conception of Australia's place in world capitalism and the foreign policy appropriate to that place; the Party's analysis of the class anatomy of Australian capitalism; and the imminence of an economic crisis and the means to combat it.

Australia and the World

Communist disquiet about Dr. Evatt's foreign policy had begun at the time of the San Francisco Conference of the new United Nations Organisation in April 1945. His opposition to the "Big Five's" veto powers then and later was seen, however, more as the result of Evatt's personal shortcomings than as being part of a general reactionary tendency in Australian foreign policy.¹³ The ACP generally supported the thrust of the Chifley Government's approach to international relations until the end of March 1946. Communists approved of the Government's emphasis on the United Nations system including even the Bretton Woods Agreement.¹⁴ The March editorial in *Communist Review* noted that at the United Nations Australia had supported imperialism in Greece. The Party took a while to assess the significance of the Government's response to this, the first major and quite warm episode in the cold war. Dixon referred to the "Peculiar twists and turns" of Australian foreign policy, but consoled the Party with the conclusion that Chifley's administration was more progressive than the British Labour Government.¹⁵ Sharkey still supported Australian claims for control over several Pacific islands in May, with an argument straight out of the social-democratic parties' rationalisations for national chauvinism during the First World War:

"The point is that if the working-class parties which have the task of establishing socialism in their own country, were to neglect the struggle for the national interests of the countries of which they are part of the government then they would never succeed in winning the majority and so there would be no chance of a future international socialist solution of these problems."¹⁶

But Dixon took a different position at the May-June Central Committee Plenum:

"The reactionary trends in foreign policy must cause us to reconsider the Labor Government's defence plans for the so-called defence of Australia because to build up armies. . . means to build up in every way, the imperialist strength of this country, in order to give effect to a reactionary foreign policy directed at the colonies and Soviet Russia."¹⁷

After the Plenum the Party press consistently opposed the Government's foreign policy, accusing it of "Converting Australia To Imperial Arsenal".¹⁸ Bevin and Evatt were turning Australia and the rest of the British peoples into "junior partners" of the USA.¹⁹ Such moves were linked with the interests of British and Australian monopolists and "Anglo-American imperialists". And, particularly damning, the Government was lining up against Russia at a time when Stalin's policies had "given new hope to the world".²⁰

The ACP now counterposed Australia's national interests (its version rather than the Government's or capital's) to United States policy. The dispute over the future of the military base on Manus Island encouraged Communist hopes that significant sections of the Labor Party would realise that pro-American policies were against the

10. L. L. Sharkey *Labor Betrayed* Current Book Distributors, Sydney 1946 p7.

11. "The Communist Party is aware of its increasing responsibility in the struggle against alien forces within the forces of labor. . ." L. L. Sharkey "The Role of the British Labor Government" op. cit. p132; Dixon pointed out to the Central Committee in May that disillusionment with the ALP Government had not led to a substantial increase in the ACP's support, "The Federal Elections and the United Front" *Communist Review* July 1946 p195.

12. *Tribune* 24/5/46 p3, L. L. Sharkey "The Role of the British Labor Government" loc. cit. Also see L. L. Sharkey "The Labor Movement at the Crossroads" *Communist Review* March 1947 pp451-2.

13. see e.g. *Tribune* 31/5/45 p3, 5/6/45 p1, 14/6/45 p2, 18/1/46 p5; R. Dixon "San Francisco Conference" op. cit. p516; and E. J. Docker "The United Nations and Dr. Evatt's Views" *Communist Review* November 1945 pp664-7.

14. e.g. *Tribune* 22/3/46 p1, 29/3/46 p5 and R. Lockwood "Foreign Policies Stress Our Nationhood". For a favourable view of Bretton Woods see E. W. Campbell "What Is the Bretton Woods Agreement?" *Tribune* 19/2/46 p4.

15. *Tribune* 16/4/46 p3.

16. *Tribune* 10/5/46 p4, the immediate issue that prompted this argument was the need to explain the conflicting territorial claims of the French and German, and Italian and Yugoslav Communist Parties.

17. Communist Party of Australia Papers National Library of Australia op. cit. Box2, also see Blake's comments. At this meeting J. R. Hughes raised the prospect of "a revolutionary situation in Australia in the course of 2, 3, or 4 years" probably for the first time since the close of the "Second Imperialist War (i.e. June 1941)."

18. *Tribune* 21/6/46 p1. See also R. Dixon "Reformism and the Fight for the United Front" *Communist Review* June 1946 p163 on the ACP's hostility to Chifley's proposal that Australia play a leading role for the Empire in the Pacific.

19. *Tribune* 25/6/46 pp4, 5.

20. R. Dixon "Reformism and the Fight for the United Front" op. cit. pp163-4; R. Dixon "Peacemaker or Warmonger" *Communist Review* October 1946 pp291-2; and *Tribune* 13/8/46 p1, 17/9/46 p5, 27/9/46 p1.

national interest.²¹ Communist observations of the pro-imperialist policies of Evatt and Chifley could therefore be sustained while the Party retained its *Australia Marches On* assessment of the ALP. Yet the only question over which any serious division inside the Labor Party emerged was the Bretton Woods Agreement. In opposing the Agreement, the ALP left, a *Tribune* editorial accurately concluded, was fighting the shadow and not the substance of imperialism. The ACP on the other hand opposed Bretton Woods and US imperialism in general, and by doing so it executed a 180 degree turn from its position in February 1946. Then E. W. Campbell had argued that "Australia has more to gain than she has to lose from adopting a positive approach to Bretton Woods and by assuming that the terms of the Agreement may be suitably modified to meet future circumstances as they arise."²²

In November Bretton Woods was "only one of the shadows cast by the imperialist policies of the Byrnes-Vandenburg-Dulles clique" of US policy makers.²³ The Party believed that the new position was a response to a new situation

"Since the Bretton Woods Agreement was first drawn up and particularly since the end of the war, big changes have taken place. . . The USA, far from seeking an orderly expansion of world trade to benefit all nations, as called for in the Bretton Woods Agreement, is preparing to launch the biggest trade war in history."²⁴

The Communist Party interpreted Chifley's initial defeat over Bretton Woods in Caucus as foreshadowing his fall, seeing the conflict as one

"in the Federal Labor Party between, those who want to collaborate with Anglo-American imperialism and those who want the Labor Party to maintain its traditional nationalist policy".²⁵

Cartoon 24 expressed this optimism. The disappointment of these hopes roughly co-incided with the beginning of the international left turn in the Communist movement -- conveyed to Australia through the Conference of Empire Communist Parties in London in February and, more definitively, through the pronouncements of the Communist Information Bureaus, set up in October 1947.

Who Are the Monopolists?

At a Central Committee meeting shortly after the ACP's 1945 Congress Dixon explained some of the implications of the Party's new orientation. In particular he pointed out that

"The slogan of national unity now gives way to the slogan of unity of all progressive forces against monopoly and reaction."

The Congress resolution had already specified that such forces included sections of the employers.²⁶ So the Party took up its Popular Front anti-monopolism again in earnest.

During 1945 and 1946 *Tribune* published a number of articles by J. F. Chapple, the Federal Secretary of the ARU. While not apparently a Communist, Chapple was at this stage close to the ACP. His articles propounded Money Power ideas, focusing particularly on the significance of the debts of the state railways. He pointed out that the Commonwealth Bank could resume the railways's debts at lower interest rates, blamed the banks "more than any other factor" for the depression and, while favouring bank nationalisation, praised the Government's bank legislation.²⁷ The publication of Chapple's views indicated not only the ACP's acceptance of the thrust of the Government's economic policy but also the links between the Party's revived hostility to the monopolies and the older Money Power tradition. This was also apparent in other articles attacking the holders of government and railway bonds, the objects of long-standing Money Power criticisms, and in an enthusiastic review of Eddie Ward's *Shall the Banks or the People Rule?*²⁸

Len Fox's *Wealthy Men* gave the most detailed account of Australia's monopoly capitalists during this period. Using material similar to that in his *Monopoly and Guilty Men* he demonstrated the links amongst Australia's leading individuals, families and companies. Fox had a conspiratorial view of how the "Money Tsars" exercised their influence. There were

"Twenty men who can meet in a secret room and dominate the whole population of Australia."

He maintained that while the Labor Party was not as close to the main monopolies as its conservative opponents, it was a capitalist party influenced by some manufacturers in competition with those tied to Britain, American as op-

21. *Tribune* 22/10/46 p6, 15/11/46 p5, 19/11/46 p3, 22/11/46 p1.

22. *Tribune* 19/2/46 p4.

23. *Tribune* editorial 22/11/46 p1.

24. *Tribune* 26/11/46 p5, also 5/11/47 pp4-5 and G. P. O'Day's review of B. Fitzpatrick *The Australian People Communist Review* March 1947 p467 and R. Dixon "The Way Forward" *Communist Review* April 1947 p483.

25. *Tribune* 21/1/47 p3. Also see *Tribune* 6/12/46 p1, 24/12/46 p3, 28/1/47 p3.

26. *Tribune* 28/9/45 p3 and Congress Resolution p16 in Australian Communist Party *Communists in Congress* op. cit. p16. At the Congress Dixon had demonstrated, by referring to Lenin's analysis, that the ALP opposed promotion of "the struggle against monopoly and carrying it through to the end. . ." Dixon in *ibid.* p14.

27. *Tribune* 21/12/45 p2, 19/2/46 p5, 22/3/46 p4, 14/5/46 p7, 11/6/46 p5.

28. *Tribune* 5/3/46 p5 20/8/46 p3, 3/9/46 p3, 18/10/46 p4 and E. W. Campbell "Bondholders Cause tax Burden" *Communist Review* September 1946 pp260-1.

posed to British monopoly, brewery monopolists and independent monopolists like Wren and Theodore.²⁹ This view of the ALP, as a party influenced by monopoly, was elaborated by the ACP during its radical turn.

Anti-monopolism, still with obvious remnants of its Money Power predecessor, was compounded with the Party's increasingly virulent anti-American nationalism to form a particularly durable intellectual material. It found one of its earliest expressions in *Bretton Woods*, an ARU pamphlet by Chapple and J. J. Brown, the Communist Victorian Secretary of the Union. They fulminated against the Money Power, "Dollar Imperialism" and the USA's "60 wealthy families". *Bretton Woods*, was designed to extend American bank control of America to the rest of the world.³⁰

When the ACP returned to an anti-monopolist understanding of the anatomy of Australian capitalism it did so without providing any theoretical justification for its analysis. The Party relied on the empirical accounts which had been the mainstay of its Popular Front anti-monopolism to explain the role of monopoly, without attempting to explain the mechanisms at work. So long as the main feature of Australian capitalism was its evolution into an independent state, as outlined by Lenin in 1913, Communists did not use those passages in Lenin's *Imperialism* on the nature of finance capital to throw light on the influence of monopoly in contemporary society, in anything but a liturgical fashion. Lenin's position in the latter was too categorical about the domination of finance capital to be easily reconciled with the *Australia Marches On* version of 1913, in which the Labor Government was progressive.

A concomitant of the empirical nature of Communist analyses of the class structure of Australian capitalism was an imprecise use of terminology. There was a lack of clarity over the distinctions between the bourgeoisie/capitalist class and the monopolies and later "Collins House" as well. For example, at the 1945 ACP Congress Miles said

"Capitalism remains capitalism, monopoly remains monopoly, and the class of monopolists, with support from the majority of the capitalist class will strive relentlessly and ruthlessly for its own policies, national and international."³¹

Miles, no stranger to marxist terminology, thus presented the monopolists as a distinct class from the capitalists. But he did not explain what separated and united the interests of the two. At the same Congress Dixon implied that the differentia speciae was simply size, although without explaining why this should be the case.

"... The interests then, of a great section of smaller and middle capitalists are bound up, not with granting a free hand to monopoly, but with the destruction of the power of monopoly..."³²

Now it seemed that "the majority of the capitalist class" did not support the monopolists. On the other hand, Sharkey had equated Lenin's reference to the "counter-revolutionary bourgeoisie" (in his *On Slogans*) with "monopoly capitalists".³³ Here the difference between monopoly and non-monopoly capital seemed to be a political rather than an economic question.

Part of the ACP's theoretical difficulties can be attributed to the application of the inappropriate model of Eastern Europe to the Australian situation. The Party wanted the development of Australian capitalism without monopolies, as it believed was taking place in the "New Democracies".³⁴ In Eastern Europe the largest capitalist enterprises had in fact been turned into components of an even larger capitalist monopoly, controlled directly by the state. In Australia privately owned "monopolies" were and are the characteristic form taken by capitalist accumulation, providing the dynamic for economic growth. The existing structure of the state was oriented towards the promotion of private capitalist accumulation. Only a drastic reorientation of the state towards an equally capitalist accumulation, but directed by the state, as occurred on the bayonets of the Red Army in Eastern Europe, or the revolutionary replacement of the capitalist state form could alter the situation. The Communist Party conflated these two approaches and, partly as a consequence, was in a position to effect neither.³⁵ The confusion of Communist terminology continued after the Party entered its radical phase in 1947-8 and discovered that the People's Democracies were actually dictatorships of the proletariat.

Inevitable Crisis (Again)

At the ACP's 1945 Congress the Party endorsed the Government's economic programme, but rejected the economic theories that informed it. Blake pointed out that :

29. L. Fox *Wealthy Men* Current Book Distributors, Sydney 1946, 28,000 copies were sold to early 1948, Australian Communist Party *Report of the Work of the Central Committee from the 14th to the 15th National Congress* p30 Communist Party of Australia Papers op. cit. box2 folder1

30. J. J. Brown and J. F. Chapple *Bretton Woods* Australian Railways Union, Sydney 1947. For the suggestion that Evatt's foreign policy might be linked to his friendship with W. S. Robinson (a Collins House director) see *Tribune* 6/8/46 p4.

31. J. B. Miles "Jobs, Freedom, Progress" in *Communists in Congress* op. cit. p9.

32. R. Dixon in *ibid.* p10.

33. L. L. Sharkey "Must the Communists Win a Majority?" in R. Dixon and L. L. Sharkey *A Free World Without Violence* Australian Communist Party, Sydney July 1945 p18. Also see L. L. Sharkey "The Role of Reformism in the Post War World" op. cit. p686, where he seems to use the terms "bourgeoisie" and "monopoly-capitalist menace" interchangeably.

34. see e.g. *Tribune* 25/1/46 p5 and Editorial *Communist Review* October 1945 p515

35. for an examination of the transformation of private capitalism into state capitalism in Eastern Europe see C. Harman *Class Struggles in Eastern Europe* Pluto, London 1983 pp27-41.

"throughout the White Paper [on Full Employment] the theory is advanced that capitalism can be stabilised; that crises and depressions can be eliminated, that production can be planned continuously under the system of capitalism; and, finally therefore that socialism is a quite unnecessary evil."³⁶

The White Paper was not explicitly anti-socialist but Blake was right about the logic of its argument. That argument had been espoused by leading Communists less than a month previously. Now the Party held that economic crises could not be prevented and, therefore, nor could the class struggle. For, if capitalism can deliver the goods to the working class without periodic convulsions then there is little point to struggle and especially the risky struggle for a new social order. In the face of another depression Blake urged struggles for jobs, better wages and social security:

"Following this path the working class will find itself in an infinitely better position to deal with the problems of a new economic crisis in the interests of the working people than was the case during the last depression of 1930-33."³⁷

Although the Party had now rejected Keynesian theory it did not immediately arrive at the radical conclusion of the period after 1947 -- that Chifley's economic policies were at best ineffective and at worst deliberately reactionary -- by rejecting the Government's policy proposals. Blake still conceded that the Government's program could prolong the period of economic expansion after the war and delay the onset of the crisis.

"If, on the other hand, the great capitalist monopolies are given a free hand to plunder and rob the people to build up huge profits our country will find itself all the sooner in the throws of economic crisis."³⁸

This was a weaker echo of Wright's contention in January that the laws of capitalism were mutable, according to which group was in government. Measures such as the Government's banking legislation and full employment policies had to be defended because they would blunt the severity of a crisis. But, according to the Party's rediscovered radical underconsumptionist theory, capitalism could not raise wages sufficiently to cope with increased production.³⁹ The Communists' immediate program in practice remained the same as the Government's formal position, supplemented by measures such as the nationalisation of certain industries, direction of monopolies and control over investment which, while inspired by developments in Eastern Europe, were quite consistent with a left-Keynesian outlook.⁴⁰ The Party's campaign for jobs, for example, stressed the importance of a new referendum on Commonwealth powers over employment.⁴¹ While the Party supported industrial struggles, therefore, it saw these as a supplement to the policies of a Labor government. The Party did oppose the continuation of wage-pegging, but until late 1946 seemed to believe that the logic of the Government's program and ALP policy would lead to its abandonment in the near future. Until 1947, this emphasis meant the Party's assessments of and attempts to lead the class struggle lagged behind rank and file workers' actions.⁴²

The ACP's rejection of the theory behind the Government's policies led to the first serious Australian attempt to refute Keynes' *General Theory*, recognised as the Government's economic bible. Dr. G. P. O'Day undertook the task, mainly relying on Jurgen Kuczynski's 1937 critique of Keynes.⁴³ He asked, with a hint of Third Period rhetoric, "Does it [the *General Theory*] not contain all the essentials for Fascist propaganda?" After Kuczynski, O'Day maintained that Keynes's proposals were designed to cut real wages through inflation. Certainly this was an element in the book and O'Day drew attention to its relationship to the Government's wage-pegging regulations, but his exposure of this anti-working class proposal hardly constituted a refutation of Keynes's system. Kuczynski's account remained the standard Soviet reference when Russian economists started to pay more

36. J. D. Blake "Unite for Post-War Progress" in Australian Communist Party *Communists in Congress* Sydney October 1945.

37. *ibid.* p10.

38. *ibid.* pp9, 10, R. Dixon "Full Employment and Capitalism" August 1945 op. cit. p571 retreated from his position of July to concluded that: The economic theories of the Labor Government as set out in the White Paper represent a marked advance over the prewar views, but they do not iron out the contradictions of capitalism, nor are they a lasting solution to the problems of unemployment." (my emphasis)

Also see *Tribune* 30/8/45 p4

39. Sharkey argued that radical underconsumptionism operated in peacetime, but not during the war *Tribune* 21/8/45 p3. Dixon argued to the Central Committee that the general crisis of capitalism was now deeper than before the War *Tribune* 28/9/45 p3.

40. e.g. E. W. Campbell "A Congress of Victory" *Communist Review* September 1945 p593 and G. P. O'Day "The Australian Labor Party and J. M. Keynes" *Communist Review* November 1945 pp667-8. In the *Communist Review* Editorial of October 1945 p 515 the editor, Sharkey, noted that such measures had been promised by the British Labour Government.

41. *Tribune* 11/9/45 p1, 25/1/46 p3.

42. see T. Sheridan "The 1945 Steel Strike: Trade Unions, the New Order and Mr. Chifley" *Labour History* 42 May 1982 pp18-19 for the ACP's attitude to the Government during the 1945 steel strike. Also see *Tribune* 12/10/45 p1 for a Communist call on Labor Governments to solve the Bunnerong power dispute in favour of the workers and *Tribune* 16/11/45 p1, 4/12/45 p1 for Communist hostility to the idea of a general strike over either of these disputes. E. J. Rowe of the AEU "Higher Wages Shorter Hours" *Communist Review* December 1945 pp681-2 was more forthright in calling for strike action over wages and hours, but still expressed reservations:

"We do not want workers to dissipate their strength and militancy on minor matters, but we do approve of their expressing in the sharpest fashion that they will stand no 'dilly dallying' around these demands."

Also see E. J. Rowe "Developments on the Industrial Front" *Communist Review* April 1946 pp105-6, where he called for aggressive strike tactics but warned that the bourgeoisie was on the offensive. *Labor News* March 1946 p1 advocated a strategy of petitions to Chifley and MPs and demonstrations to win the 40 hour week. *Tribune* 28/5/46 p8 published a statement from the ALP Federal Executive without criticising it and with the headline "Employers Provoke Strikes, ALP Says". Dixon in *Tribune* 4/6/46 p1 warned workers to fight on their own and not the bosses' terms.

43. G. P. O'Day "The Australian Labor Party and J. M. Keynes" op. cit.; J. Kuczynski *New Fashions in Wage Theory: Keynes, Robinson, Hicks, Rueff* Lawrence and Wishart, London 1937, note the Communist publishing house.

attention to refuting Keynes with the escalation of the cold war.⁴⁴ Not until April 1947 did the ACP publish another extended analysis of Keynesian economics. I. Trachtenberg, of the Institute for World Economics and World Politics in Moscow, criticised the *General Theory*, Beveridge's *Full Employment in a Free Society*, the British Government's 1944 *Employment Policy* and an American article by Amlie for reproducing

"in a somewhat modernised form, adapted to present conditions, the familiar 'theory of underconsumption,' of 'insufficient capital,' and so forth. The difference is that the old theories of underconsumption started from the premise that the development of production ran up against an absolute insufficiency of capital, while the new theories start from the premise that capital funds are on hand, but are not spent or not spent in a suitable way."⁴⁵

His objections were 1) that the pursuit of profit is incompatible with increasing consumption, as Stalin pointed out in *Questions of Leninism*. 2) it is not possible to redistribute national income under capitalism. 3) the state can only influence the national economy under capitalism to a very limited degree. Finally, the experience of the USSR in abolishing unemployment demonstrated the superiority of Marx over Keynes. Trachtenberg's critique thus consisted of a series of assertions without any serious attempt to demonstrate their validity from a study of Keynes' thought or by empirical means.

The ACP made more efforts, including Cartoon 25, to explain the coming economic crisis than it did to show why Keynesian measures could not prevent it. E. W. Campbell gave the first extended post-war account in a report to the September 1945 Plenum of the Central Committee.⁴⁶ He said that the war had deepened the general crisis and that capitalism could emerge from its present crisis (presumably that associated with demobilisation) only to enter "a depression of a peculiar kind", like that which followed the 1929 crash. Two paths were open. Along one the monopolists jettisoned the achievements of Teheran, San Francisco and Bretton Woods Conferences, to embark on a trade war. It ended in economic crisis and eventually World War III. On the other path mass struggle against such policies could lead to socialism. Campbell seemed to imply that crises could be averted along the second path, an atavism from before the August Congress.

Campbell's article reproduced, in a somewhat garbled form, arguments from E. Varga's "The Course of the Industrial Cycle after the War".⁴⁷ Varga's prognosis was less temporising than Campbell's. The Russian economist predicted that a new crisis, deeper than that following World War I, would occur in two to four years.⁴⁸ L. L. Sharkey endorsed Varga's analysis and affirmed that the class struggles in the coming period would be essentially defensive ones. He candidly admitted that the new emphasis on economic crisis contradicted the Party's earlier views:

"Some comrades might think that if the perspective is economic crisis, the various documents we have been issuing are Browderite myths that should be scrapped. And I am afraid that in daily practice not a few have acted on this kind of idea."

However the crux of ACP policy was still

"to compel the Labor Government to get the proposals it has made, fairly good in themselves out of the blueprint stage and transferred to the sphere of reality."⁴⁹

During 1946 the ACP became more critical of the Government's economic policies. It emphasised that nationalisations were necessary to offset the effects of a new depression on the working class.⁵⁰ But the Party was still seriously urging these measures onto a Government quite hostile to them. Despite O'Day's exposure of Keynesian theory, Thornton still had a naive approach to the Government's Keynesian practice. An approach which kept the contradiction between the Chifley Government's activities and the current interpretation of Lenin 1913 in the background. Thornton seemed to regard "Chifley's Wage-Pegging Fetish" as a personal idiosyncrasy. He called on the Government to end wage-pegging and to tighten price controls, in the spirit of ALP policy.⁵¹ Later he argued that Chifley's ideas on inflation were "unreal" without suggesting that they might have a reality and function in the eyes of the capitalist class.⁵²

44. See C. B. Turner *An Analysis of Soviet Views of John Maynard Keynes* Duke University Press, Durham 1969 pp34, 42-4, 53. The *General Theory* was translated into Russian in 1948.

45. I. Trachtenberg "Comments on Keynesian Theories of Full Employment" *Communist Review* April 1947 pp506-8, for his affiliation see F. G. Barghoorn "The Varga Discussion and Its Significance" *American Slavic and East European Review* v7 October 1948 p229.

46. E. W. Campbell Report to the Central Committee Plenum "Some View on the Current Economic Crisis" *Communist Review* November 1945 pp660-2. On the imminence of economic crisis also see *Tribune* 5/3/46 p1, 13/9/46 p1 and L. L. Sharkey Report to the Central Committee *Communist Review* August 1946 p238.

47. originally published in the Moscow journal *World Economics and World Economics* in May 1945, republished *Communist Review* January 1946 pp6-10.

48. For the influence of "respected Marxist economists" on the ACP's belief in an imminent crisis, see E. Bacon *Outline of the Post-war History of the Communist Party of Australia* D. B. Young, Sydney 1965 p15.

49. L. L. Sharkey "The Tasks of the Party in the Present Situation" report to the Central Committee meeting of 18/1/46 *Communist Review* February 1946 pp36-7. Such myths occasionally slipped out even after Sharkey's warning, see, for example, *Labor News* September 1946 p3 for a justification of the 1946 referendum as a means of achieving full employment. *Tribune* 9/8/46 supported the referendum only on the basis that it would help "Safeguard Gains By Workers".

50. e.g. *Tribune* 13/9/46 p1, 24/9/44 p3.

51. E. Thornton "Chifley's Wage-Pegging Fetish" *Communist Review* September 1946 pp264-5. The fact that some employers were breaching the regulations was adduced to show how illogical Chifley's policy was. See also *Tribune* 29/10/46 p3.

52. *Tribune* 22/10/46 p3. For T. Wright's similar attitude on the hours question see "The Fight for a Forty-Hour Week" *Communist Review* October 1946 pp293-4. He praised the Queensland shearers who had taken the 40 hour week through industrial action, but explained that unity required unions as a whole to support the ACTU Executive's Court application and that the Chifley Government could use the Federal external affairs power in the Constitution to legislate for shorter hours.

Although the Party had earlier endorsed industrial action to win better wages and conditions, the Victorian transport strike in October 1946, shortly followed by the prolonged Victorian metal trades dispute, convinced the Party that the working class was on the offensive and militant action was the key to overcoming the Government's policy on wages and hours.⁵³ The Party increasingly saw the shadow of the boss behind Chifley's wages policy, as Cartoon 26 illustrates. In the November 1946 *Communist Review*, L. L. Sharkey and E. W. Campbell counterposed the working class theory that wages can rise at the expense of profits, without raising prices to Chifley's bourgeois economics.⁵⁴ For Communists, the course of events during 1947 confirmed that the ALP right wing was consolidating its hold on the Party. Another factor which would have encouraged the Communist Party in a more militant attitude was Varga's prediction that a "New Depression Will Break Not Later than 1948".⁵⁵ Such a prognosis made Chifley's prediction of a "golden age" even less plausible.⁵⁶ The ACP finally started to recognise that Chifley's position on wages and hours might be integral part of his overall economic program.⁵⁷ For a time Communists continued to support specific policies of the Government as being progressive, but with increasing criticism of its overall approach to economic management. Nevertheless the ACP apparently hoped for a resurgence of the Labor left until early 1948. Sharkey described Chifley's approach in the following accurate terms:

The essence of the matter is that the Chifley policy aims to prevent the raising of the living standard of the working people, to stave off the shorter working week, and to make it possible for the capitalists to enrich themselves during the period of post-war shortages."

In contrast with the Party's earlier assessments he concluded that

"It is against this whole economic policy of the Chifley Government that workers have been struggling over the post-war period."⁵⁸

Labor News's front page in February 1947 summed up the ACP's attitude to the Government and its economic and foreign policies, on the eve of the Party's radical turn: "Wanted -- A Labor Prime Minister".⁵⁹

53. *Tribune* 19/11/46 p7 said that Chifley's policies were speeding the onset of a new depression also see 6/12/46 p6; E. Hill and C. Sharpley "The Right Wing in the Victorian Trade Unions" *Communist Review* November 1946 p331 still expressed illusions in the ALP trade union left represented by A. E. Monk and C. Crofts and called on them to fight the trade union right; J. D. Blake "The Nine-Day Transport Strike in Victoria" *Communist Review* December 1946 pp355-7 concluded that while the previous period had been one of defensive struggles, the working class was now on the offensive. T. Rowe and T. Wright *United Action Wins* Current Book Distributors, Sydney 1947 drew the lessons of the Victorian metal trades dispute in terms similar to Blake's. E. F. Hill "Some Aspects of Reformism" *Communist Review* December 1946 p369 accused Chifley of carrying capitalist beliefs into the labour movement. R. Dixon "Abolish Wage-Pegging, Control Prices" *Communist Review* December 1946 pp558-60 called on workers to take the 40 hour week themselves and for the Party to pay more attention to wages and hours questions in the future. Also see E. J. Rowe in *Amalgamated Engineering Union Journal* December 1946 p11.

54. E. W. Campbell and L. L. Sharkey "After the Federal Elections" *Communist Review* November 1946 p325.

55. *Tribune* 10/12/46 p5.

56. E. F. Hill "Some Aspects of Reformism" op. cit.

57. R. Dixon "Strikes and Labor's Economic Policy" *Communist Review* February 1947 pp419-20.

58. L. L. Sharkey "The Labor Movement at the Crossroads" *Communist Review* March 1947 pp451-2.

59. E. W. Campbell and L. L. Sharkey "After the Federal Elections" op. cit. had still expressed the hope that the ALP's working class base would prevent it from actually attacking the working class. Only with the Party's radical turn was this illusion finally dispelled.

1947-51: "The Need To Take The Offensive"¹

In September 1947 the Communist Party of the Soviet Union reasserted its authority over the world's Communist Parties, by setting up the Communist Information Bureau or Cominform. Although the Bureau only included the Communist Parties which held power in Eastern Europe and the two largest western European Parties, during the cold war it was the undisputed voice of the international movement. A challenge to Moscow's authority, such as Tito's in Yugoslavia, meant exclusion from the movement. For the Communist Parties of the British Empire the Cominform's reassertion of the international character of the movement had been foreshadowed in April 1947 with the Conference of Empire Communist Parties held in London. These two events initiated a radicalisation of the policies of the ACP, encouraging it to draw unrealistically extreme conclusions from the "strike movement", which it had finally recognised during 1947.

The radicalisation of the ACP's policies was not an even process. The Party's attitude to international events and the Chifley Government's foreign policy became radicalised more quickly than its local strategies for social change did.² Radical nationalism represented no serious break with the Party's policies since 1941, but rather an intensified identification with the interests of the Australian "people" as a whole. Moreover, the leading Australian Communists had already identified the anti-soviet thrust of Australian foreign policy and needed no outside prompting to criticise the Chifley Government on that count. The effect of the Empire Communist Conference was to heighten the Australian Party's nationalist and anti-American rhetoric still further. Their hopes for progressive foreign and soon even for progressive domestic policies from the ALP dashed by the "reactionary right-wing of the Labor Party, Australian Communists increasingly came to see their own Party as the **only** real representative of Australia's national interests.³ Probably because the ACP was slow to recognise the post-war strike wave the Party counterposed it to the Chifley Government's "reactionary" domestic policies later than it rejected Evatt's foreign policy.⁴ The ACP's domestic and international policies were brought back into line around the time of its May 1948 Congress, which also saw the emergence of a new interpretation of Lenin's 1913 article on Australia.

Two theoretical developments from overseas helped to crystallise the ACP's new radical position. First the Cominform's pronouncement that the world was divided into two camps: Russia, its allies and the progressive movement in capitalist countries were opposed to the reactionary forces in the world, centred on US imperialism.⁵ This led to the immediate identification of the progressive workers' and national liberation movements with Russia's international interests. In Australia the ACP's hostility to the Government's foreign and domestic policies coalesced in the assertion that both were in the interests of Collins House, itself closely tied to Wall Street imperialism. The capitalist class and, in practice, the ALP leadership had gone over to the side of the monopolies. Australia was polarised between those who looked to the ACP for leadership and those who furthered the interests of monopoly capital.

The path of independent capitalist development for Australia had been closed off. However a new path of national development had opened up from the second, international development which shaped the ACP's new policies: the discovery that the states of eastern Europe were on the road to socialism.⁶ They were taking a different route from Russia and one that Australia could emulate in the near future. Just as the ACP was recognising the reactionary role of the ALP and Australian bourgeoisie, the honey-moon period in which capitalist and Communist Ministers formed Governments in eastern Europe was ending. The functions of the dictatorship of the proletariat were being carried out "without the Soviet form" (or any working class content).⁷

The Communist Party did not immediately change its assessment of the ALP and the progressiveness of the Australian capitalist class when it embarked on its more radical course during 1947. But it had increasing difficulties in reconciling the old interpretation of Lenin's 1913 text with the reactionary role it became convinced

1. Australian Communist Party *Speakers' Notes* February 1950 held that "The emphasis must be on the need to take the offensive" in speeches by Party members.

2. The emphasis in J. C. Henry's speech to the London Conference of Empire Communist Parties was ultra-nationalist, but not particularly radical with respect to industrial strategies. He stressed the need to keep the parties of monopoly capitalism out of office and for policies which were in the interests of "sections of capital not tied to the great monopolies", *Communist Review* May 1947 pp515-7. Gollan points out that the Australian Communist Party's position at the September 1947 ACTU Congress was opposition to the Government's foreign policies combined with "a more militant exposition of the aims of the federal Labor government", that is, the ACP had heightened its criticisms of the ALP on domestic issues, but only on the basis of Labor's own formal policies R. Gollan *Revolutionaries and Reformists* Australian National University Press, Canberra 1975 pp202-3.

3. see, for example, *Tribune* 12/11/49 p1.

4. J. B. Miles *Communist Review* July 1947 p593 expressed the radicalisation of the Party's nationalism, though not yet of its strategy for achieving socialism which remained stagist. Miles expected a "long period of struggle for democracy", before the advance to socialism.

5. Gollan *Revolutionaries and Reformists* op. cit. p211. For Australian references to this approach see *Tribune* 25/2/48 p3 and the documents of the Australian Communist Party's Congress in May 1948 National Library of Australia Communist Party of Australia Papers MS3000.

6. see J. D. Blake *The Communist Party of Australia: 1945-63* mimeo National Library of Australia p7; E. Varga "Democracy of a New Type" *Communist Review* November and December 1947 pp721-4, 757-9 and J. D. Blake "Some Questions on People's Democracy" *Communist Review* December 1948 pp367-70. These *Communist Review* articles denied that the dictatorship of the proletariat existed in the "new democracies", but this position was soon reversed, see Gollan *Revolutionaries and Reformists* op. cit. p212.

7. see e.g. M. Rakosi "The People's Democratic State" *Communist Review* May 1949 pp138-42.

the ALP was playing on the domestic and the international plane. In contrast with the Party's earlier position, its radical course now dictated that foreign investment in Australia had to be opposed:

"the economic policy pursued by the Labor Government here in Australia, is to attract British and United States capital. This to our minds means that Australia would become a semi-colony".⁸

Hardly a progressive development. Moreover the ALP had abandoned its old election program of nationalisations for the benefit of "big overseas trusts and monopolists".⁹ Dixon and Sharkey both sought a way out of this problem by contrasting the ALP's progressive intentions with its effectively reactionary policies. They attempted to salvage the current interpretation of Lenin on the ALP by arguing that:

"This policy of attracting overseas capital, which is so basic in the policy of the Labour Government, does not mean any conscious departure from the aims of the Labour Party, as set out by Lenin, of building and strengthening Australian capitalism, even though it must lead ultimately to the subordination of Australia to US imperialism. . ." (my emphasis)¹⁰

The Australian bourgeoisie "hoped" to exercise the same independence with respect to the USA as it had with Britain.

During the May 1948 Party Congress E. W. Campbell solved the problem in a different way, by reverting to the interpretation of Lenin's article current during the "Second Imperialist War", i.e. before Germany invaded Russia in 1941, and before that during the Third Period of the early 1930s. He said that the Party "had to stop thinking about the role of the Labor Party in the old terms" because

"The Australian bourgeoisie has long since become an independent bourgeoisie. . . Politically the bourgeoisie has also come of age and the old role of the Labor Party has just about been exhausted. Ratification of the Statute of Westminster put the seal on Australia as a sovereign power.

"... The Labor Party, being a bourgeois labor party reflects the tendency of the Australian bourgeoisie in the new world situation to turn to America".

Campbell argued that now an independent Australian capitalism had been established the ALP had exhausted its old role, as Lenin predicted. So the Communist Party should lead the defence of Australian independence and the fight for nationalisations to combat the approaching economic crisis and to open the way to a People's Democracy in Australia.¹¹

In his reply to the discussion at the Congress Sharkey took up the "confusion" amongst some comrades on the role of the Labor Party and attempted to dispel it in the terms Dixon had used earlier. He identified the contradiction between the Party's analysis of the Labor Party as the party of independent Australian capitalism, based on Lenin, and the ALP's encouragement of foreign capital. According to Sharkey the contradiction was only apparent. Taking up Dixon's approach he said that Chifley was attempting to make Australia the centre of the British Empire, in accord with Lenin's analysis (or at least that interpretation of it current in the ACP between 1943 and 1948). But the Labor Party did not have the advantage of marxism-leninist theory and so could not understand that this attempt was in vain. In a conclusion that owed more to moral idealism than historical materialism Sharkey said that

"We do not have to change the estimation that Lenin made, that we have always [sic] put forward as the essential historical role of the Labor Party to establish here in Australia an independent capitalism. . . In the conditions of the present day world they are going to get opposite results to what they anticipated".¹²

This line of argument, which did not appear in the draft resolution, was included in the Congress Resolutions, published as *The Way Forward*.¹³

Sharkey's reply to the discussion at the Congress and the Congress Resolution proved nevertheless to be the dissonant swan song of the *Australia Marches On* interpretation of Lenin on Australia. Campbell's speech to the Congress was republished in the July *Communist Review*.¹⁴ By September Sharkey was writing of the "failure of the bourgeois-reformist policy of the ALP", in less subjectivist terms than his Congress reply,¹⁵ and by April 1949 maintained that

"The Labour Party which, in the past stood for an independent capitalism, today, because of the desperate situation of world imperialism, pursues a policy that obviously lessens the possibility of Australia standing as an independent State, but draws our country to the level of a province of American imperialism. On all the major questions the Labour Party is in the camp of the bourgeoisie".¹⁶

8. L. L. Sharkey Reply to discussion at the 1948 ACP Congress Communist Party of Australia Papers op. cit. box1 folder1. Also see L. L. Sharkey *For Australia -- Prosperous and Independent: Report to Fifteenth Congress*, ACP Current Book Distributors, Sydney May 1948 p17.

9. R. Dixon "Import of Capital and Labour's Policy" *Communist Review* May 1948 pp134-5 Also see *Draft Resolution for 15th Congress* National Library of Australia Communist Party of Australia Papers MS3000 box2 folder3.

10. Dixon "Import of Capital and Labour's Policy" op. cit.

11. Campbell was a member of the Central Committee, his speech is in National Library of Australia Communist Party of Australia Papers op. cit. box2 folder4.

12. *ibid.* box1 folder1.

13. Australian Communist Party *The Way Forward* Current Book Distributors, Sydney May 1948 p14.

14. E. W. Campbell "The Role of the Labor Party" *Communist Review* July 1948 pp195-6.

15. L. L. Sharkey "The Collapse of the Labour Government's Economic Policy" *Communist Review* September 1948 pp267-70.

16. L. L. Sharkey "The Reformists Serve Reaction" *Communist Review* April 1949 p112.

This remained the Party's analysis until it dropped its radical policies during 1951-2.¹⁷ In August 1952 Sharkey affirmed the correctness of Lenin's assessment of the ALP, although the leaders of the Labor Party had now forsaken the course on an independent Australia.¹⁸ The interpretation of Lenin's text was still that of the Party's radical phase but the Party had in practice returned to a strategy similar to that of 1943-8. In a 1953 report to the Central Committee, Sharkey closed the theoretical gap by affirming that the ALP's new preamble demonstrated the correctness of Lenin's interpretation which applied to the whole history of the Labor Party.¹⁹ The ACP should encourage the left wing of the ALP to pursue a progressive policy which could be implemented by a progressive Labor Government.

Lenin's text was not a reference point for the Australian Communist Party during the remainder of the 1950s. There are two, probable and compatible, explanations. First, the interpretation of a text could only be changed a limited number of times before its use became confusing to the Communist Party's rank and file, apparently already a problem at the 1948 Party Congress, or, more dangerously, stirred up doubts about the cogency of Party theory. A little article when frequently manipulated and stretched tends to lose its elasticity. Second, the growth of the Communist Party of Australia during World War II meant that the Party could use Lenin to justify an optimistic perspective of the Communist Party superseding the influence of the ALP in the working class in the not too distant future, even though the Communists temporarily supported Labor's leadership of the nation. During the 1950s the Communist Party was much weaker than it had been during the war and placed a commensurately greater emphasis on the progressive role of "a real and genuine [ALP] left-wing with whom we can work" in extending the influence of socialist ideas.²⁰ The distance between the situation of the 1950s and Lenin's prediction that a Socialist Labor Party would displace the ALP was a depressing prospect best left unviewed.

This section examines the the main areas of Communist economic thought from 1947 to 1951 in the context of the Party's strategic conceptions, summed up in the current interpretation of Lenin on the Labor Party. As in previous periods the main issues were Australian capitalism's place in the world, the likelihood of a new economic crisis and the structure of economic power in Australia.

Trading with the Devil

By the end of 1946 the ACP had come to regard any Australian ties with the USA, especially economic ones, with great suspicion. The Communist press denounced contacts ranging from the Bretton Woods Agreement to the import of American comic books. Not only would the latter's "sexual suggestiveness" corrupt the young, they also drained Australia's dollar reserves and put Australian artists out of work.²¹

Communists believed that US foreign and trade policies were a threat to world peace, i.e. Russia, and were harmful to Australia. *Tribune*, *Communist Review* and other Communist or ACP associated publications analysed the detrimental effects of US investment on Australia²²; the implications of US defence and foreign policies, including its policies in Japan, and Australia's endorsement of some of these²³; the significance of Australia's involvement in the sterling area's "dollar crisis"²⁴; and the consequences of Australia's involvement in international trade negotiations dominated by the USA. The consequences of such relations with the USA would be the transformation of Australia²⁵ or the whole British Empire²⁶ into a "junior partner" of US imperialism, "an arsenal for the Yankee 'world conquerors'"²⁷, "a colony of Wall Street" like Cuba or the Philippines²⁸, a "province of American imperialism"²⁹, a "watchdog" of US and British imperialism in the Pacific³⁰, or a "satellite to America"³¹ and the devastation of the national economy in terms still used by left nationalists today.³² Cartoon

17. For an account of the transition to the new, more moderate policies see D. C. Lockwood 'To the Flinders Station: The Communist Party of Australia and the Popular Front' History Honours Thesis Australian National University 1976 pp39-43.

18. L. L. Sharkey "The Labor Party Crisis" *Communist Review* August 1952 pp227-32.

19. L. L. Sharkey "Report to the Central Committee" *Communist Review* April 1953 pp105-13.

20. *ibid.* p112.

21. e.g. *Tribune* 14/1/47 p3.

22. e.g. *Tribune* 6/6/47 p3, 1/8/47 p3, 17/9/49 p1; R. Dixon *Communist Review* July 1947 p592, R. Dixon Report to the Central Committee "The Present Situation And The Tasks Of The Party" *Communist Review* April 1948 p101; R. Lockwood "Dollar Invasion Brings Thought Control" *Communist Review* April 1948 p117; L. L. Sharkey *For Australia -- Prosperous and Independent* p17; R. Dixon "Import Of Capital And Labour's Policy" *op. cit.* p134; and his Report to the Central Committee *Communist Review* September 1950 p653.

23. e.g. *Labor News* January 1947 p5; *Tribune* 16/5/47 p5, 30/5/47 p5, 3/6/47 p2, 1/10/47 p1, 1/11/47 p3, 19/3/49 p3, 26/3/49 p3, 25/6/49 p2, 26/11/49 p1; L. L. Sharkey "The Meaning of Dr. Evatt's Policy" *Communist Review* December 1947 pp752-7; L. L. Sharkey "Pacific Pact Is War Pact" *Communist Review* July 1949 pp195-9; and J. D. Blake *War, What For?* Victorian State Committee Australian Communist Party, Melbourne [late] 1949.

24. e.g. *Tribune* 29/11/47 p1, 3/1/48 pp1, 8, 4/2/48 pp1, 8, 24/4/48 p1, 3/9/49 p2, 10/9/49 p1, 21/9/49 p1. Also see J. D. Blake "Devaluation And Its Consequences" *Communist Review* November 1949 p331; *Labor News* February 1948 p8, 28/9/49 p4; Australian Communist Party *Report of the Work of the Central Committee from the Fourteenth to the Fifteenth National Congresses* Sydney April 1948 p4; and B. Millis *Dollars Devaluation and You* Current Book Distributors, Sydney October 1948.

25. e.g. *Tribune* 16/5/47 p5, Draft Resolution for the 15th Congress National Library of Australia MS 3000 p14.

26. A. Leontiev *American Expansionism Past and Present* Australian Communist Party Sydney October 1947 p27 and Draft Resolution Communist Party of Australia Papers *op. cit.* p7.

27. *Tribune* 30/5/47 p5.

28. *ibid.*

29. L. L. Sharkey "The Reformists Serve Reaction" *Communist Review* April 1949.

30. Draft Resolution *op. cit.* p23.

31. R. Dixon Report to the Central Committee Plenum *Communist Review* September 1950 p654.

32. e.g. *Tribune* 16/5/47 p5, 25/2/48 p8, 3/9/49 p2; L. L. Sharkey *Australian Communists and Soviet Russia* Current Book Distributors, Sydney 1947; and "Draft Programme Of The Australian Communist Party" *Communist Review* July 1951 p839.

27 portrays Evatt as the mouthpiece of dollar imperialism. This analysis did not prevent the ACP from recognising Australia's own imperial ambitions in the Pacific.³³ It is not necessary to consider all of the above issues in detail in order to establish what the ACP thought Australia's place in the world or relationship with the USA was. This is well illustrated in the Party's comments on one of the most important areas of international relations during the late 1940s: the multilateral trade negotiations aimed at establishing international agreements, similar to Bretton Woods, to cover international trade.

As the spirit of Teheran waned, so the CPA became more and more sceptical about the international trade negotiations of the second half of the 1940s, as it did of the Bretton Woods Agreement. The Party believed that Australia's share of the British market was at stake particularly at the Geneva World Trade Conference which started in April 1947. The United States, Communists believed, was trying to use trade negotiations to force open the markets of the British Empire in order to improve access for its own goods.³⁴ The CPA took this insight and its prediction of a new economic crisis and turned them into a nationalist stick with which to beat U.S. policy: "The smashing of Australian export industries" was a logical consequence of US hostility to Empire preference and the Labor Government's subservience to Wall Street imperialism.³⁵

The course of trade negotiations during 1947 led the ACP to believe that the Australian fruit and sugar industries would suffer from any agreement reached.³⁶ Farmers were prime candidates for the Party's People's Front strategy, partly modelled on the experience of the Eastern European People's Democracies. The Front was to be led by the working class, with the ACP at its head and was to explicitly include farmers, the middle classes and, until the line changed in 1948, sections of the capitalist class. In order to enlist the support of farmers, against US imperialism, the Party mounted a campaign which included a tour of the fruit growing areas by Party journalist Rupert Lockwood. The campaign focused on the dire consequences any reduction of Empire preferences would have on the fruit-growing industry.³⁷ Lockwood wrote *Wall Street Attacks Australia* as a part of this campaign. Its front cover, Cartoon 28 indicated the Party's view of the relationship between Australia and the USA. He argued that

"Both Britain and Australia need the tariff system known as Empire tariff preference, so that Britain can buy our food and wool and Australia can buy British machines and other goods... which Australia does not manufacture herself".³⁸

Identifying with the interests of Australian manufacturing capital and the intentions of the Ottawa Agreement, Lockwood further maintained that preference and tariff protection was necessary so that economically weaker countries like Britain and Australia could compete with the USA for markets. He thus reproduced traditional laborite arguments in favour of protectionism. To these Lockwood added an argument that had been used by pre-war left nationalists against Britain: the Commonwealth countries had suffered proportionately higher casualties during the last war than the USA and therefore should not have to suffer from dollar imperialism.

During May the US Congress's threat to increase US wool tariffs led the ACP to express concern for the Australian wool industry.³⁹ But, some time after this danger had passed, *Tribune* discovered that big overseas wool interests, "recognised on the Murrumbidgee as the economic fifth column", were trying to sacrifice fruit exports to Britain in order to earn US dollars by selling wool to the USA. Only united action by workers, farmers and business people could prevent sugar and fruit settlements from being turned into ghost towns.⁴⁰

The ACP's focus on access to the British market also justified the Party's support for aid to Britain's flagging economy. This support was motivated by the belief that assistance to Britain could help her resist pressure to fall in line with the US's anti-Russian foreign policy:

"Australia and New Zealand have been glad to receive their formal freedom under the Statute of Westminster but find that Britain is still the biggest, indispensable purchaser of their exports. All the Dominion people are therefore interested in helping the British people ward off the Wall Street economic raiders as they warded off the Nazi military raiders in the 1940."⁴¹

Hence the Party's encouragement of the food parcels for Britain movement.⁴²

The ACP's new attitude to Empire preference and protectionism in general fitted in well with its and Russia's current attitudes to international affairs, but were hardly congruent with the Party's earlier denunciations. Dixon sought to clear up the theoretical position in a report to the Central Committee in July 1947. He recognised that

33. e.g. G. P. O'Day's review of B. Fitzpatrick *The Australian People, 1788-1945* *Communist Review* March 1947 p476; Australian Communist Party *The Way Forward* op. cit. p17; L. L. Sharkey "Pacific Pact" op. cit. June 1949 p195; and Australian Communist Party "Draft Programme" op. cit. July 1951 p840.

34. *Labor News* March 1947 p6 and R. Dixon "The Way Forward", *Communist Review* April 1947 p483.

35. e.g. *Tribune* 8/4/47 p1, 11/4/47 p1, 25/2/48 p8.

36. e.g. *Tribune* 6/5/47 p8, 9/5/47 p7, 1/7/47 p8 and R. Dixon Report to the Central Committee *Communist Review* July 1947 pp590-1. For the Party's assessment of the draft treaty see *Tribune* 22/11/47 p3: "Fruit Growers Take It On Chin from USA".

37. e.g. *Tribune* 6/5/47 p8, 23/5/47 p1.

38. R. Lockwood *Wall Street Attacks Australia* Current Book Distributors Sydney 1947 p3. Also see *Labor News* August 1947 p7. Lockwood's pamphlet apparently proved to be quite popular, by the time of the 1948 ACP Congress 15 000 copies had been sold, Australian Communist Party *Report of the Work of the Central Committee from the 14th to 15th National Congress* op. cit. p7.

39. *Tribune* 13/5/47 p6 "Australia As Shorn Lamb In Wool Deal with USA".

40. The Murrumbidgee Irrigation Area was a large fruit growing region. *Tribune* 3/6/47 p1.

41. *Tribune* 23/5/47 p4

42. e.g. *ibid*, *Tribune* 22/7/47 p1.

protectionism was an aspect of inter-imperialist rivalry and that it cut working class living standards by raising prices. But in practice he reversed the conclusions to be drawn from such a Marxist analysis:

"Empire preference has a vastly different significance for Australia today to what it had in the 1930's. Today it means the difference between the destruction and the maintenance of a number of industries vital to this country."⁴³

There had been far more justification for this argument, already a very familiar one to laborites, during the depression than during the late 1940s. Dixon made the crux of his argument clear by looking forward to sugar, fruit and meat producers and manufacturers, including "sections of the capitalist class", joining the ACP and sections of the labour movement in opposition to US foreign policy, which aimed to link up with the Australian big bourgeoisie.

The ACP treated the later Havana trade negotiations in the same way as the Geneva discussions:

"Postwar reconstruction Minister J. J. Dedman appears to have accepted at the Havana trade talks the American sponsored plan to allow American capital and goods freer entry to 'underdeveloped' countries".⁴⁴

Dixon put the question of the international trade negotiations into the context of the Party's perspectives: communists should use the danger to Empire Preference as an example of the way the United States was accentuating the British economic crisis so it could impose detrimental policies on Australia. The Party should fight the policies of the ALP and the Australian bourgeoisie which were leading to economic disaster and the loss of "our independence". Finally,

"We must rally the farmers, middle classes and other people whose livelihood is endangered by the abolitions of Empire preference and the scaling down of tariffs".⁴⁵

The devastating consequences of the General Agreement on Trade and Tariffs ("GATT", which came into effect at the beginning of 1948), the International Wheat Agreement and the proposed International Trade Organisation, predicted by the Party, never eventuated.⁴⁶ Not only did Australia's export markets in general expand, thanks to the long boom, but GATT only marginally affected Australia's preferential position on the British market. The Wheat Agreement did not prove to be an obstacle to increased Australian production and the United States eventually rejected the International Trade Organisation as detrimental to its own interests.

The ACP was on safe ground in criticising the international trade negotiations, as Russian authorities, including Varga who had not yet gone into temporary eclipse, were doing the same.⁴⁷ The enthusiasm of the Party for Empire preference led L. L. Sharkey to worry that

"Sometimes our propoganda could be taken to mean that we are fighting to restore the old imperialist economy in the fight to preserve independence from American imperialism. . . But it must be made crystal clear that this fight is directed also at the British and Australian monopolists, whose policy is one of subservience to Wall Street imperialism, while striving to save as much as they can of their profits at the expense of the masses".⁴⁸

Indeed the Party had been calling for increased Empire self-sufficiency⁴⁹, but it also called for increased trade with Russia and Eastern Europe as an alternative to subservience to the U.S.A.⁵⁰ This readily distinguished Communists from Empire loyalists,⁵¹ although the capacity of Eastern Block countries to absorb substantial amounts of Australian exports and therefore their value as outlets to supplement the limited British market was doubtful.

It is just as important to distinguish the ACP's post-war, anti-imperialist nationalism from its nationalism before the War, as it is to distinguish its position on Empire Preference from that of the Empire loyalists. The Party's attitude to the imperial power most important for Australia after the War, i.e. the USA, was different from its prewar attitude to Britain. During the late 1930s the Party's nationalism had been tempered by its desire to influence the external policy of the whole Empire in a direction favourable to Russia through Australian pressure on the British Government. It might be said that there were three camps: that of Russia and its supporters around the world; that of Germany, perceived as the immediate threat until mid-1939; and in between them the wavering western

43. R. Dixon Report to the Central Committee *Communist Review* July 1947 p590-92.

44. *Tribune* 25/2/48 p8.

45. R. Dixon "The Present Situation and the Tasks of the Party", op. cit. p107 also *Tribune* 13/3/48 p8.

46. For more on Communist concerns about the international negotiations see, e.g. J. W. Bailes's address to the 1948 ACP Congress Communist Party of Australia Papers op. cit. Box1 Folder1 *Tribune* 30/3/49 p7.

47. E. Varga "The Geneva Trade Talks" *Communist Review* October 1947 pp686-91, reprinted from *New Times* (Moscow) and E. Varga "Britain Could Get Free From Wall Street" *Tribune* 10/1/48 p4.

48. L. L. Sharkey *For Australia Prosperous and Independent: Report to the Fifteenth Congress, Australian Communist Party* Current Books, Sydney May 1948 p12.

49. e.g. Dixon "The Present Situation" op. cit. and Varga "Britain Could" op. cit.

50. e.g. *Labor News* March 1947 p6; *Tribune* 8/8/47 p1, 4/10/47 p3, 22/11/47 p3; Varga "Britain Could" op. cit.; *Tribune* 28/2/47 p5, 27/6/47 pp4-5; R. Dixon "The Way Forward" op. cit. p484; E. W. Campbell "'Golden Age' is Now a Fading Mirage" *Communist Review* September 1947 p653; R. Dixon "The Present Situation" op. cit. p107; and *Tribune* 3/9/49 p2, 21/9/49 p1, 29/10/49 p1.

51. For an account of the Empire loyalist position see R. S. Russell *Imperial Preference* published for the Empire Economic Union by the Falcon Press, second edition London 1949. Russell's conclusion warns that freer trade will lead to the Empire falling "under the domination of American capitalism" and hence to a clash with Russia p130.

democracies, which Russian foreign policy was trying to win over. So Communists did not oppose Australian membership of the Empire, although they did identify and oppose the interests of Australian and British monopolists and condemned certain acts of British imperialism. During the late 1940s the Party's nationalism was more virulent, involving a rejection of any links at all with the main imperialist power, now the USA. The ACP's nationalism was also more closely integrated with its critique of local monopoly capitalism. Moreover, because of the betrayals of the ALP, the Communist Party now had "a special responsibility to take into its hands the banner of the national independence of Australia".⁵²

Collins House

The Communist Party linked activities of the Australian bourgeoisie to the interests of US imperialism before 1948, but the identification of monopoly and American foreign policy was given great emphasis from the May 1948 Congress, which marked the formal adoption of the international radical turn by the Australian Party.⁵³ At the 1948 Congress this link was stressed in item after item. Sharkey identified British and Australian monopolists, "whose policy is one of subservience to Wall Street imperialism", together with American imperialism as the Party's opponents in his main report to the Congress.⁵⁴ Similar sentiments were expressed in the draft and final resolutions of the Congress:

"Australian reaction, the clique of monopoly-capitalists and its political servants, is today becoming utterly subservient to American imperialism."⁵⁵

Miles made the basis for the link in the Russian theory of the "two camps" explicit in his comments at the Congress, by linking together the struggle against reactionary foreign and domestic policies.⁵⁶ The Party's comments on Australian foreign policy for the remainder of its radical turn continued to stress the relationship between monopoly capital, Collins House in particular, and US imperialism.⁵⁷ The nature of this identification of Australian monopoly capitalism with imperialism was somewhat different from that of the Popular Front period, because the Party's nationalism was less inhibited during the late 1940s.

The theorisation of the link between anti-monopolism and Australian nationalism was perfected during the early 1970s with the advent of the concept that Australia was dominated by "multinational corporations". The multinational corporation embodied the object of anti-monopolism and anti-American nationalism in the same institution. The development of the concept also followed an undisputed increase in the proportion of foreign ownership of manufacturing capital in Australia during the post-war period.⁵⁸

In its role as the preeminent representative of Australia's national interests, the Communist Party at first continued to expect some sections of the capitalist class to take a progressive stand against monopoly capital, at least on questions of international relations. During 1947 and early 1948 the Party thus held to the cross-class strategy which had emerged from the 1945 Congress. The signs of the radicalisation of Communist policy had been accompanied by statements such as J. C. Henry's to the Empire Conference of Communist Parties in February/March 1947. He maintained that the policy he had advocated

"is suitable to the national interests of Australia because it is in the interests of the workers, farmers, town middle class and of sections of capital not tied to the great monopolies".⁵⁹

Back in Australia he told the Central Committee Plenum in May 1947 that the broad front against US imperialism should include "patriotic progressive elements in the capitalist class".⁶⁰ The Party's campaigns over the international trade negotiations during 1947 and early 1948 should be seen in this light.

In the course of the campaigns against the international trade negotiations Communists did consider the divergent interests of capitalists engaged in different industries e.g. manufacturing, which included both the BHP steel monopoly and many very small businesses, versus wool production, involving huge pastoral companies as well as small farmers. But as during the previous period there was a lack of clarity on the distinction between capital and monopoly capital, as classes. The resolutions of the 1948 Party Congress again identified monopoly capital as having its own "selfish class interests" and Sharkey said that it was in the interests of strengthening monopoly capital that the ALP had dropped its commitment to nationalising key industries.⁶¹ But he made no attempt to distinguish between the content of monopoly as opposed to other capitalists' interests. After a reference to the

52. J. D. Blake *Communist Review* May 1948 p137. For the ACP's softness on the Empire during the War see R. Dixon "Federal Labor Conference" *Communist Review* January 1944 p180 and *Tribune* 14/8/45 p3.

53. R. Dixon Report to the Central Committee meeting of 16-19/5/1947, *Communist Review* July 1947 p592, suggested that US capital was forming joint companies with Australian capital in order to build up a "Fifth Column", and in fact, "important sections of the Australian bourgeoisie are being drawn into the camp of American Imperialism".

54. L. L. Sharkey *For Australia -- Prosperous and Independent*, op. cit. Current Books Sydney May 1948 p12.

55. *Draft Resolution For Fifteenth Congress* p14 in National Library of Australia MS 3000, Australian Communist Party *The Way Forward* op. cit. p9.

56. J. B. Miles's comments are recorded in Communist Party of Australia Papers op. cit. Box1 Folder1.

57. see, for example, *Tribune* 26/2/49 p5, 25/5/49 p4, 12/11/49 p1; J. R. Hughes *Keep The Unions Free* Current Book Distributors, Sydney September 1948 p3; and R. Dixon "The Way To Victory" *Communist Review* February 1950 pp421-2.

58. see especially the writings of E. L. Wheelwright e.g. *Radical Political Economy: Collected Essays* ANZ Sydney 1974 and B. Fitzpatrick and E. L. Wheelwright *The Highest Bidder* Landsdowne, Melbourne 1965.

59. J. C. Henry Speech to the London Conference of Empire Communist Parties *Communist Review* May 1947 p517.

60. J. C. Henry Report to the Central Committee *Communist Review* July 1947 p585 "... undoubtedly as the reality of the position becomes clearer elements in the Country Party and also the Liberal Party will be found for Australian independence as against American domination".

61. Australian Communist Party *The Way Forward* op. cit. and L. L. Sharkey *For Australia -- Prosperous and Independent* op. cit. p17.

class interests of "monopoly capital" he went on to deal with the increasing ferocity of the "bourgeoisie" in its attacks on the working class and the need for a People's Front against the "capitalists". The relationship between monopoly and other capital was also unclear in the ACP's critique of the "Browderism" of the British Communist Party. The Australian Party emphasised that "monopoly capital is in complete control and the bourgeois state has not been undermined. . ."⁶² This statement was designed to deny, in orthodox Leninist terms, the possibility of a transition to socialism under a Labour Government but it drew more on Communist Popular Front analyses during the 1930s than on Lenin and raised the question of the distinction between monopoly capitalist "control" and the bourgeois nature of the state.

Jessop has pointed out that the Popular Front conception of fascism as the dictatorship of the most reactionary elements of finance capital presaged the 1950s theory of state monopoly capitalism in which monopoly capital appropriated state power to the exclusion of other fractions of the capitalist class.⁶³ Since the War, the ACP had been moving towards this latter conception in an atheoretical way. In his critique of E. Varga's *The Changes in the Economics of Capitalism as a Result of the Second World War I*, Gladkov expounded an early, Stalinist theory of state monopoly capitalism. This was an instrumentalist version which emphasised "the limited nature of the regularising measures of the bourgeois State in the economic sphere". Gladkov justified his analysis in terms of the "fusion of finance capital with the State", a formulation from Lenin's *Imperialism*. While more explicit in its analyses than anything an ACP member wrote during this period, Gladkov's article still did not explain, and stamocap theory subsequently has not satisfactorily specified, the distinction between the interests of the bourgeoisie and monopoly.⁶⁴

In the 1948 pre-Congress discussion Dixon emphasised that the Australian bourgeoisie was "not moving into the arms of American imperialism like a lover into the arms of his mistress". Rather the bourgeoisie was vacillating and divided on the question.⁶⁵ On foreign policy, the most vital area of Communist concern, the Party had to "Take advantage of the differences amongst the bourgeoisie." He thus called for manoeuvres amongst sections of the bourgeoisie, which he labelled traitorous to Australia. Soon after, in his Report to the 1948 Party Congress, Dixon called for the construction of a People's Front of workers, farmers and the middle class, with no mention of the progressive sections of the capitalist class.⁶⁶ This proved to be a transitional position. The radicalisation of the Party's domestic policies and the modification of its interpretation of Lenin 1913 from the Congress, made it untenable. After the Congress there was little talk of including capitalists in the People's Front or of taking advantage of the divisions amongst them, until the Party moved back to the right in 1951-2.⁶⁷

Henceforth the Party's analysis made no serious distinction between the bourgeoisie and the monopolies. Their identity and, also from the 1948 Congress, that of Collins House were increasingly blurred.⁶⁸ In the tradition of Money Power analyses, the monopolies were accused of conspiring against the people.⁶⁹ The evolution of the Party's conception of the class structure of Australian capitalism towards a state monopoly capitalist (stamocap) view was thus confused during this radical period of Communist policy, and its apparently contradictory consequences in the realm of economic and class analysis: on the one hand an increased focus on opposition to Collins House, a tiny section of the capitalist class, as the main enemy; on the other hand a blurring of the distinctions amongst Collins House and monopoly capital and the bourgeoisie as a whole. This view was expressed in Cartoon 29.

The point of stamocap theory was that it justified attempts by Communist Parties to form alliances with non-monopolist sections of the capitalist class. Once the fully blown radical position had been adopted at the 1948 ACP Congress, however, the Party ceased to talk about winning over progressive sections of the capitalist class until it moved back to the right during the early 1950s. The belief that the whole of the bourgeoisie was

62. Political Committee of the Australian Communist Party "Letter to the CPGB" *Communist Review* September 1948 p271.

63. B. Jessop *The Capitalist State* Martin Robertson Oxford 1983 p39. The theory of state monopoly capitalist "subjugation of the state machine to the monopolies" was sanctified in Stalin's 1952 *Economic Problems Of Socialism in the U.S.S.R.* (Foreign Languages Press Peking 1972 p43). The affinity of the postwar evolution of the ACP's theory of the state to Popular Front conceptions was apparent in its use of the term fascist to describe the agents of monopoly capital, e.g. J. R. Hughes called the actions of the right-wing Labor "agents of the bosses; agents of Collins House" "Hitlerite" in his *Keep The Unions Free* op. cit. and in February 1950 Dixon argued that the Menzies Government was promoting fascism, understood as the dictatorship of the powerful banking and industrial monopolies, "The Way To Victory" op. cit. p420. For an early explanation, in an Australian publication of the dominant role of the monopolies vis a vis the rest of the capitalist class see M. Dobb *Economics of Private Enterprise* op. cit. p5.

64. I. Gladkov "Second World War and Changes in the Economics of Capitalism" *Communist Review* May 1948 pp149-154. For a brief statement of the Communist Party's later stamocap position see Communist Party of Australia *The People Against Monopoly* Current Book Distributors, Sydney June 1961 and also E. Aarons *Economics For Workers* Current Book Distributors, Sydney 1961 pp53-54, Aarons's treatment of stamocap is preceded by a discussion of the "Sixty Families".

65. *Tribune* 15/5/48 p3 and R. Dixon "Import of Capital and Labour's Policy" op. cit. p134.

66. R. Dixon "Building the People's Mass Movement" *Communist Review* June 1948 pp164-6. For an earlier and weaker version of Dixon's transitional position see his report to the Central Committee in February 1948, *Communist Review* April 1948 pp106-7 where he argues that the policies of the Australian bourgeoisie and the ALP are hastening the onset of economic crisis and Australian subordination to US imperialism, although he ambiguously calls for the ACP to "rally the farmers, middle classes and other people whose livelihood is endangered by the abolition of Empire preference and the scaling down of tariffs". These other people presumably included some manufacturing capitalists. On the priority of foreign policy see J. C. Henry Speech to the London Conference. . . op. cit. p517.

67. W. Gollan, Central Committee member though not a prominent one, endorsed an alliance with progressive capitalists at the 1948 Party Congress, but no other leading members did, Communist Party of Australia Papers op. cit. box1 folder1. Australian Communist Party *Report of the Work of the Central Committee from the 14th to 15th National Congress* op. cit. noted Henry's speech to the Central Committee on the need for alliance with progressive capitalists.

68. e.g. J. D. Blake "Murdoch, Sharpley and Holloway" *Communist Review* June 1949 p163; J. R. Hughes *Keep The Unions Free* op. cit.; and Communist Party of Australia *Speakers' Notes* February 1950 pp3, 22.

69. *Tribune* 19/3/49 p3, Communist Party of Australia *Speakers' Notes* op. cit. p22.

reactionary also entailed rejection of any progressive role for the ALP, which was still interpreted as representing the interests of the capitalist class. Fulminating against Collins House combined with a blurring of boundaries amongst Collins House, monopoly capital and the bourgeoisie served to portray Australian society in a suitably leftist, polarised light while at the same time giving the impression that the forces lined up on the side of progress were formidable, although in reality, and even the Party's own analyses, they were not. The requirements of the defence of Russia, defined in the Kremlin, included a working class offensive. The ACP complied, notwithstanding the obstacles presented by its own theory, masking these, probably unconsciously, with a rhetorical device: castigation of Collins House.

The adoption of the full radical program at the 1948 ACP Congress, therefore had the following consequences for Communist ideas about the class structure of Australian capitalism. Not only did the Party's nationalism become more extreme, it also believed that class tensions were heightening to such an extent that the question of socialism, or at least the establishment of a "People's Democracy" was on the agenda. The Communist picture of the class structure of Australian society also became more polarised. On the one hand there was the conspiratorial Collins House clique, with its American connections, on the other stood the Communist Party, the only remaining, genuine representative of Australian nationalism. In rhetoric the main enemy of the progressive movement was thus limited to a smaller group than even the "monopolies".

The emphasis on Collins House as the main enemy of the Australian people started at the 1948 ACP Congress. It did not figure in the draft resolution or in Sharkey's report but was a major concern in Blake's report⁷⁰ and, subsequently, the Congress resolutions.⁷¹ The idea to focus all attacks on Collins House apparently was Sharkey's. After praising Blake's report in his reply to the Congress discussion he said that:

"I think we must consider whether we cannot make the name of Collins House stink, make it have the same significance to every Australian that the 400[sic] families had to the French People in the days of the Popular Front, whether we can centralise all our campaigns to show the real enemies of the people, the organisers of fascism and war... and we must make Collins House the centre of everything that is against the interests of the masses of the Australian people".⁷²

Subsequently "Collins House" was used as a synonym for the ruling class, reaction or the main enemy. It was Collins House and its mouthpiece, the Liberal Party, that opened a "Savage War On Pay and Hours", sought the reintroduction of military conscription and were "Behind [The] Drive on Unions' Ballot Rights".⁷³ At an election rally during the 1949 Federal elections Blake said that

"The class enemy of the working people in Australia is the small but extremely wealthy and powerful gang of monopoly capitalists centred in Collins House, Melbourne.

"In the hands of this small group rests the control of all the economic life of our country and, consequently, of the political life, including the policies of all political parties, with the exception of the Communist Party".⁷⁴

Tribune ran a number of articles by Len Fox, the Party's expert on relationships amongst the wealthy after Rawling's departure, exposing the activities of the Collins House and other monopolists. These articles followed along the lines of his 1946 *Wealthy Men* and, in their analysis and conspiracy theory, owed at least some inspiration to Anstey's Money Power analyses. In an article "Twenty Monopolists In Collins House Can Dictate To Millions Of People" Fox identified three monopoly groups: Collins House, the NSW group and the "British money barons and steel kings".⁷⁵ This had a close resemblance to Anstey's tripartite division, also employed by Rawling. About six months later another article included a box quoting a 1933 *Smith's Weekly* article on the "Money Tsars".⁷⁶ In February 1950 a new version of *Wealth Men* was issued as *Guilty Men Again*, recalling the title of Fox's war-time pamphlet. In the latter Fox revealed that:

"The plot of the Guilty Men is far more than an Australian plot. It's a worldwide plot. It started in America -- in the Hotel Pennsylvania in New York City on September 17, 1942".⁷⁷

Labor News carried a series on "Who's Who In Collins House" during late 1948 and early 1949, as well as employing the general "Collins House" terminology when referring to opponents of the union and the Communist Party.⁷⁸

70. *Tribune* 19/5/48 p3 and J. D. Blake "The Menace of Collins House" *Communist Review* June 1948 pp175-9. A. Davidson *The Communist Party of Australia* Hoover Institution Press, Stanford 1969 p174 maintains that "the Collins House Conspiracy of ruling families" was coined by B. Fitzpatrick in *The Rich Get Richer* Rawson's Bookshop, Melbourne 1944.

71. ACP *The Way Forward* op. cit. p9:

"The chief centre of reaction in Australia is in Collins House, Melbourne... Here are to be found the financiers and monopolists who in reality dominate the economic and political life of our country and people. It is they who, controlling industry and finance, draw an enormous tribute from the working class and the toiling farmers."

72. Communist Party of Australia Papers op. cit. box1 folder1.

73. *Tribune* 31/7/48, 25/9/48 p8, 18/12/48 p8. Also see, for example, *Tribune* 15/9/48 p8, 19/1/49 p1, 22/1/49 p3, 22/10/49 p8.

74. *Tribune* 12/11/49 p1.

75. *Tribune* 19/6/48 pp4-5. Davidson *The Communist Party of Australia* op. cit. p174 states that *Wealthy Men* was a training course pamphlet for the Party throughout the 1950s, until it was replaced by E. W. Campbell *The Sixty Families Who Own Australia* Current Book Distributors 1963.

76. *Tribune* 12/1/49, see also Fox's article in *Tribune* 26/2/49 p5.

77. L. Fox *Guilty Men Again* Current Book Distributors, Sydney, February 1950 p3.

78. *Labor News* June 1948 p2 and November and December 1948 p3, January 1949 p3 for characteristic Communist uses of the phrase "Collins House".

The focus on Collins House enabled Party leaders to make statements along the lines of the following title of Blake's contribution to the special 1948 Congress discussion in *Communist Review*, despite an increasingly hostile environment and the Party's own conclusion that the bourgeoisie and ALP had only recently gone over to the side of reaction: "We Have Great Tasks And Many Allies".⁷⁹

When the Party swung back to the right in the early 1950s, again actively seeking allies amongst the ALP left, its invective against Collins House faded, while that against the monopolies in general remained and eventually developed into an analysis of the "Sixty Wealthy Families".⁸⁰

"An Economic Crisis, Deeper and More Devastating. . ." ⁸¹

The Communist Party's diagnosis of the health of Australian capitalism during its radical turn amounted to warnings that a new depression was nigh and a more convincing assessment of the importance of workers' struggles over wages and conditions. The theory of the two camps provided an effective way for the Communist Party to link foreign policy questions to those of immediate interest to workers: wages and prices, preeminently. The struggle against the monopolies, whose links with US imperialism were stressed and which were blamed for reactionary, crisis inducing domestic policies, unified action in these two areas. In September Dixon emphasised the importance of economic fights to the Central Committee:

"There is an inseparable connection between the fight around the economic issues and the struggle for Australian independence against the threat of American imperialism".⁸²

The development of the economic struggle would open up new possibilities in other spheres. Since it had returned to its predictions of an economic crisis in 1945, the ACP had used the imminence of a new depression to justify workers' demands for improved wages and conditions. Every setback in the Australian or US economy and every pronouncement by an economist, conservative or Russian was used to hammer home the message that a new slump was looming and that workers should therefore intensify their struggles for wages and conditions.

Communists saw the next slump approaching in the guise of international trade negotiations restricting Britain's ability to buy Australian goods⁸³, the spread of crisis to Australia from the US or the rest of the world.⁸⁴ Some Communists even took heart from the existence of a boom. Dixon maintained that

"The present situation is characterised by a boom, the kind of boom that precedes economic crisis."⁸⁵

In early 1948 the Party was confident that the crisis had already begun⁸⁶, although it later occasionally retreated to saying the depression was only imminent.⁸⁷ The statements of a wide spectrum of authorities was invoked to support the contention that a crisis was inevitable. These ranged from "ace Soviet economist" Varga⁸⁸, not yet shot down by his Stalinist peers in public debate, through Ben Chifley⁸⁹ to orthodox economists.⁹⁰ Professor Hytten's comments to the Hobart Australian and New Zealand Association for the Advancement of Science Congress attracted considerable comment throughout the labour movement. *Tribune* condemned his proposals for eight per cent unemployment and commented:

"As this banking economist's remarks starkly reveal, Australian capitalists from Collins House down seek a future in which the Australian workers face, not prosperity but a scramble for jobs, with hunger, want and homelessness taking the hindmost".⁹¹

Cartoon 30 was also a comment on Hytten's remarks. The fall of E. Varga, for over a decade the most prominent Soviet economist, can only have driven home the message to Australian Communists that too much stress could not be placed on the imminence of a new crisis.⁹²

79. *Communist Review* May 1948 p136. The Communist Party's *Speakers' Notes* of February 1950, that is after the disastrous defeat of the coal miners stressed that "The emphasis must be on the need to take the offensive" p1 op. cit.

80. The 1951 *Programme of the Communist Party of Australia* was silent on Collins House.

81. At the ACP's 1948 Congress E. J. Rowe said that "This Congress in the first place points very clearly to the fact that the capitalist system in general offers the working class the prospect of an economic crisis, deeper and more devastating than 1929-1933." Communist Party of Australia Papers op. cit. box1 folder1.

82. R. Dixon Report to the Central Committee *Communist Review* October 1948 pp303-4. Also see Australian Communist Party *Social Services and the Struggle Against the Economic Crisis* Current Book Distributors, Sydney 1948 p31

83. *Tribune* 28/2/47 p5 and R. Dixon "The Present Situation" op. cit. April 1948 p107.

84. e.g. L. L. Sharkey "The Labor Movement at the Crossroads" op. cit. p451; *Tribune* 28/3/47 p4, 27/6/47 pp4-5; E. W. Campbell "'Golden Age' Is Now A Fading Mirage" *Communist Review* September 1947 p652; *Labor News* 20/7/49 p3 and p8, 17/8/49 p8; J. D. Blake *The Great Coal Strike* Australian Communist Party Sydney August 1949 p3; and B. Taft "The Economic Crisis" *Communist Review* August 1950 pp613-5.

85. R. Dixon "The Economic Crisis" Report to the Central Committee *Communist Review* October 1947 p680. E. J. Rowe, a Communist leader of the AEU used exactly the same formulation in *Amalgamated Engineering Union Journal* December 1947 pp10-11.

86. R. Dixon "The Present Situation" op. cit. p103 said that "the fall in grain prices shows the instability of capitalism, which is even now plunging into economic crisis". Also see *Tribune* 3/3/49 p3 7/5/49 p3 and B. Taft "The Economic Crisis" op. cit. p613.

87. e.g. E. W. Campbell "Golden Age Rests on Shaky Foundations" *Communist Review* January 1949 p16 and *Labor News* 22 June 1949 p2.

88. *Tribune* 3/9/47 and also 28/2/47 p5.

89. *Labor News* March 1947 p7 and *Tribune* 20/6/47 p5. Also see a reference to an obiter dicta of Post Master General Cameron in *Tribune* 3/3/48 p3.

90. J. Dodd "Labor's Economic Policy" *Amalgamated Engineering Union Journal* September 1948 p17 (Dodd's position in the article is very close to that of the ACP); E. W. Campbell "'Golden Age' Rests on Shaky Foundations" op. cit. p16 cites Professor Copland.

91. *Tribune* 15/1/49 p3. Also see 22/1/49 p8.

92. Varga's analyses were quite frequently carried in the ACP press e.g. *Tribune* 10/12/46; "Course of the Industrial Cycle After the War" *Communist Review* June 1946 pp6-10; "The General Crisis of Capitalism" *Communist Review* June 1947 pp551-7; and "The Geneva Trade Talks" *Communist Review* October 1947 pp686-9. The Russian assault on Varga occurred during 1947. An account of Varga's errors appeared in Australia in I. Gladkov "Second World War and Changes in the Economics of Capitalism" *Communist Review* May 1948 pp149-54. The Australian editor noted that Varga "would have appeared to have corrected himself in the main", p149. F. C. Barghoorn

Apart from the suggestion that the next depression would come to Australia as a result of international contagion, Communists explained the origins of economic crises in radical underconsumptionist terms. Emile Burns' *Communist Review* article "Why the Boom Will Bust" resuscitated Marx's "explanation" of the "Last cause of all real crises. . ."93 Radical underconsumptionism remained the Party's theoretical explanation of crises,94 through to the 1960s.95

Having demonstrated the inevitability of a new crisis, the Party took care to refute the Chifley Government's and orthodox economists' arguments that higher productivity, rather than increased wages, was the need of the hour. In contrast with Thornton's 1946 position that Chifley's preoccupation with wage-pegging was a personal idiosyncrasy and that inflation was a figment of his imagination the ACP interpreted inflation as a deliberate Keynesian policy device designed to cut real wages from 1947.

Communists pointed out that wage increases were not the cause of price increases, despite the arguments of employers and Labor politicians. In his early 1947 pamphlet *Raise Wages Reduce Prices* Dixon maintained that rising prices were due to profiteering by capitalists, the monopolies or Collins House, who were taking this step to cut real wages with the assistance of the Government's wage pegging regulations.96 He pointed out, along with non-Communist union officials, that the cost of living index used for the quarterly adjustment of wages was biased against goods whose prices were rising rapidly.97 The Party accurately assessed the significance of the Chifley Government's wages and prices policy as one designed to contain real wages, associated this strategy with the Government's Keynesianism and identified the growing conflict over it inside the ALP. In Sharkey's eyes:

"Both the ACTU and the NSW Labor Council have repudiated economic Chifleyism. That is to say, there is a growing divergence of policy within the Labor Party itself, between the most important reformists in the Trade Union movement and the "liberal" Keynesian group that dominates the Federal Cabinet".98

The ACP thus rejected the Government's economic program in early 1947 as hastening the onset of a new depression:

"Based on the false Keynes economic doctrine, the Federal Government's economic policy, far from preventing a crisis, as Mr. Chifley asserts in his justification for his refusal to grant Trade Union demands, actually the more speedily brings about the conditions that result in eventual depression."99

Dixon explained the mechanism at work: inflation restricted the market at the same time as Australian production was increasing.100 After the wage pegging regulations had been smashed the Party made a somewhat more far-fetched analysis of inflation, which the Government claimed to be combating: inflation was itself a deliberate result of Keynesian policies.

"The policy of raising prices and inflation advocated by Keynes, the mouthpiece of the British bourgeoisie, as a means of increasing the profits of the capitalists and reducing the real wages of the workers, is the deliberate policy of the Australian Labor Party leaders, and is pursued by Liberal and Labor Governments alike with differences of degree and amenability to public pressure".

Rising prices and profits combined with declining living standards were "bringing into being the conditions of economic crisis".101

The new analysis of inflation drew on Jurgen Kuczynski's 1937 critique of Keynes' *General Theory*. Kuczynski argued that Keynes had embraced fascism and that the key to his book was the use of monetary inflation to reduce real wages.102 Kuczynski's seems to have been the only serious left-wing critique of Keynes available at the time.

interpreted the criticisms of Varga's 1946 *Changes in the Economy of Capitalism as a Result of the Second World War* as being an indicator that the Russian leadership was not prepared to have "even theoretical formulations" guided by "experts", like Varga. But Varga had proven himself to be malleable by tailoring his economic analyses to several changes of line from the early 1930s, see R. Day *The "Crisis" and the "Crash"* NLB, London 1981 passim. Varga's real crime was that his book effectively argued a line that was rapidly becoming redundant. By 1947 the spirit of Teheran had been much diluted. What easier way was there for Russia's rulers to dispense with an outmoded analysis than to attack one of its most effective expositors? Certainly a public admission that the Russian Party had been mistaken in its assessments for a number of years was out of the question. For an account of Varga's theoretical development see C. Gannage "E. S. Varga and the Theory of State Monopoly Capitalism" *Review of Radical Political Economy* 12(3) 1980 pp36-49.

93. *Communist Review* March 1947 p455.

94. see, e.g., R. Dixon "The Way Forward" op. cit. p484; *Labor News* January 1949 p6; and *Tribune* 28/5/49 p6.

95. e.g. E. Aarons *Economics For Workers* Current Book Distributors Sydney 1961 pp31-2.

96. R. Dixon *Raise Wages Reduce Prices* Current Book Distributors, Sydney 1947, 300,000 were sold up to the 1948 Congress according to *Report of the work. . . from the 14th op. cit.* p30. Also see R. Dixon's report to the Central Committee meeting of 9-10/9/48 *Communist Review* October 1948 p304; *Tribune* 22/12/48 p1, 26/1/49 p7; and E. Thornton *The Cause Of Inflation . . . And The Answer* Current Book Distributors, Sydney 1947. On the Collins House's hostility to price controls and pursuit of inflation see *Tribune* 5/1/49 and Australian Communist Party A *Programme For The People From The Party Of Peace* Sydney 1949.

97. also see "Editor's Notes" *Amalgamated Engineering Union Journal* October 1948.

98. L. L. Sharkey "The Labor Movement At the Crossroads" op. cit. March 1947 p451. By August J. R. Hughes "NSW Labor Party Conference" *Communist Review* August 1947 pp622-4 saw the consolidation of control by the "extreme right wing" of the NSW Party.

99. *Tribune* 28/3/47 p4. Also see *Tribune* 4/7/47 p8.

100. R. Dixon "The Economic Crisis" op. cit. p680. Also see B. Taft "The Economic Crisis" op. cit. p614.

101. J. D. Blake "Economic And Inflationary Trends" *Communist Review* March 1949 p68. Also see *Tribune* 9/3/49 p3; G. P. O'Day "Crisis Policies - Propaganda And Deception" *Communist Review* December 1949 pp378-81; and E. F. Hill "The United Front And The Struggle Against Reformism" *Communist Review* July 1950 p585.

102. J. Kuczynski op. cit. pp14-16.

In response to the Government's and general concern about inflation the Communist Party argued that existing price controls were inadequate, benefiting employers at the expense of workers. The ACP called for stricter measures and supporting the Government's attempt to increase its powers over prices by referendum.¹⁰³ The Party's campaign against inflation included the establishment of the New Housewives Association. J. B. Miles explained the consequences of the devaluation of the Australian pound in terms of the Party's new interpretation of inflation. Devaluation would not only increase Australia's international competitiveness, but also cut wages.¹⁰⁴

The Communist rejection of Chifley's productivity drive followed naturally from its critique of Keynesian theories of inflation. *Tribune* argued that, despite the improvements in the economic situation by early 1947, workers' purchasing power had declined since the war.¹⁰⁵ A year later the newspaper highlighted a contradiction in Chifley's economic analysis:

"In one breath Mr. Chifley promised the workers a Golden Age if only they would work harder and produce more.

"In the next breath he lamented that shortages would continue for a long time and confessed that he did not know how long the dollar crisis would last".¹⁰⁶

The Party argued that wage increases should precede increases in productivity, rather than follow them. Cartoon 31 proclaimed "Industry CAN Afford It". A glut of some consumer goods was already emerging (a sign of economic crisis) because workers could not afford them. Because workers were recognising that inflation was due to higher profits, they rejected the assertion that wage rises and falling production were responsible. The cry of "increased production" would benefit employers and lead to dismissals.¹⁰⁷ Moreover US imperialism was at the bottom of the whole scheme:

"Behind the Federal Government -- Big Business drive for more production from Australian workers are the Marshall Plan controllers. . ."¹⁰⁸

Suggestions that the labour movement should examine the value of incentive payment schemes and that workers should save more were similarly rejected as leading to sackings or simply as "blatant nonsense".¹⁰⁹

Although during 1947 the ACP came to reject the Government's economic strategy, certain of the Chifley Government's Keynesian policy measures were still supported by the Party. The most notable of these, the decision to nationalise the banks, was taken after the ACP had entered its radical period, although before the new policy had ramified throughout the Party's program. The decision was initially received with great enthusiasm by the Communist Party.¹¹⁰ The first *Tribune* after the announcement proclaimed nationalisation a "challenge to the dictatorial power of finance-capital" and of benefit to workers because it would allow the "Labor Government more effective control over capital investment, and thus help to minimise the effects of the coming crisis on jobs, wages and living standards". Bank nationalisation was not, however, a socialist measure and "In itself, . . . could only curb and not break the power of monopoly capitalism".¹¹¹ The initial response was particularly uncritical of the Government's Keynesian rationale for bank nationalisation. The September *Communist Review* editorial gave a more hard headed, theoretical assessment: bank nationalisation was a response to the spread of depression from Britain and the USA; Chifley's promises of economic expansion through wage and price control, public works, immigration and capital inflow from overseas was a "Keynesian fantasy"; to insulate Australia from the world's problems widespread nationalisations along the lines of the "new democracies in Europe" were necessary; but bank nationalisation made the achievement of socialism easier, as Lenin pointed out in the *Approaching Catastrophe*.¹¹² (As we have seen, Lenin's position in that essay was something quite different). This analysis reflected the ACP's general position, until 1948, that certain of the Government's policies were progressive and could mitigate the effects of the imminent depression.¹¹³ It was also in accord with the interpretation of Lenin

103. *Tribune* 13/5/47 p8, 24/1/48 p7, 31/1/48 p1, 28/2/48 p1 and p6, 10/3/48 p3, 26/5/48 p1; H. B. Chandler *Control Prices and Rents* Current Book Distributors Sydney 1948; a set of Communist shop bulletins for 1948-49 in the Mitchell Library (Pamphlet File 335.405/A) illustrates the considerable emphasis the Party put on inflation and price control at that time.

104. J. B. Miles "The effects Of Devaluation" *Communist Review* December 1949 pp363-4, J. B. Miles "Inflation -- Devaluation -- And The Workers' Wage" *Communist Review* February 1950 pp428-31. Also see Australian Communist Party "A Programme" op. cit. p6 and J. D. Blake "Devaluation And The Consequences" *Communist Review* November 1949 pp332-3.

105. *Tribune* 21/2/47 p3. Also see *Labor News* January 1947 p7.

106. *Tribune* 3/4/48 p8. See also *Tribune* 17/3/48 p7. J. Dodd "Labor's Economic Policy" op. cit. September 1948 p17 expressed concern that increased output would lead to a crisis of overproduction.

107. *Tribune* 9/10/48 p3, 28/2/48 p1; *Labor News* November 1948 p7; "Editor's Notes" *Amalgamated Engineering Union Journal* October 1948 p6; and *Tribune* 13/4/49 p7, 3/5/49 p7.

108. *Tribune* 27/11/48 p6.

109. *Labor News* January 1949 p6; *Tribune* 23/2/49 p1, 16/3/49 pp4-5; and "Editor's Notes" *Amalgamated Engineering Union Journal* April 1949 p5.

110. *Tribune* 19/3/47 p1, 20/9/47 p1, 4/10/47 p4; *Labor News* October 1947 p7, November 1947 p3. Len Fox conjured up images of the Money Power "Australian Bank Monopoly Dictated To Govt. In The Last Depression" *Tribune* 22/8/47 p4. Also see *Tribune* 22/8/47 p1: "Mass support for bank nationalisation among the Australian people, who see it as a measure to curb the Money Baron's dictatorship. . ."

111. *Tribune* 19/8/47 p1. Dixon told a public meeting that "The banks are the centre, the core, the very essence of monopoly in present day Australia", *Tribune* 29/8/47 p1. Also see *Tribune* 22/10/47 p3 on the anti-depression use to which bank credit could be put.

112. Editorial *Communist Review* September 1947 p643, also see E. W. Campbell "Lenin On Bank Nationalisation" *Communist Review* December 1947 pp761-4, the progressiveness of bank nationalisation did not mean that it could off-set economic crisis. Also see L. L. Sharkey "Pacific Pact Is War Pact" *Communist Review* July 1949 p197.

113. e.g. *Tribune* 15/11/47 p1: "Without labor reforms, financial controls and planning the depression would be far worse than the last. . .", that is, under a Menzies rather than a Chifley Government. The article enjoined Chifley to follow Curtin's example of drawing closer to the trade unions, warned against the possibility of "something close to fascism" being imposed on the workers by a Menzies Government and concluded with a call for unity in the labour movement to "fight the common enemies, the monopolists".

1913 then current: that the ALP as a liberal capitalist party could play a progressive role.¹¹⁴ Dixon explicitly placed bank nationalisation in the context of the ALP's "liberal-bourgeois position".¹¹⁵ Despite increasing disillusionment with the Government's lacklustre campaign in support of its own legislation¹¹⁶ the Party continued to campaign in support of bank nationalisation with publications such as E. W. Campbell's *People versus the Banks* and R. Lockwood's *Bankers Backed Hitler*.¹¹⁷

After the ACP's 1948 Congress the Party rejected all aspects of Government economic policy. The emphasis in its treatment of bank nationalisation and the existence of "progressive" aspects of Labor policy changed. Sharkey explained that bank nationalisation was taken simply to strengthen Australian capitalism according to the dictates of the Government's Keynesian economic plan. The plan had been frustrated by monopoly capital which did not believe in its efficacy. No progressive side to bank nationalisation was mentioned and Sharkey maintained that if implemented Labor's economic plans could not have prevented depression and were even "inadequate... to cushion the effect of depression on the masses".¹¹⁸ The change in the designation of the ALP from "Labor" to "Labour" Party in *Communist Review* between December 1947 and January 1948 was a sign of the ACP's dismissal of Australian social democracy as any kind of progressive force. Everything about the ALP was rejected, even its spelling of its own name.

The Communist Party's alternative to Keynesian policy was to advocate wage increases, widespread nationalisations and planning. From 1947 the Party believed that socialism was a short-term prospect.¹¹⁹ Thus in August 1949 L. H. Gould confidently asserted that the current economic crisis was occurring "in the very last years of the existence of capitalism".¹²⁰ The Party's calls, during its radical turn, for nationalisations to combat the crisis should be understood in the context of its belief that the transition to socialism under a People's Front government, more or less modelled on the eastern European experience, was near at hand. From 1948, calls for nationalisation to off-set the effects of economic crisis were only directed to the Chifley Government for propaganda purposes, unlike those in the preceding period during which the Party thought the ALP might be convinced, under pressure, of the desirability of such measures.¹²¹ A comment on the situation in Britain in 1949 made the ACP's fully fledged radical attitude to nationalisations by Governments like Chifley's explicit: "Nationalisation, to be effective in the people's interests, must be carried out by a People's government".¹²²

The ACP believed that the working class was still the agency through which socialism could be achieved in Australia, even if only as a tool to be manipulated by the Party. At the heart of the Party's radical policies was its promotion of the economic struggle, because it increased the possibilities for struggle in other areas.¹²³ The ACP's case for wage struggles was summed up in the following, page one headline in *Tribune*: "Win Gains Before New Crisis Breaks: Miles' CC Call".¹²⁴ In the course of the ACP's radical turn working class struggles for improved wages and conditions replaced progressive legislation as the preferred means of off-setting, though not preventing, the effects of the crisis.¹²⁵ Thus the Party press devoted a great deal of attention during 1948 and

114. R. Dixon "The Economic Crisis" op. cit. p682 and E. W. Campbell "Warning on the Inflation Danger" *Communist Review* November 1947 p721. In November 1947 *Tribune* contrasted the Chifley Government favourably with the possibility of a Menzies Government:

"Instead of bank nationalisation and anti-depression programs of public works, as proposed by the Chifley Government, Australia would get from the Menzies Government a worse dose of Niemeyerism and Premiers' Plan wage and social service cuts... Without labor reforms, financial controls and planning the depression would be far worse than the last..." *Tribune* 15/11/47 p1.

115. R. Dixon "The Economic Crisis" op. cit. p682.

116. e.g. *Tribune* 1/11/47 p6, 5/11/47 p3, 6/12/47 p7.

117. E. W. Campbell *People Versus Banks* Current Book Distributors, Sydney 1947, 63,000 sold up to the 1948 Congress, R. Lockwood *Bankers Backed Hitler* Current Book Distributors, Sydney (January) 1948.

118. L. L. Sharkey "The Collapse Of The Labour Government's Economic Policy" *Communist Review* September 1948 p267. Also see *Tribune* 30/7/49 p3.

119. J. D. Blake foreshadowed the development of Party thinking on these lines in his *The Communist Way Forward* State Committee Victoria, Australian Communist Party Melbourne November 1947 pp15-6, his report to the State Conference. Also see J. D. Blake Report to the Central Committee *Communist Review* July 1947 p596 for an application of the East European model to Australia.

120. L. H. Gould "World Capitalism Moves Into Deep Crisis" *Communist Review* August 1949 p237. Also see J. C. Henry "The Industrial Front" *Communist Review* June 1948 p171: "When we set ourselves the perspective of developing a People's Front in Australia in the present international conditions, we are setting our course for political power. Not less than this"; J. C. Henry Report to the Central Committee "The Role Of Reformism" *Communist Review* August 1949 p228; B. Taft "The Right Socialists Yesterday and Today" *Communist Review* November 1949 p34 opens "In the present dusk of the capitalist system..."; V. Cheprakov "Growth of a New Economic Crisis in the Capitalist World" *Communist Review* December 1949 pp644-71; R. Dixon Report to the Central Committee *Communist Review* September 1950 p654: "capitalism is on the verge of collapse".

121. J. C. Henry "The Role Of Reformism" op. cit. p230: "In a period of crisis, of course, reformism passes into the position of the chief social support of capitalism". Some examples of Communist calls for nationalisation were *Tribune* 12/5/48 p3, 8/12/48 p3, 22/6/49 p5, L. H. Gould "World Capitalism..." op. cit. p238.

122. *Tribune* 8/1/49 p7. See also E. W. Campbell "The Role Of The Labor Party" op. cit. and *Tribune* 7/7/48 p1, 25/9/48 p6 which quotes Lenin 1913 to the effect that the ALP is not a socialist Party unlike the ACP: "The 'middle of the road' pose frequently adopted by the ALP only serves as a convenient cloak for its real role as a party of Australian capitalism".

123. R. Dixon Report to the Central Committee *Communist Review* October 1948 p304. Blake had anticipated this position in March 1946, but was criticised at that time, see Political Committee Meeting Communist Party of Australia Papers op. cit. box2 folder1 and J. D. Blake "The 1949 Coal Strike" *Australian Left Review* p13.

124. *Tribune* 18/2/47 p1 also see Rowe and Wright op. cit. p16.

125. e.g. Australian Communist Party *Social Services* op. cit. p31; E. W. Campbell "'Golden Age' Is Now a Fading Mirage" op. cit. p653; J. D. Blake *The Communist Way Forward* op. cit. p15; J. R. Hughes "For A Higher Basic Wage" *Communist Review* July 1948 p201; *Tribune* 22/1/49 p3, 8/12/48 p3:

"A partial solution [to capitalism's boom and bust cycle] is immediately possible by raising wages at the expense of profits, rigidly pegging prices and nationalising the key industries, particularly coal and steel, as advocated by the Australian Communist Party."

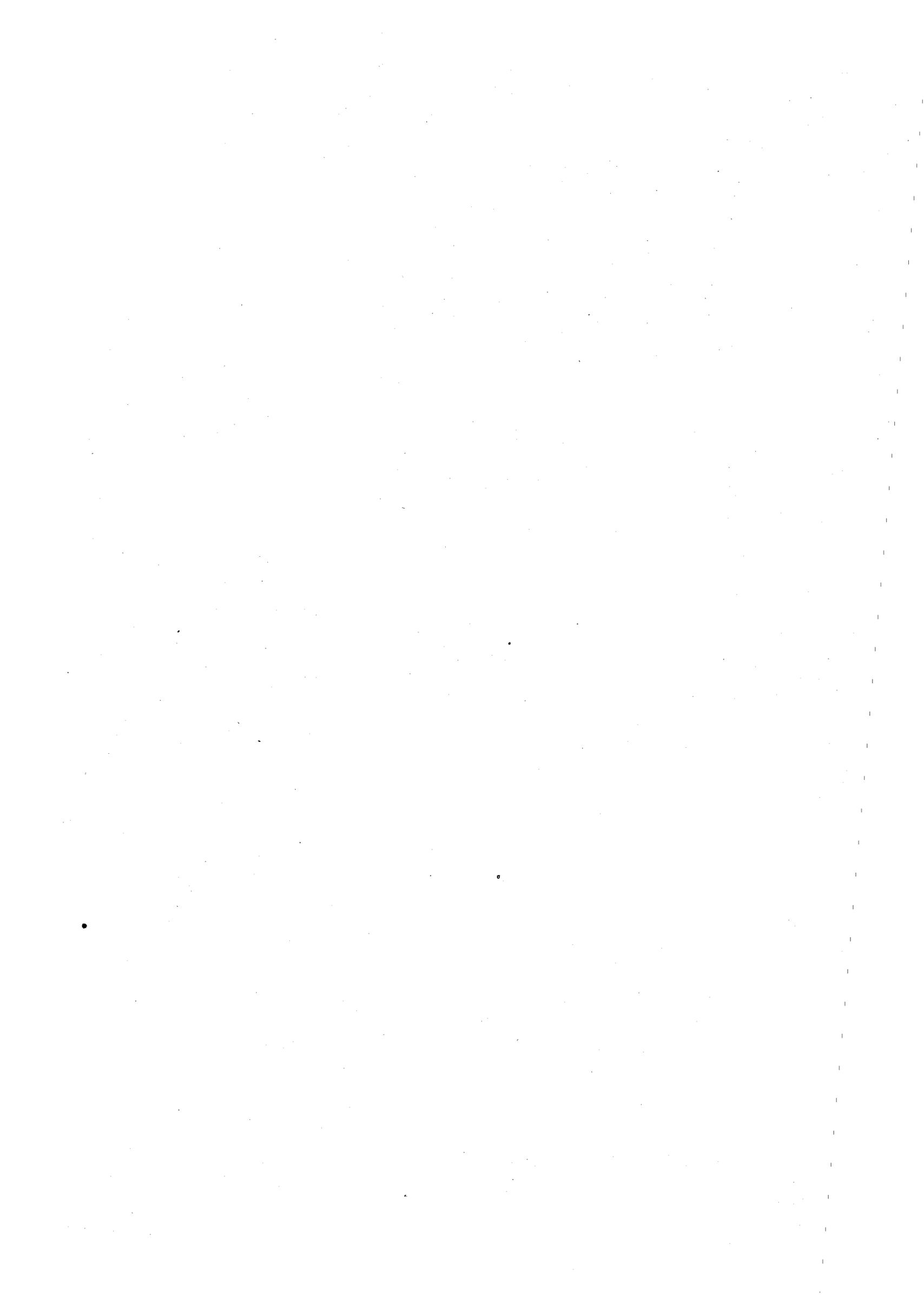
1949 to the campaign for an increased basic wage.¹²⁶ Communists also perceived the similarities between the policies of the ALP and the Liberal opposition, as Cartoon 32 shows. Unfortunately the Party's wholehearted endorsement of industrial militancy derived from Communists' loyalty to Moscow and an unrealistic assessment of the circumstances of Australian capitalism rather than a commitment to working class self-emancipation. It was not, therefore, tempered by a sober assessment of the relation of forces in Australian industry or a democratic approach to the rank and file of the working class. The experience of the 1948 Queensland railway and 1949 national coal strikes confirmed the ACP in its realistic assessment of the role of the Labor Party. But the lessons it drew for practical activity had little bearing on the reality of the situation. After the defeat of the miners' strike, under the headline "Miners Smash Employers' Drive On Living Standards", *Tribune* announced

"... There was no shattering of the militant organisation of the workers. On the contrary, there was a strengthening, and it was the ALP forces which emerged from the struggle split from top to bottom".¹²⁷

When the Party once again turned to the right there was no significant modification of its economic analyses. The imminence of economic crisis, the emphasis on the conspiracies of monopoly capital and the importance of the struggle for Australian independence all remained a part of Communist "theory", if in toned down form. Today all but the first are still the core of left nationalist analyses of Australian capitalism in and outside the Communist Party. The Communist Party rejected its "leftist" stress on working class militancy and criticism of the Chifley Government as sectarian, when it turned back to the right. Despite a brief revival during the early 1970s, the ACP's recognition in the late 1940s that working class militancy was the key to the transition to socialism no longer forms a part of the traditions of Australian left nationalism.

126. some of the articles on the "30/-" campaign over two brief periods were *Tribune* 15/9/48 p3, 25/9/48 p1, 2/10/48 p6, 9/10/48 p3, 23/10/48 p1 and 29/1/49 p8, 2/2/49 p3, 5/2/49 p6, 9/2/49 p3, 16/2/49 pp6, 7, 19/2/49 p3.

127. *Tribune* 13/8/49 p3. Also see *Tribune* 18/6/49 p3; *Labor News* 17/8/49 p1; J. D. Blake *The Great Coal Strike* Australian Communist Party, Sydney 1949 and J. R. Hughes *Keep the Unions Free* op. cit. p26.



CHAPTER TEN

CONCLUSION: THE ECONOMIC IDEAS OF THE AUSTRALIAN LABOUR MOVEMENT

Contemporary moderate Labor and left nationalist analyses of the Australian economy emerged in a recognisable form between the end of the depression and the start of the long post-war boom. An appreciation of that period therefore provides insights into the genesis of those analyses and their adequacy. The economic ideas associated with the ALP and Communist Party were not *sui generis*, nor essentially the products of a few brilliant minds. They were shaped by the nature of these organisations, the economic conditions and the pace of the class struggle.

Laborite Economics

The structure of the Labor Party defined important boundaries for laborite economic thought. A distinctive feature of the Party is that its mass base in the working class is organised into the ALP through the trade unions. This gives union officials with their own interests, distinct from those of the working class, great influence in the Labor Party. The internal structures of the ALP are constituted to implement its strategic commitment to achieving social progress through Parliamentary reform of capitalism. This involves attempting to improve the functioning of the existing system, often expressed in terms of national development. At times sections of the Party have argued that the Parliamentary strategy is also a means to supersede capitalism. The Party's strategy of improving social conditions, by making capitalism work more effectively, predisposes its leaders to regard class conflict as unnecessary and, at worst, as detrimental to the national interest. Its social base in the working class also places the ALP in a better position than other parties to attempt to reconcile working class interests with the requirements of economic growth under capitalism. The Labor Party's commitment to Parliamentarism gives professional politicians a vital role in the Party structure. When in Government, with greater responsibility for managing capitalism, Labor politicians have a tendency to make the promotion of capital accumulation a more immediate goal than the welfare of the Party's largely working class constituency. The tension between the ALP's working class base and its need to assist the process of capital accumulation finds expression in laborite economic ideas, about Australia's place in the world economy, the trade cycle and the class anatomy of Australian capitalism.

During the 1930s protectionism was a clear expression of the ALP's commitment to the national interest and class conciliation. Workers and employers would, it was argued, both benefit from increased local production behind tariff barriers. It was true that tariffs assisted in Australian economic development after the depression. But laborites did not convincingly demonstrate that collaboration with employers over tariffs was in the best interests of workers. They also tended to underestimate the protectionist implications of the Ottawa Agreement. The changed situation during and after World War II meant that protectionism was not a major issue for the Curtin and Chifley Governments. Accepting a Keynesian analysis of depressions they sought to secure Australian prosperity by promoting the growth of export markets. This was to be achieved through the adoption of full employment policies by international conferences and in multilateral agreements. Impelled by the logic of office and the ALP's Parliamentary strategy the Labor Governments of the 1940s and the Hawke Government forty years later demonstrated the same keen appreciation of the interests of Australian capital accumulation and of the international nature of capitalism. On questions of international trade the Curtin and Chifley Governments expressed support for a reduction of protectionism around the world, qualified by Australia's particular need for tariffs. The Hawke Government expressed similar sentiments, though its qualifications were practical rather than verbal. Its plans for the steel and automobile industries embodied a balance between protection and a little more international competition as a means to, or at least rationale for, increasing efficiency and labour productivity, as well as the reduction of the workforces in these industries.

Faced with the hostility of left nationalists, the Chifley Government nevertheless went ahead with the ratification of the Bretton Woods Agreement in order to increase Australian access to international financial resources. Reform of the banking system during the 1940s was a manifestation in domestic policy of Labor's pursuit of the national interest. Preoccupation with bank reform was conditioned by the experience of the depression and its transmission to Australia through the mechanism of overseas loans. The Hawke Government allowed the entry of foreign banks into Australia for the same reason the Chifley Government ratified Bretton Woods, to secure an inflow of foreign capital, and to increase competitiveness in the finance industry. No doubt it was influenced by the dramatic fluctuations in foreign investment during the 1970s and the importance of capital inflows. Despite its free-trade rhetoric the Hawke Government prescribed that the new banks should operate in partnership with Australian enterprises.

Theories of the trade cycle and capitalist crises have intimate implications for their proponents' attitudes to wage struggles. The question of wages could give rise to tensions for laborite union officials, whose daily activity exposed them to pressure from rank and file workers, employers and often institutions of the state. During the late 1930s many union officials alleviated such tensions, in the realm of economic theory, by means of trade union underconsumptionism. They held that increased wages could also prevent depressions and the ensuing disruption

of business activity. Trade union underconsumptionism had a popular appeal to the working class because this ideology expressed the immediate interests of that class and could even justify industrial struggles. But it entailed an acceptance of the existing capitalist order. Because its appeal to employers was limited indeed, it constituted a reconciliation of working class and capitalist interests primarily for a working class audience.

Politicians were further removed from working class pressure, but at the very least needed to maintain enough credibility to win their own seats and, hopefully, for the Party to win elections. During the 1930s Federal Labor politicians argued the need for increased wages. They were in opposition and were attempting to overcome the divisions and splits in the Party which had eroded its support. Yet their underconsumptionist accounts of depressions gave weight to the role of governments in preventing economic crises, not only by means of wage increases but also through monetary and fiscal policies, notably reform of the banking system and public works programs. "Governmental underconsumptionism" provided less scope for working class mobilisation and put the spot-light onto the politicians but offered workers the hope of improved living standards and higher wages. Some of the more substantial measures of state intervention advocated by moderate Labor leaders accorded with the needs of Australian capital and the international tendency towards "state capitalism". Keynesian economics provided rigorous and respectable expressions of these aspects of laborite thought. During the 1930s it also seemed to countenance immediate wage increases.

The Curtin Government made the successful management of Australian capitalism an immediate task for the politicians. In office the politicians gave more emphasis than previously to the pursuit of the national interest as against the sectional interests of their largely working class constituents. Keynesian economics seemed to provide an effective guide for the conduct of economic activity during the War and the Party leaders' embrace of the new economics, elucidated for them by their public service advisors, expressed their changed priorities.

Around the end of the War the situation of laborite trade union officials became extremely difficult, with strong pressure from the Government for industrial restraint and vehement demands for action from their members. The Government was concerned to prevent inflation and to promote Australia's international competitiveness, especially in the face of the balance of payments difficulties associated with the dollar crisis. Working class interests were expressed in the disconnected forms of a rising level of class struggle and the renewed popularity of socialism. The Government's prestige and adherence to Keynesian economics ensured that the intellectual embarrassment of the Scullin Government when it was constrained to participate in attacks on working class living standards was not repeated when Chifley attempted to restrain wages, isolated and eventually physically coerced militant workers and their leaders. The Keynesian ideology of the Government also made a counterposition of trade union underconsumptionism to official pronouncements more difficult than during the late 1930s, although some officials did have recourse to the old ideology.

The last year of the Whitlam Government saw another Labor regime accommodate to the recent fashions in economic orthodoxy. The Whitlam Government's 1975 (Hayden) budget was formulated in the light of monetarist economics. It sought to restrain inflation by limiting the growth of the money supply and by making cuts in welfare spending which foreshadowed those of Malcolm Fraser's Liberal Government. The Labor Government of the early 1970s also succeeded in introducing a policy of wage restraint, called Wage Indexation, with the support of union officials. This move, like Chifley's understanding with laborite union officials after 1947, succeeded in dampening down the level of industrial struggle. Fraser, like Menzies, reaped the benefits of this shift in the balance of class forces to increase the share of profits in national income. The 1983 Prices and Incomes Accord between the Hawke Labor Government and the ACTU did not truncate a period of widespread industrial disputes, rather it pre-empted one. The Accord was signed while the Australian economy was in a cyclical trough and levels of unemployment were at a post-war peak. During the next recovery stage the agreement between unions and the Government on the maintenance of wages and an increased "social wage" (essentially health, education and welfare spending) led to a lower level of strikes than the incomes policies of the Curtin, Chifley or Whitlam Governments. This was contrary to the usual pattern during an economic recovery. As a result wages rose at a slower rate than the Consumer Price Index. The share of profits in national income recovered again, having been reduced during the rapid economic growth of the late 1970s early 1980s "resources boom".¹ A key theme of the Hawke Government's economic pronouncements, like those of the Governments of the 1940s, was that wages could only rise if the economy was to enter a period of sustained growth. The parallels between the behaviour of Labor in office during the 1940s and the 1980s has implications for the general relationship between the ALP and the working class. The reconciliation of ALP Governments to the requirements of Australian capitalism and their acceptance of the prescriptions of orthodox economics even when these are at odds with the working class's short-term interest in maintaining or improving living standards and working conditions (let alone its objective interest in the supersession of capitalism through its own activity) is not an aberrant phenomenon but rather a normal pattern.

1. On the effects of the Prices and Incomes Accord see T. O'Lincoln *Into the Mainstream* Stained Wattle Press, Sydney 1985 pp174-9. R. Kuhn "Whose Boom" *International Socialist* 12, Summer 1981-82 deals with the resources boom.

Left Nationalist Economics

The ineffectiveness and intellectual embarrassment of the Scullin Government combined with industrial weakness and desperate circumstances had given rise to a political mobilisation of the working class around the role of the banks and the figure of Jack Lang. The simple solutions of Money Power theory, its focus on a small, conspiratorial section of the capitalist class (mainly resident overseas) and reliance on the actions of a great man as a substitute for the working class's own strength had a militant ring, while reconciling the interests of capital and labour. Money Power theory could therefore appeal to groups in different classes, although its radical rhetoric and the extent of the working class mobilisation behind Lang scared capitalists and members of the middle class. After Money Power populism had gone into decline, the recognition by economists, some conservative politicians and individual capitalists that the financial system was far from perfect reinforced and legitimised moderate laborites' concern with the reform of banking. Some left nationalists continued to adhere to Money Power theory pure and simple. The rhetoric, if not the substance, of 1930s concern about the Money Power was revived around the issue of bank nationalisation in 1947. During the late 1930s other left nationalists recognised that capitalism was changing and came to emphasise the role of monopolies. Some came to this conclusion on the basis of Money Power theory, the Communist Party did so by hammering Lenin's analysis of finance capital into the mould of the Popular Front. Communists adopted conspiracy rhetoric and nationalist ideas, like those of Money Power theory, to become the main exponents of left nationalism. Unlike Money Power theorists, however, Communists were initially somewhat equivocal about Australian nationalism.

The Communist Party of Australia had been established to express and advance working class interests by promoting the class struggle. Its relationship with the Communist International meant that the fate of the Australian Party's revolutionary politics was institutionally tied to the fate of the Russian revolution. With the final demise of workers' power in Russia during the late 1920s the communist parties of the world were progressively transformed into instruments of the Stalinist foreign policy of the USSR. But they were instruments whose effectiveness depended on the extent to which they could establish and sustain a substantial following amongst the workers of different countries. The international circumstances of the mid-1930s led Russia's rulers to seek allies amongst the ruling classes of the western democracies. The CPA now had to accommodate its behaviour to the Australian national interest (interpreted as lying within the British Empire) as well as the working class, in the cause of Russian foreign policy. This, combined perhaps with residual internationalist feelings, constrained Communist expressions of the anti-imperialist nationalism characteristic of many Money Power theorists.

To justify its reconciliation with the national interest the CPA had to explain the "reactionary" or even "fascist" policies of the Lyons Government. It did so by identifying a conspiracy of Australia's rich families and monopolists. The Party defined its immediate task as replacement of the monopolistic regime of Lyons by a progressive Labor Government. It continued to encourage most industrial struggles, but the struggle for socialism was to be postponed until this task was completed.

The German invasion of Russia, Pearl Harbour and the attenuation of links with the international communist movement during the War resulted in the adoption of a less equivocal nationalism by the CPA. The polarisation of world politics around the USA and USSR after the War sustained this development. It meant that vehement opposition to Australia's imperialist allies, Britain and especially the USA was now compatible with the interests of Russian foreign policy. This remained the case during the 1950s and 1960s. Nationalist perspectives and arguments were a normal feature of the Stalinist CPA's life. The Party's break with Moscow in the late 1960s did not entail a rejection of its ingrained nationalism.²

During the 1970s and 1980s left nationalists have been amongst the foremost advocates of protectionism. Moderate laborites have recognised that the development of Australian capitalism can be advanced by securing the best possible terms for Australian integration with the world economy. Left nationalists, by way of contrast have tended to favour the isolation from international economic influences. This has reflected its hostility to US imperialism and the belief that the Australian economy would be both better off and more amenable to socialist reforms if its links with the world capitalist economy could be reduced.³

Contemporary left nationalist thinking has achieved a thorough reintegration of its analyses of Australia's place in the world and of the classes which characterise Australian capitalism. For Money Power theorists Australia was the victim of the financial oligarchy's international conspiracy. The Money Power was an international threat to national independence and the key reactionary force at home too. The CPA identified the international and domestic forces of reaction with fascism, understood in Dmítrov's terms as the dictatorship of the most reactionary sections of the bourgeoisie. Within this framework, the Party elaborated accounts of Australia's rich families. After the War the Communist Party, for several decades the leading exponent of left nationalism, denounced US imperialism as the most important threat to Australian independence and associated it with local monopolists and rich families. During its left turn of the late 1940s the ACP focused particularly on Collins

2. For the evolution of the CPA from Stalinism to liberalism see O'Lincoln *Into the Mainstream* op. cit.

3. For a critique of left nationalist protectionism see Kuhn "Whose Boom" op. cit.

House. Later it placed more emphasis on the wider group of rich families again. For several decades, therefore, the local and foreign enemies were institutionally distinct in left nationalist thought even if it was argued that they worked in concert. Especially during the 1970s left nationalists reintegrated their international and domestic analyses by focusing on the role of multi- (or trans-) national corporations. The foreign and domestic threat to independence and progress were, once again identical.⁴

The demand for higher wages has generally been a straight forward matter for left nationalists, so long as the credibility of the ALP was not at stake, as for ordinary workers. During the late 1930s workers justified their demands in terms of their own needs, while Communists could point out that wage labour was the origin of society's wealth. There was no necessary relationship between either rationale and a theory of the trade cycle. The CPA's radical underconsumptionism and insistence on the necessity and imminence of another crisis allowed little scope for any serious analyses of cyclical economic movements. This restricted the possibilities for the conscious adjustment of industrial tactics in the light of economic conditions. Communists supported industrial struggles and were amongst the best militants. But where a dispute involved the ALP they tried to avoid embarrassing it. Thus Communists dropped their active opposition to the National Register (a measure to prepare for the mobilisation of labour in case of war) in 1939, following Curtin's success in persuading the ACTU to do so.

With the advent of the Great Patriotic War against Fascism, Pearl Harbour and the Curtin Government in 1941, left nationalists and especially the Communist Party, far from providing an alternative perspective on industrial struggles, conceded the validity of the Government's main economic pronouncements. Communists for a period accepted that a Labor Government could secure full employment, with the elimination of economic crises under capitalism and that a Parliamentary road to socialism might exist.

After the War and under the influence of the emerging cold war, the Communist Party became progressively more radical. It eventually returned to its radical underconsumptionism, the endorsement of militant industrial struggles and a recognition that the Chifley Government was an obstacle to the improvement of working class living standards and the achievement of socialism. But this came too late to politically reorient substantial sections of the working class in the light of the struggles of the mid-1940s. The Party's approach to the question of economic crises with its revolutionary implications was, moreover, accompanied by concessions to Australian nationalism even more substantial than those of the Popular Front period and a rhetorical hostility to Collins House, an even smaller section of the capitalist class than the rich families of the 1930s. The Communist Party's economic perspectives inadvertently assisted in the isolation and defeat of the most militant sections of the working class.

During the 1960s the CPA disengaged from Russia. One aspect of the Party's shift towards liberalism was the abandonment of radical for reformist underconsumptionism. The Party returned to its war-time position that a progressive government could eliminate crises under capitalism. The distance between laborite left nationalists and Communists was thus significantly narrowed. With the tug of Russian foreign policy eliminated as a significant force in the Australian labour movement, the advent of Labor Governments during the 1970s and 1980s saw left nationalists more prepared to make concessions on wages in the hope that this would pave the way for radical social change; a preparedness always qualified by the level of pressure from the working class. Willingness to compromise on working class living standards, found its fullest expression in the endorsement of the Prices and Incomes Accord by most left nationalists.⁵

Working Class Economic Ideas v. Working Class Economic Practice

It is relatively easy to identify the basis of the economic ideas of the labour movement in objective circumstances. Such an approach is a necessary part of any study of labour movement economics. But it does not provide an accurate guide to the working class's economic practice. There was no one to one relationship between economic theory, however widely accepted, and the actual activities of ordinary workers.

Economic ideas, premised on class collaborationism and the interests of classes other than the proletariat, while widespread in the labour movement did not prevent the continuation of the class struggle. The immediate interests of the working class, in better wages, hours and conditions, can be deduced from struggles necessitated by workers' conditions of life. It is similarly possible to impute an interest in the overthrow of capitalism. But where short-term interests can be pursued with some success, without a conscious recognition of class interests, this is not necessarily the case for the realisation of the goals of the working class's imputed class consciousness of the need to overthrow capitalism. The enormity of this task and the degree of co-ordinated activity it requires makes conscious, theorised action a more important ingredient in its success. To this extent although the labour movement's economic ideas could not prevent the escalation of the class struggle they constituted a serious brake on the heightening and generalisation of independent working class action at two points between 1934 and 1950.

4. For a critique of perspectives based on the left nationalist analysis of the role of trans-national corporations see R. Kuhn "Alternative Strategies" in *Journal of Australian Political Economy* 12/13, June 1982.

5. See O'Lincoln loc. cit.

The recovery in the level of struggle after the depression was circumvented by the approaches of both the ALP and the CPA. Laborites looked to Parliament as the agency of social change. The rise in the level of industrial struggle was closely related to the improved fortunes of the ALP, but the politicians generally regarded strike action as an embarrassment. Laborite union officials condoned strike action as necessary, but held that this was in the interests of the nation and strove to ensure they never lost control of events to their rank and file. During the Popular Front period the CPA was less convincing on the importance of pursuing the national interest than the ALP, because of its orientation to Moscow and its reiteration of a revolutionary underconsumptionism. Yet it made concessions to nationalism and regarded the election of a progressive government, whose undefined powers to improve working class conditions were held to be significant, as its priority. Communist economic thought made no link between today's struggles and the eventual necessity of socialism. The Party's shortcomings in this regard were most apparent in comparison with the case it had argued in establishing and building the Minority Movement only a few years before.

During World War II the political leaders of the ALP accommodated with the needs of Australian capitalism, not only in practice, but also in theory. They maintained that the lessons of the War, understood in Keynesian terms, had made possible the rational and planned development of capitalist economies. Within a few years Chifley even promised the advent of a "golden age". The Communist Party in turn adjusted its economic ideas to the Government's, in order to facilitate the prosecution of the Great Patriotic War Against Fascism.

As the War drew to a close ordinary workers took matters into their own hands and sought material recompense for the sacrifices they had made in the national interest. The idea that socialism should be made a short-term priority of the Government gained considerable popularity. This did not accord with the Government's or the Communists' views on the subordinate place of class differences during the War. The level of industrial struggle rose still further after the War, giving rise to serious tensions inside the ALP, as union officials were caught between the Government's accommodation to Australian capital and their members' demands for better wages and conditions. Workers and soon many union officials dealt with the situation by contradicting their verbal and electoral support for Chifley's economic program in their industrial actions. The eventual success of the campaign for the forty hour week and the Victorian metal workers' margins dispute in 1947 eased the contradiction between the ideology and behaviour of large sections of the labour movement, especially laborite union officials. This facilitated the further extension of a Keynesian hegemony over the labour movement and was followed by the isolation of industrial militants which soon led to the decline in the level of class struggle.

When the Communist Party finally recognised the potential of the situation the scope for advancing and generalising industrial struggles had narrowed considerably. For several years the Government's campaign for moderation, restraint and the propagation of Keynesian ideas had not been countered with a convincing critique or alternative. Consistently argued, such an alternative, built on the basis of workers' own empirical critique of Government policy in their industrial action, might have helped sustain and extend the post-war strike wave. The Communist's inadequate attempt to present an alternative was, in any case, belated as it was only started in earnest after the autonomous dynamic of the strike wave had entered a decline. There was no sustained opportunity for the Communist challenge to the the emerging hegemony of Keynesian ideology to gain credibility, in the light of workers' struggles, before the Party went on to challenge the Government's authority.

Between the depression and the boom the labour movement's experience of the "incorrect ideas" that form a basis of its ideology today suggests that the class struggle will continue and eventually intensify, despite the sway of protectionist, class collaborationist and reformist notions. The experience of the years between 1934 and 1950 also demonstrates the limitations of renewed struggle in the absence of a coherent perspective, presented to a working class audience, which seeks to link the economic circumstances of the present to the revolutionary transformation of society.

APPENDIX

LABOUR MOVEMENT ECONOMICS ILLUSTRATED

Cartoons from the Labour Movement Press



**BEASLEY SAVES THE BOSSES'
BANKS.**

Cartoon 1: The CPA's attitude to bank nationalisation during the Third Period. *Workers Weekly* 8/12/33 p4.

COMRADE SANTA CLAUS, who will appear in person on December 28 at the Xmas Carnival, at 395 Sussex St., Sydney, sends you this letter:—



Comrades,

In response to the appeal for funds for the "Workers' Weekly," I am setting out from Carnival Land to do my bit at the Xmas Carnival which is to be held to help the Workers' Press on December 28, from 1 till 11 in the Communist Hall, Sydney.

Now, just get this, Comrades—YOU must be there. I am bringing a cargo of good things with me.

I've got bombs to amuse the babies, poison gas, guns, shells and other harmless trifles for the children, and, for the grown-ups, a tank of vodka.

Just in case the Customs officials interfere with my baggage, I want you to send whatever little nick-nacks you can to 395 Sussex St., for the Xmas Carnival. Anything that you can beg, borrow or steal will be welcome. Anything from a safety pin to a motor car.

The Carnival will be the greatest event of the year, in fact, the greatest event since the Ice Age.

Hoping to see you all at the Xmas Carnival,

Your Carnival-land comrade,
SANTA CLAUS.

**P.S.: Send what you can to the
XMAS CARNIVAL COMMITTEE
395 Sussex Street, Sydney.**

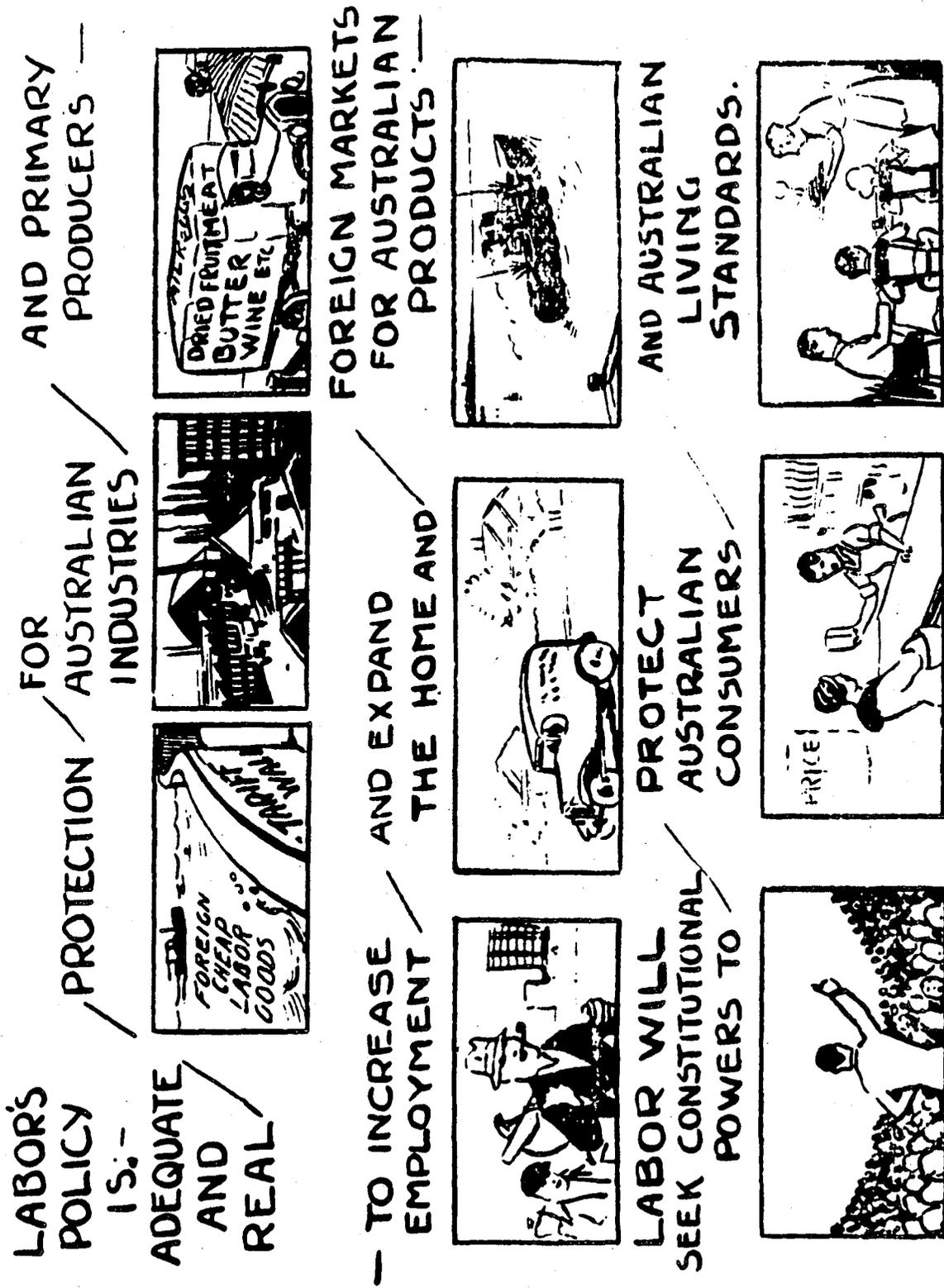


Cartoon 3: Illustration on the front cover of the first *Red Leader*, newspaper of the Minority Movement. *Red Leader* 21/8/31.



This is what it looked like after the 1934 "wangling." What will be left when the Anglo-American and Ottawa agreements are "negotiated"?

Cartoon 4: A laborite explanation of the relationship between tariffs and economic prosperity.
Labor Call 13/9/34 p15.



Cartoon 5: The laborite view of the Ottawa Agreement and the fate of tariff protection under the Lyons Government. *Labor Call* 16/12/37 p1.

THE AUSTRALIAN
Worker
 An Australian Paper for Australian People

Vol. 46. No. 6.

Registered at the G.P.O., Sydney, for Transmission by Post as a Newspaper.

WEDNESDAY, FEBRUARY 10, 1937.

PRICE, ONE PENNY.



Cartoon 6: A Money Power theorist's understanding of the relationship between the Lyons Government and British imperialism. *Australian Worker* 10/2/37 p1.



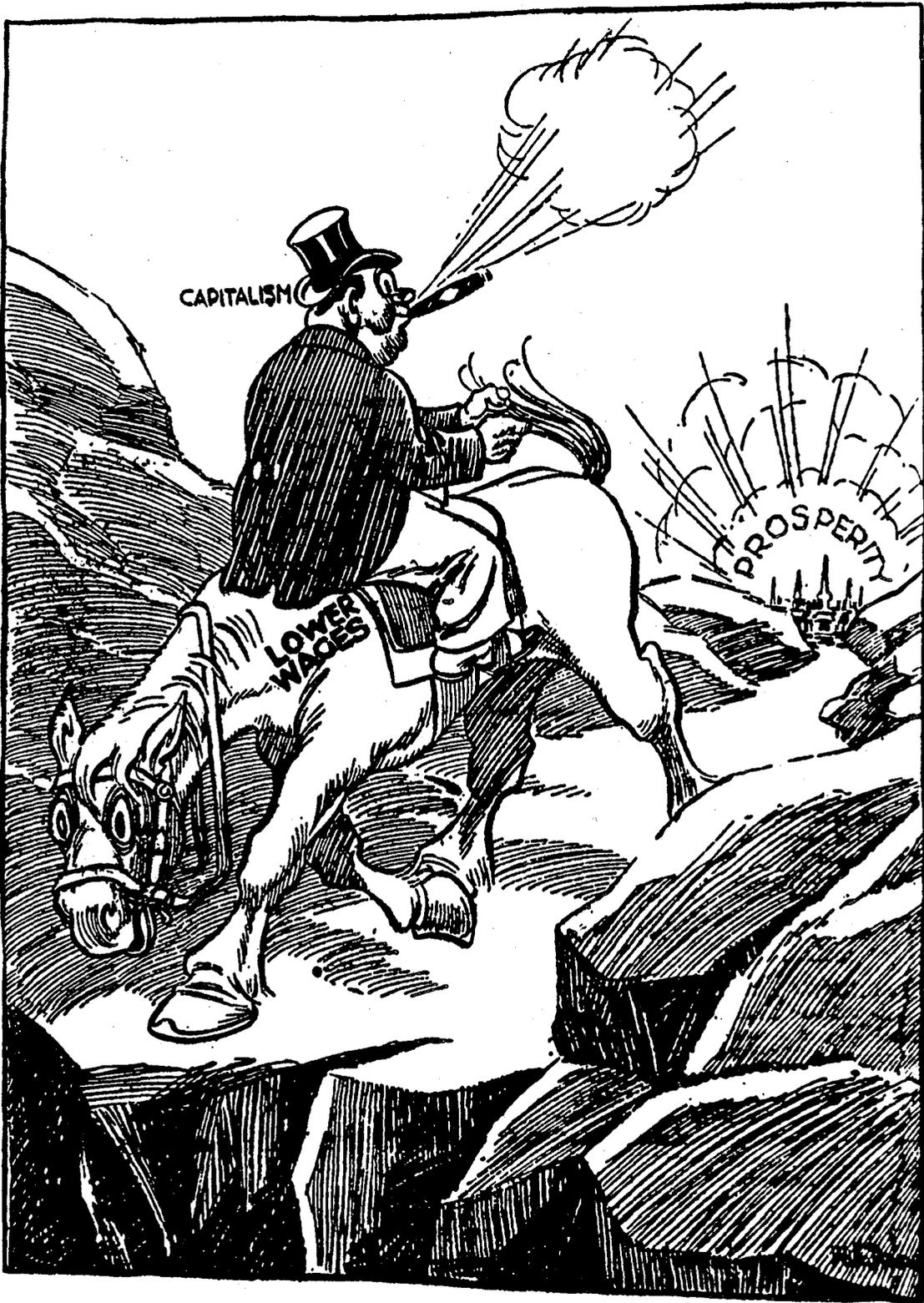
The poor millionaires never get a chance.

Cartoon 7: The global influence attributed to the Money Power by some sections of the labour movement. *Labor Call* 13/1/38 p6.



"Big Business" will Wake Up Some Day.

Cartoon 8: Real underconsumptionism. *Labor Call* 11/2/37 p3.



This is Capitalism's way of finding prosperity—then what?

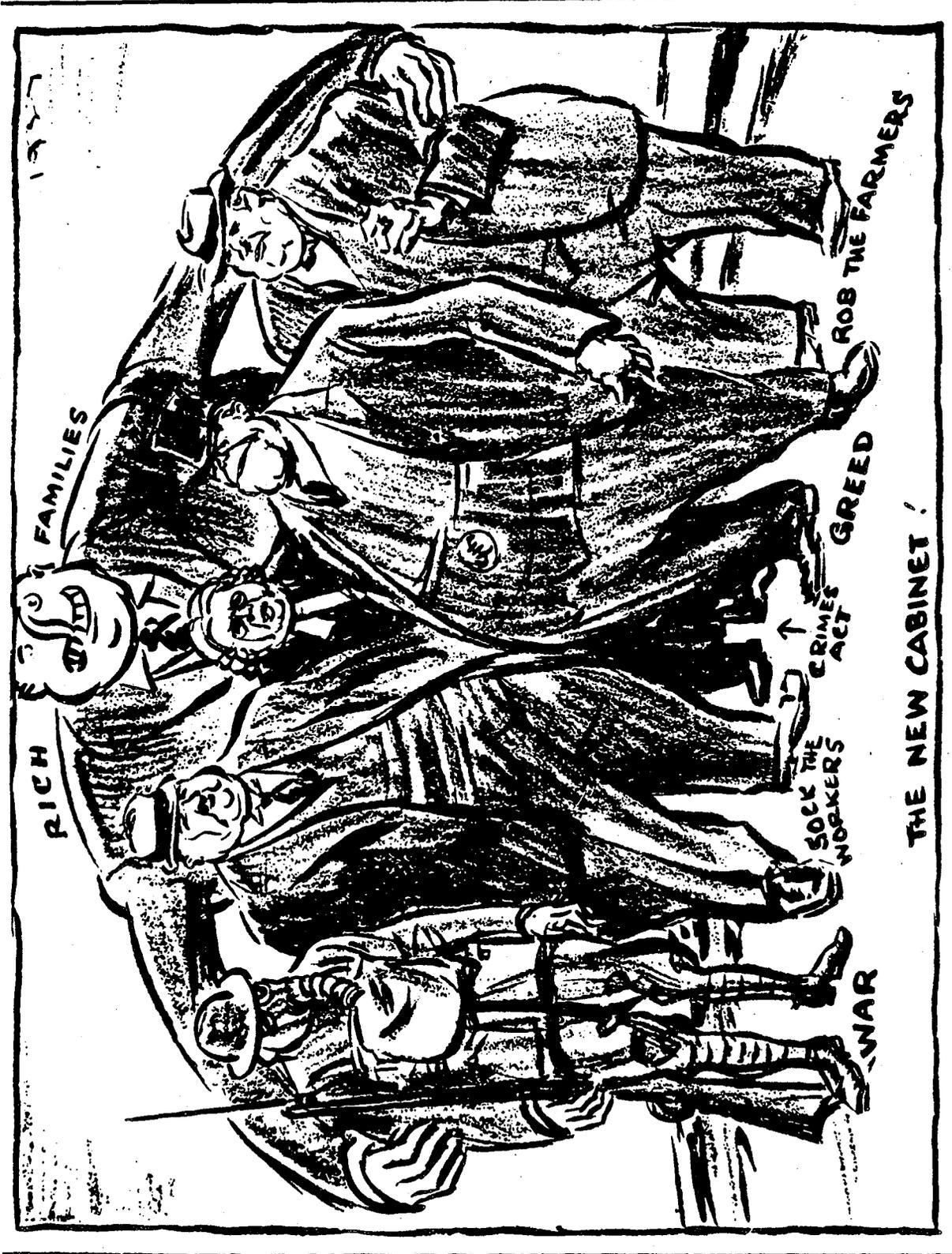
Cartoon 9: Real underconsumptionism. *Labor Call* 31/3/38 p6.



THE OLD MAN OF THE BANKS

Nationalise the Banks and give production a chance to help the people

Cartoon 10: For laborites the problem of capitalism was the system of finance rather than the relations of production. *Labor Call* 6/9/34 p1.



Cartoon 11: The CPA's Popular Front view of the rich families, behind the iniquities of capitalism. *Workers Weekly* 3/12/37 p1.



Joseph
Stalin

MEN OF STAMINA •

THE WORLD'S GREAT MEN have been those who have possessed, besides remarkable ability, the spirit of endurance. They have not been discouraged by mounting difficulties and shaking defeats. They have always produced that extra something which has been able to turn disaster into victory. They stick to it and it is this invincible staying power which wins in the long run.

... And in the humbler sphere of man-made goods, endurance is the ultimate test of merit.

STAMINA TROUSERS

ARE NOW AVAILABLE



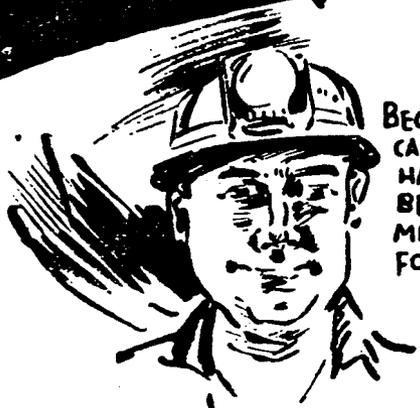
STAMINA FOR ENDURANCE • ENDURANCE FOR ECONOMY

Crusader Cloth

Cartoon 12: Communists were so respectable during the War that Stalin could help sell trousers. *Australian Worker* 23/8/44 p10.

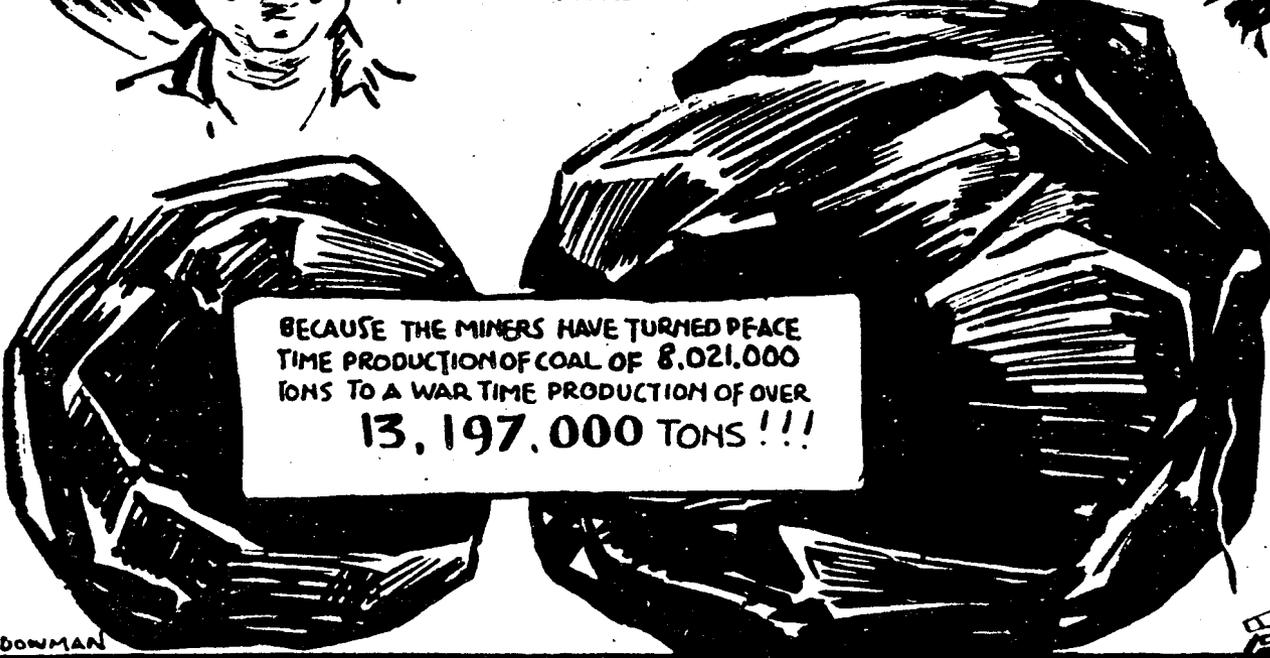
NOW YOU KNOW!

WHY CURTIN WILL NOT SEND SOLDIERS DOWN THE MINES !!



BECAUSE ONLY MINERS CAN HEW COAL; THEY HAVE LIVED WITH AND BEEN TRAINED IN COAL MINING IN MOST CASES FOR GENERATIONS

BECAUSE AUSTRALIAN SOLDIERS ARE NOT STRIKE BREAKERS, THEY ARE LOYAL TO THEIR FELLOW SOLDIERS THEIR COUNTRY AND THEIR FELLOW WORKERS: THEY ARE ONLY WORKERS IN UNIFORM THEMSELVES



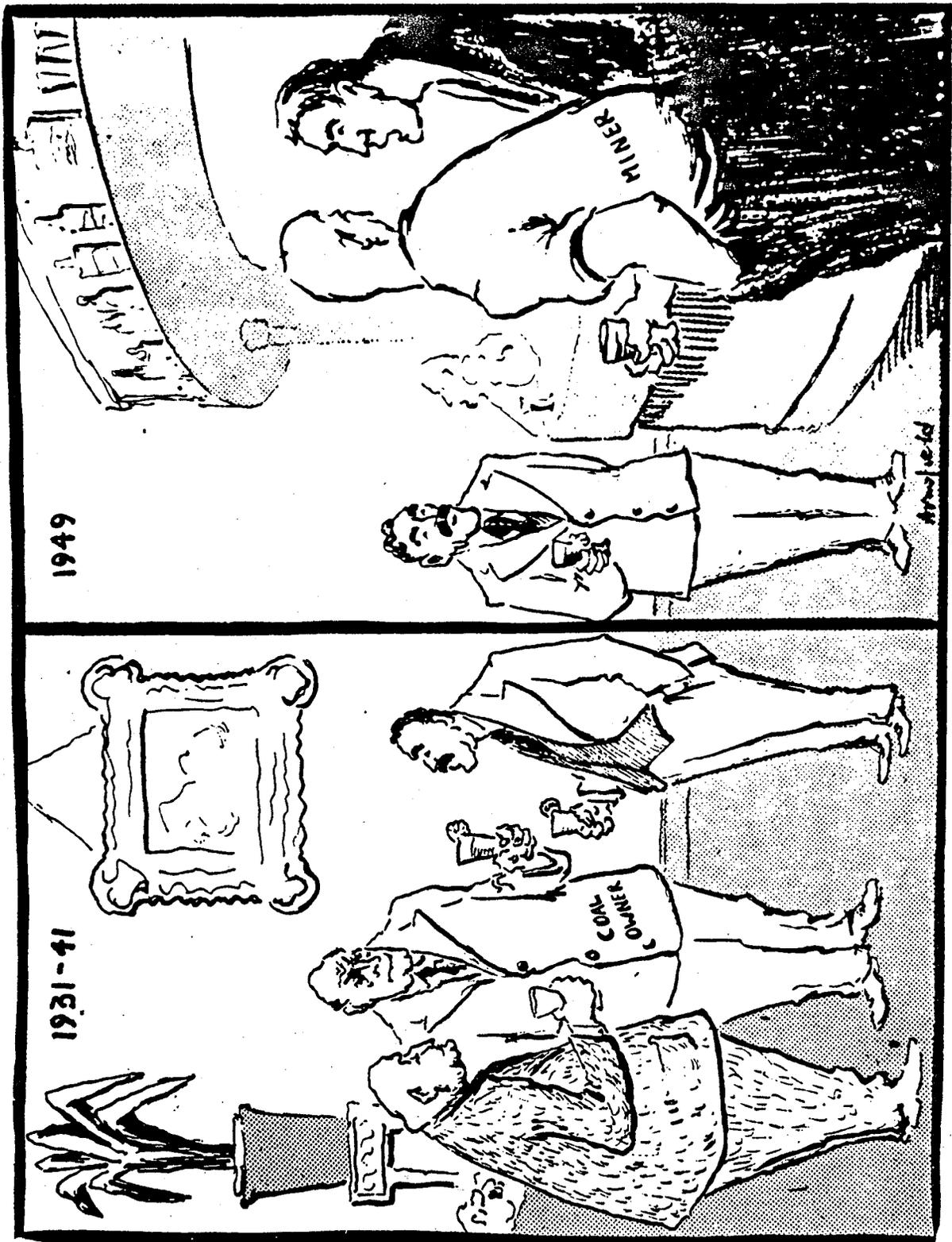
BECAUSE THE MINERS HAVE TURNED PEACE TIME PRODUCTION OF COAL OF 8,021,000 TONS TO A WAR TIME PRODUCTION OF OVER **13,197,000 TONS !!!**

BECAUSE ONLY A FEW IRRESPONSIBLES, THE STUBBORN OWNERS AND MINERS, STAND IN THE WAY OF FULL PRODUCTION



DOWMAN

Cartoon 13: During the War Labor and the Curtin Government mainly relied on the miners' patriotism to secure increased coal production, portraying strikers as a minority in cahoots with capitalists. *Standard Weekly* 14/9/44 p5.



Cartoon 14: By 1949 laborites and the Chifley Government were prepared to portray coal miners in general as loafers like the owners had been before the Curtin Government. *Labor Call* 22/7/49 p2.

NOW YOU KNOW!

THAT 33% OF AUSTRALIANS WERE UNEMPLOYED IN HEIGHT OF LAST DEPRESSION. THEY LITERALLY ATE UP ANY SAVINGS THEY HAD, THEN EXISTED ON THE DOLE. PEOPLE EMPLOYED, OR PARTLY SO, HAD CONTINUED REDUCTIONS IN BASIC WAGES. EVERY SHILLING OFF MEANT £ 600,000 IN NSW ALONE, THEREBY REDUCING PURCHASING POWER OF THE WHOLE COMMUNITY.

THAT IN N.S.WALES IN 1932-33 (STEVENS GOVT), A MAN, WIFE, TWO, EVEN THREE, CHILDREN WERE FORCED TO EXIST ON A FOOD RELIEF DOLE OF 19³/₄ PER WEEK !! IN VICTORIA .13/-, WHEREAS, IN QUEENSLAND IT WAS 25 S. (IN COUNTRY 27s), PLUS UNEMPLOYED INSURANCE PAY AND 2¹/₂ DAYS WORK PAY PER WEEK !! HOMES WERE LOST, LIFE SAVINGS LOST, UNTOLD MISERIES SUFFERED. EVICTIONS WERE COMMON OCCURENCES. THOSE UNFORTUNATE VICTIMS OF THE LAST DEPRESSION WILL FIGHT ANY REPETITION AFTER THIS WAR



FIGHT AGAINST ANOTHER DEPRESSION

VOTE YES ON THE ANTI-DEPRESSION REFERENDUM



Cartoon 15: The fear of another depression was used to promote a variety of the Labor Governments' policies including the powers referendum. Standard Weekly 6/7/44 p3.

WHAT HAS FOREIGN POLICY TO DO WITH EMPLOYMENT?

THE status and prestige of Australia in international affairs have never been as high as they are today.

This is due to the insistence of the Curtin and Chifley Governments that Australia should actively participate in all international settlements likely to affect the security, prosperity, living standards and full employment of the Australian people.

The Labor Government believes that foreign policy and domestic policy are interlocked. *It regards full employment as being vital to both.*

That is why Labor's foreign policy is directed towards the consolidating and extension of export markets, establishment of new secondary industries in Australia, the transfer of overseas industries to Australia and the assurance of supplies essential to all branches of existing Australian industry.



DR. H. V. EVATT

The Chifley Government insists that high and stable levels of employment in all countries with which Australia has relationships — as well as in the Commonwealth itself — are necessary for an enlarged volume of trade. In this vital matter the persistence and constructive representations of Australia's Labor Government

have won the full accord and co-operation of overseas Governments.

FULL EMPLOYMENT is therefore the principal aim of the Chifley Government. On full employment everything else depends; expanding production, expanding consumption and every other factor which contributes to the prosperity of the people. The Chifley Government is determined to implement to the very fullest extent its policy of **FULL EMPLOYMENT**.

★ *The Australian Labor Party seeks your support in making known the truth concerning the Government's aims and achievements. Donations may be addressed to the Campaign Trustees (J. B. Chifley or H. V. Evatt, M's.P.), Commonwealth Offices, Sydney.*

ALL PLANNED

CARTOON BY
FINEY



FOOD FOR THOUGHT

Cartoon 17: A Keynesian view of banking reform. *Tribune* 7/6/45 p3.



SAFEGUARD

Cartoon 18: A moderate view of the attempt to nationalise the banks. *Labor Call* 11/9/47 p1.

LEND YOUR WEIGHT



By Mahony, of Daily Telegraph, Sydney.

Loan opens September 26; closes not later than October 31. Of the amount of £160,000,000 sought, £112,500,000 is required for war, and £47,500,000 in conversions of maturing securities.

Cartoon 19: Chifley's concern about inflation was promoted though the war-time loan drives.
Labor Call 26/10/44 p1.



Vic Labor's **The Security Man**

Cartoon 20: Many laborites accepted the Chifley Government's claim that its policies for full employment had been successful. *Labor Call* 2/9/49 p1.

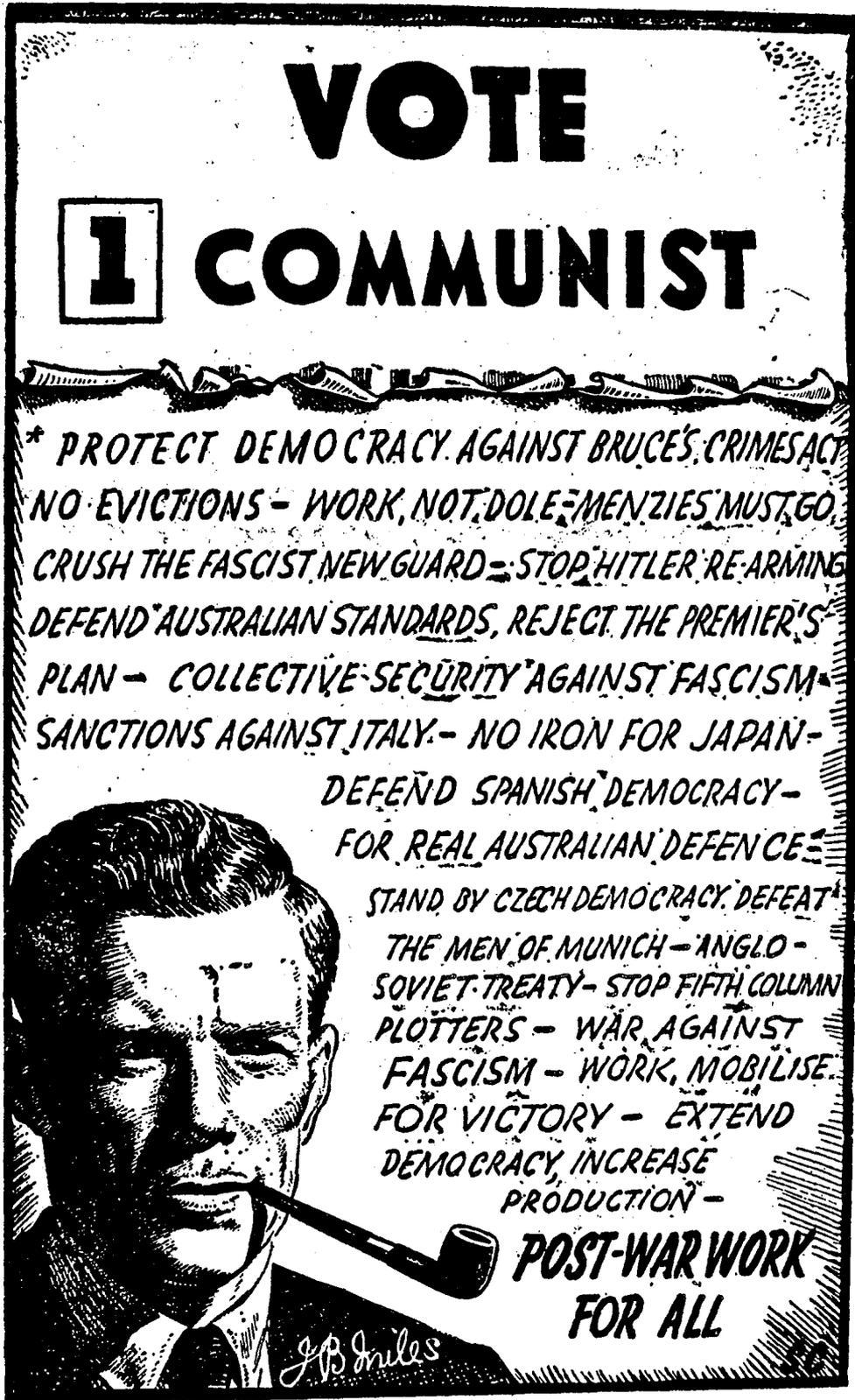
Cross Purposes



Cartoon 21: Contradictions between workers and employers also extended to the relationship between workers and the Government during the mid-1940s. *Labor Call* 16/1/47 p2.



Cartoon 22: The Communist Party's support for the War extended to promotion of war loans.
Tribune 4/11/43 p3.

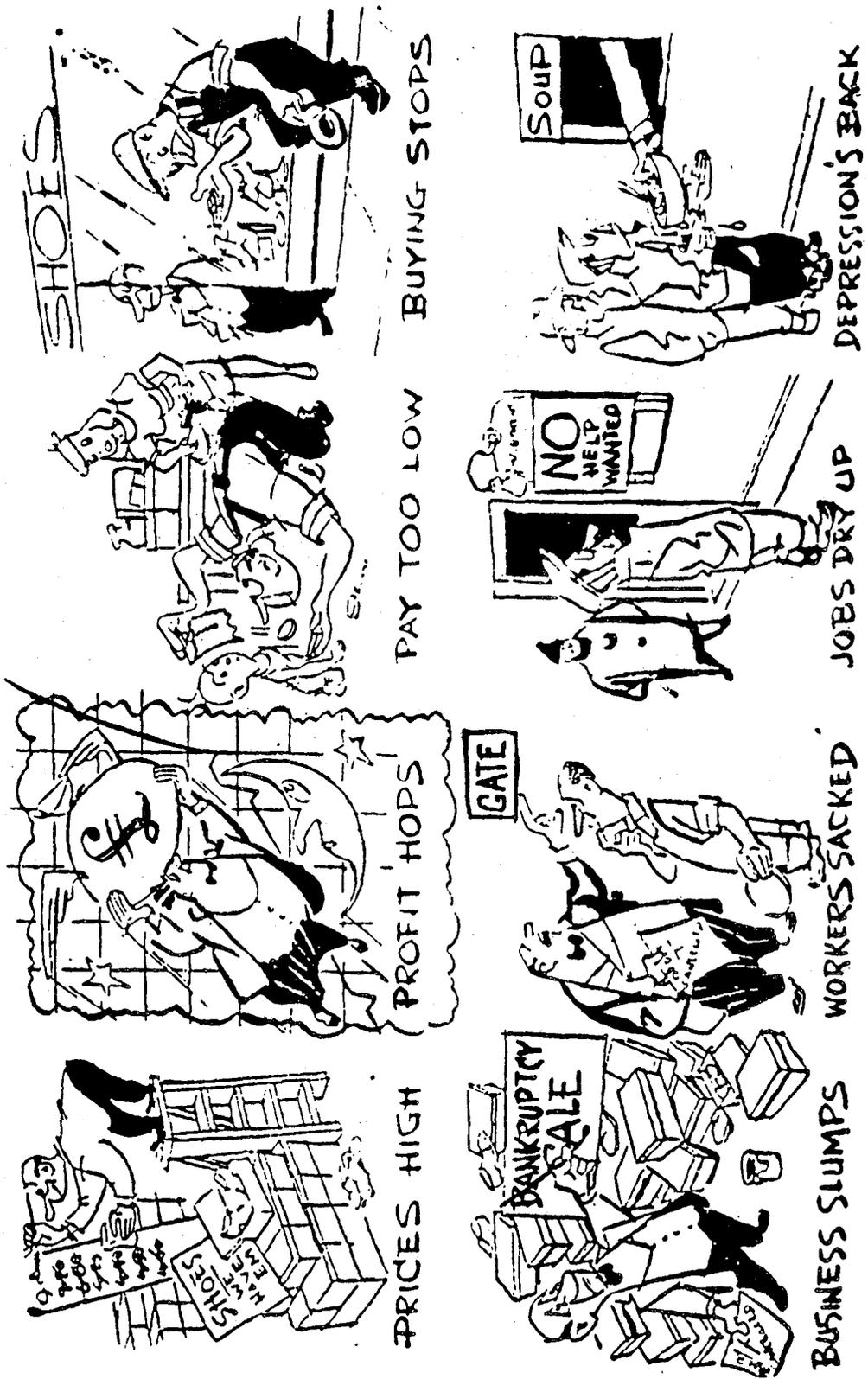


Cartoon 23: During the 1943 elections, the Communist Party claimed its policies could sustain full employment after the War. *Tribune* 19/8/43 p3.



Babe in the (Bretton) Woods

Cartoon 24: The Communist Party thought the the ALP left might depose Chifley over the Bretton Woods Agreement. *Tribune* 13/12/46 p7.



Cartoon 25: The Communist Party returned to a radical underconsumptionist analysis after the War. *Tribune* 15/7/47.

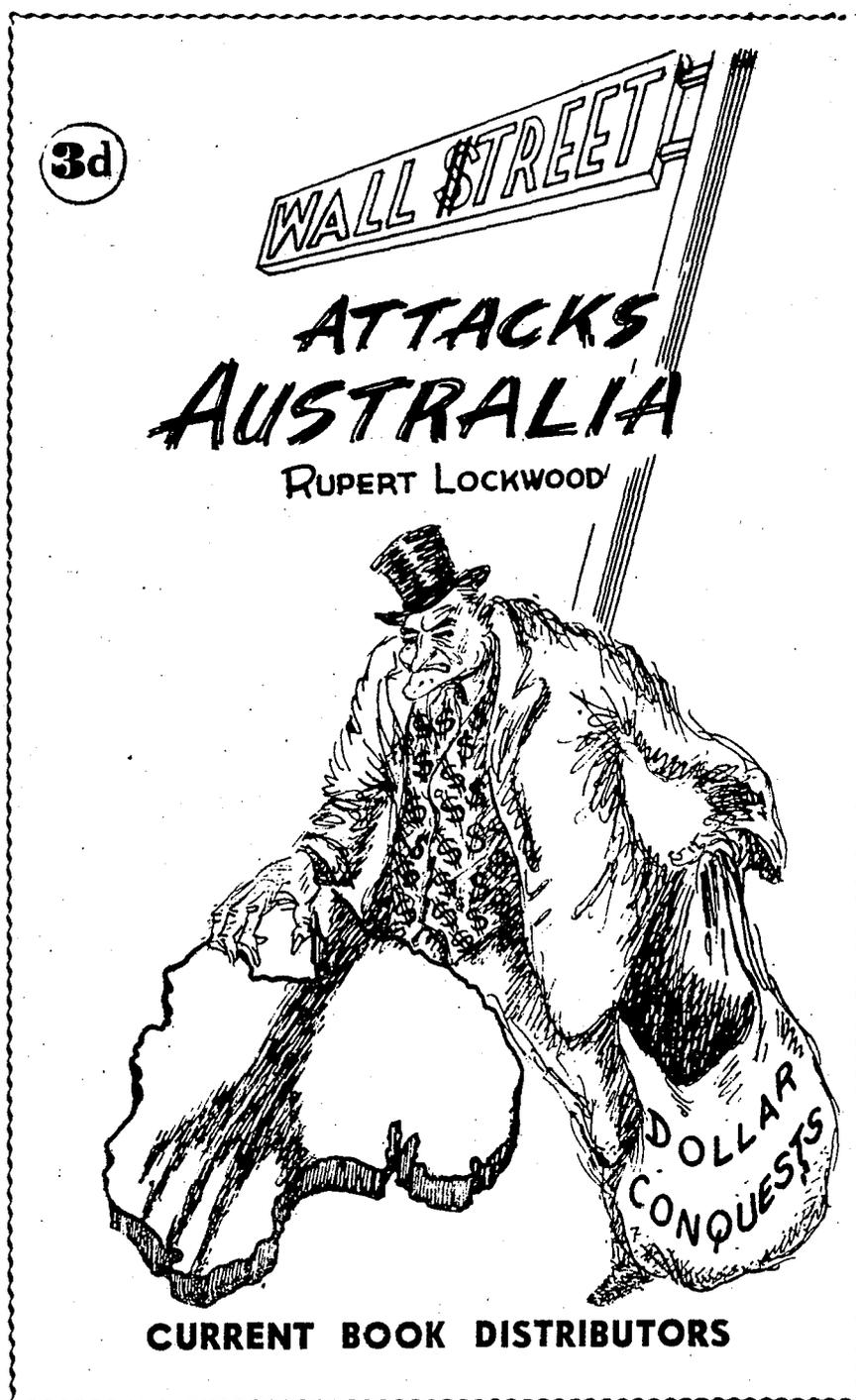


Wizard Chifley: "There you see it—hey presto!—and there you see it still."

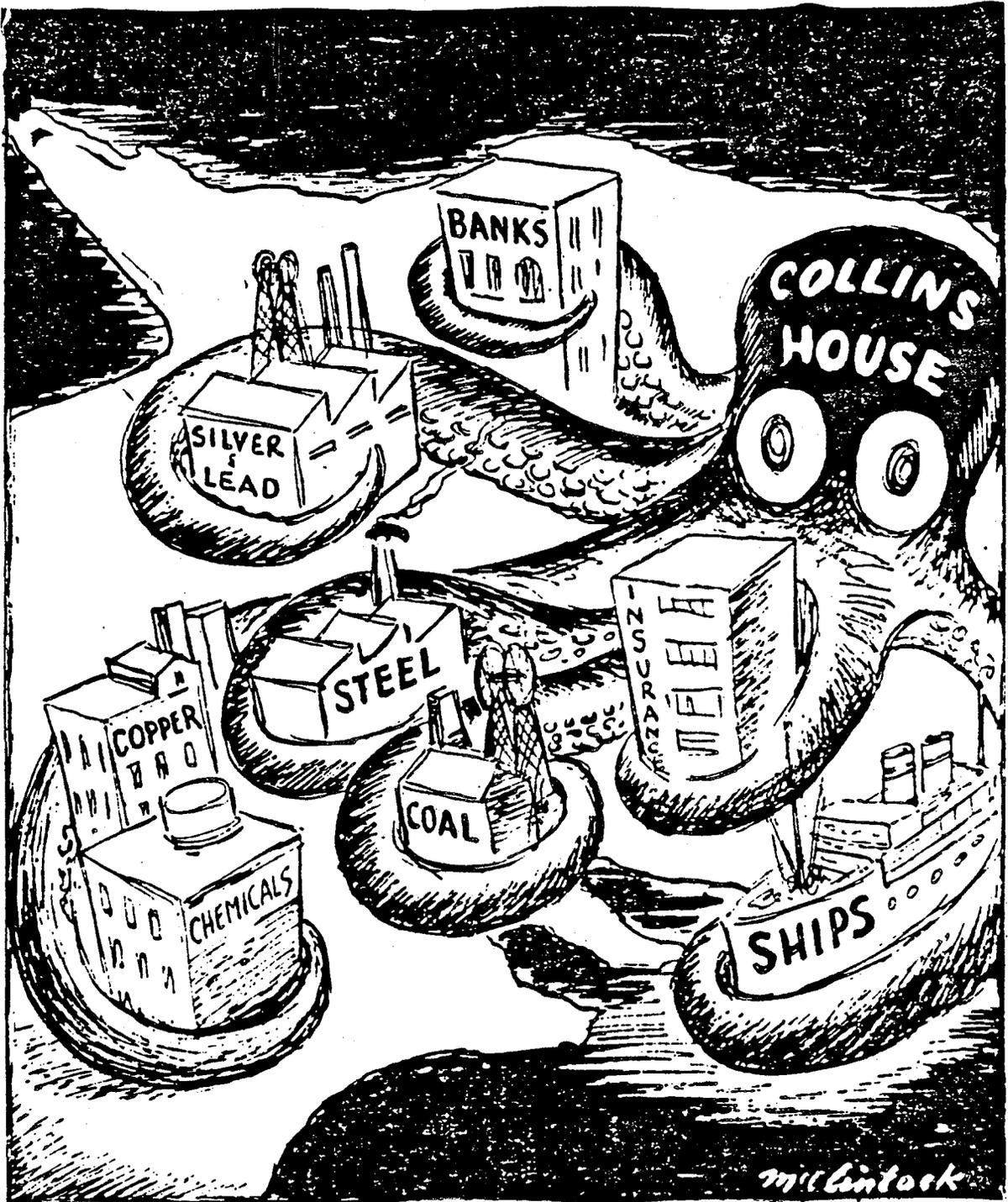
Cartoon 26: Between late 1946 and early 1947 the Communist Party began to recognise that Chifley's wages policy was in the interests of capitalists. *Tribune* 11/2/47 p7.



Cartoon 27: Evatt was increasingly seen as the mouthpiece of dollar imperialism by Communists after the War. *Tribune* 14/4/48 p5.



Cartoon 28: The Communist view of the relationship between Australia and the USA. Front cover of R. Lockwood *Wall Street Attacks Australia* Current Book Distributors, Sydney 1947.



Cartoon 29: Communists saw Collins House, during the late 1940s, as the central feature of Australian capitalism. *Labor News* November 1948 p3.

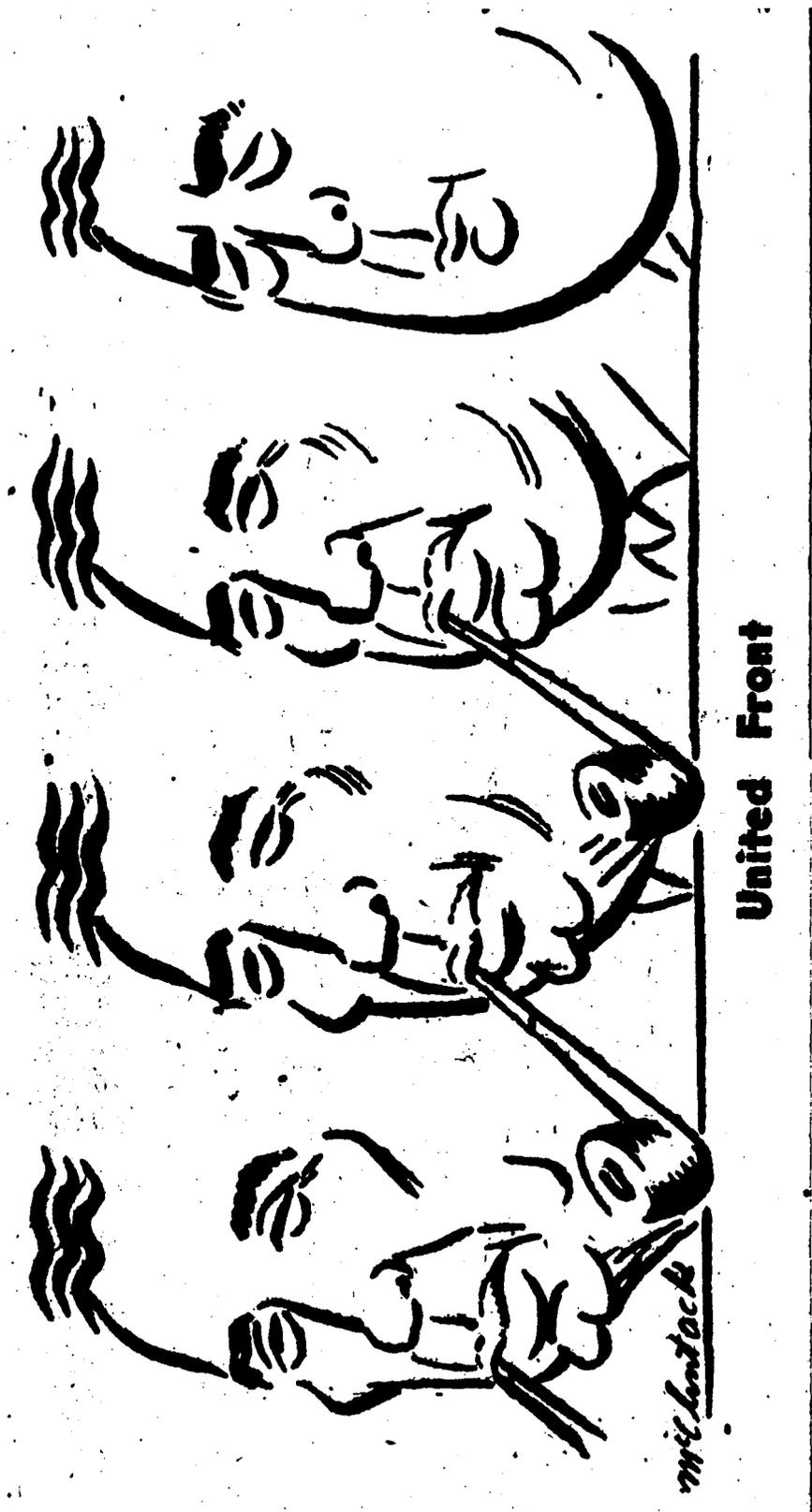


Cartoon 30: Laborite and Communists drew attention to Professor Hytten's comments at the Hobart ANZAAS Congress. *Tribune* 22/1/49 p8.

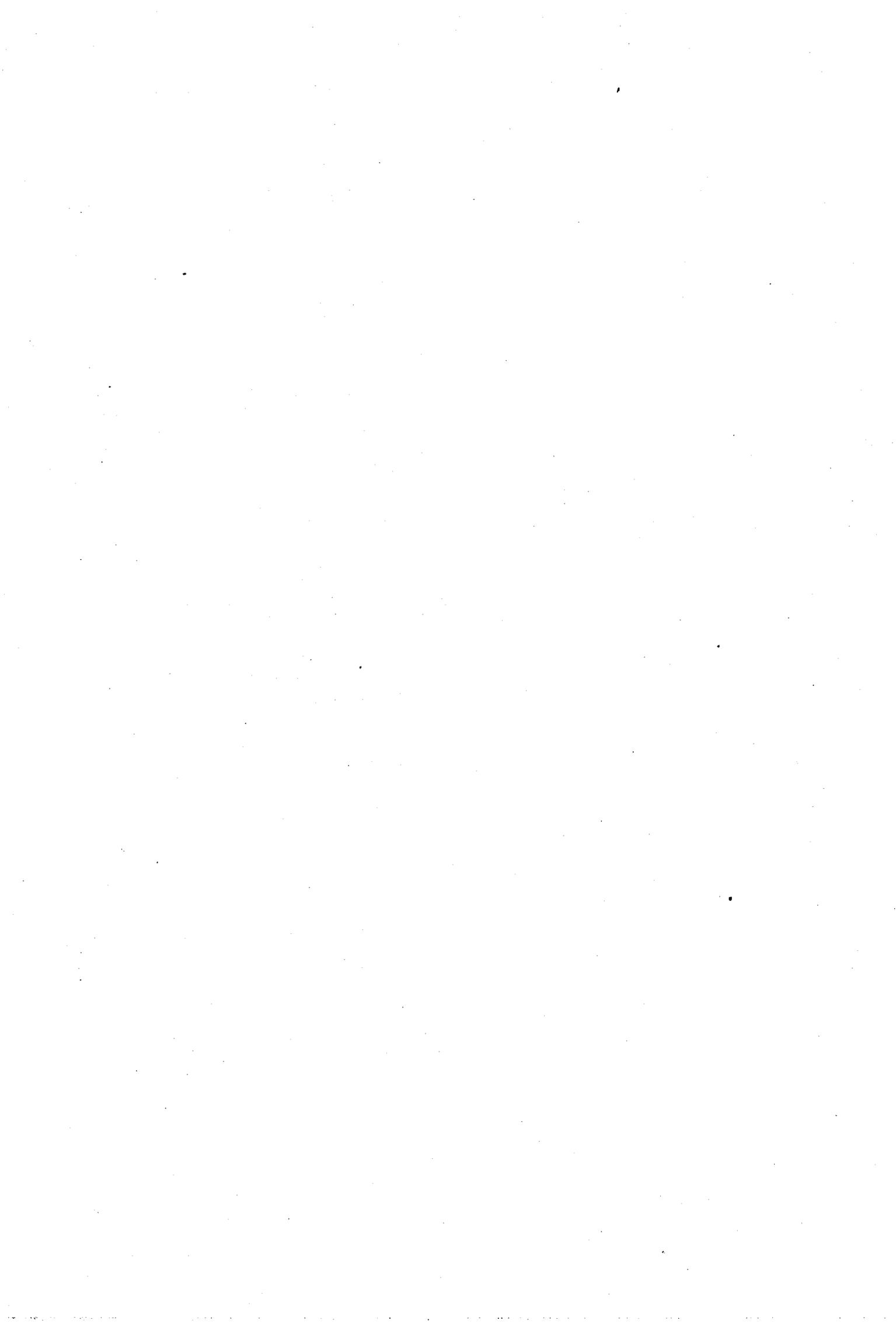


Industry CAN Afford It

Cartoon 31: During its radical turn the Communist Party rejected arguments that productivity increases should precede wage increases. *Tribune* 27/11/48 p3



Cartoon 32: Communists saw a convergence between the policies of the Chifley Government and the Liberal Opposition. *Tribune* 13/7/49 p3.



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