

Making Capitalism Acceptable?

The economic policy of Australian social democracy since the 1970s*

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Labor governments since the early 20th Century have consistently attempted to boost business profits. The way they have done so has changed but their policies have been consistently shaped by both the shifting requirements of Australian capitalism and the ALP's nature as a capitalist workers party. From the 1940s until the early 1970s, Labor advocated a program of Keynesian and protectionist economics. As the economics profession turned against protectionism, the Whitlam Government sought to integrate Australian capitalism more closely with the global economy. The Hawke and Keating Governments went much further in opening the economy, deregulating, privatizing and corporatizing than their conservative predecessor. In most areas, with the notable exception of industrial relations, they generally acted in line with the new, neo-liberal orthodoxy in economics. The logic of the Rudd and Gillard Governments' responses to the global economic crisis, invoking a mixture of neo-liberal and Keynesian precepts, like the economic policies of its Labor predecessors, can only be grasped in terms of the ALP's distinctive material constitution.

Keywords: Australian Labor Party, social democracy, economic policy, Keynesianism, neo-liberalism, Marxism.

* This paper draws on and extends the analysis in Bramble and Kuhn 2010.

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Founded in 1891, the Australian Labor Party is one of the world's oldest social democratic parties. It has held office at State and federal levels on numerous occasions and in 2010 was in government federally and in five of the six states. The record of the ALP in office therefore has the potential to tell us much about the practice, as opposed to the rhetoric, of social democracy in government. Labor's economic policies have, in recent decades, undergone a quite significant transformation, away from a predominantly state interventionist approach to one shaped much more by the precepts of neoliberalism.

How can we understand the shift in Labor's economic policy since the 1960s? One common interpretation has been to suggest that Labor has betrayed the reformist promise of its earlier decades during which it sought to use economic policy as a lever to improve conditions for the working class (Jaensch, 1989). The betrayal thesis suggests that Labor turned its back on its reformist past and embraced a full-blown pro-capitalist agenda of 'economic rationalism', i.e. neo-liberalism, during the 1970s or under Bob Hawke's and Paul Keating's Governments, between 1983 and 1996. This thesis can be contrasted with Kevin Rudd's account of social democratic continuity in Australian Labor Party (ALP) policy. Rudd, Prime Minister from November 2007 until June 2010, suggested that Labor has pursued a consistent approach, marked by a commitment to fairness and equality of opportunity, achieved through a mixture of market mechanisms and state action (Rudd, 1998).

The problem with the betrayal thesis is that it exaggerates the break in Labor's economic policies. It conveniently glosses over important features of ALP's record in office prior to the 1960s — most obviously the behaviour of the Scullin Government during the Great Depression. On the other hand, Rudd's attempt to identify a golden thread of genuine devotion to the interests of the working class, cannot explain major shifts in economic and in-

dustrial relations policy, some of which evidently had nothing to do with promoting fairness.

There is an alternative interpretation that explains shifts in Labor's economic policies as consequences of the party's material constitution, its character as a capitalist workers party, in changing circumstances. When understood in this way, the logic of the ALP's differentiation from and convergence with the conservative parties become clearer. The main focus in the following discussion is on three aspects of economic policy under the Gough Whitlam (1972-75), Hawke (1983-91), Keating (1991-96), Rudd (2007-10) and Julia Gillard (2010-) Governments: their contribution to the restructuring of Australian capitalism, both internally and in relations with international rivals; their efforts to raise the rate of exploitation of the Australian working class, mediated through relations with trade union leaders; and their approaches to macro-economic policy. In contrast with Kevin Rudd's account, we argue that commitment to sustaining the profitability of Australian capitalism, often at the expense of the working class, rather than ill-defined 'fairness', has been and remains the Party's fundamental goal.

I. Labor's material constitution

While hardly orthodox or a commonplace, the notion that Labor is a capitalist workers party is not new. Australian socialist W. R. Winspeare argued, in 1915, that capitalists could benefit from Labor's ability to attract workers' support for policies contrary to working class interests (Winspeare, 1914: 9-10, 22, 24, 37, 39, 45). In a similar vein, Lenin characterised the ALP as a 'liberal labour party', 'the unalloyed representative of the non-socialist workers' trade unions' whose officials also led the party (Lenin, 1977: 216-17.¹); From this perspective, the ALP was a *capitalist workers*

organisation. A *workers* party, in that it was established by the trade unions and the working class formed its most solid base of mass support. This evidently distinguished Labor from its conservative rivals. It was a *capitalist* party, because its project was to manage the capitalist state and economy, not to overthrow or profoundly change them. Labor was a *capitalist* workers party, rather than a *socialist* workers party because of the class interests of those who led and controlled it—the trade union leaders and parliamentarians. Trade unions are affiliated to the State and Territory Branches of the federal Labor Party. Half of the delegates to the Branches' conferences represent trade unions and union leaders play an important role in the life of the Party at all levels. These delegates generally follow the instructions of their unions' leaders. The class position of such officials is defined by their distinctive place in the relations of production in capitalist society. The purpose of unions is to improve the terms on which labour power is exploited, not to overcome exploitation itself. The job of union officials is to act as bargaining agents; to secure the best wages and conditions for workers. For them, negotiations and the union are ends in themselves, rather than means to an end. Union leaders attempt to gain benefits for workers but they also seek to moderate working class demands to levels capitalists find acceptable, even if sometimes disagreeable. As has been established since the early writings of British Fabians Sidney and Beatrice Webb, full-time trade union officials experience rather different working and life circumstances to those of their members (Webb and Webb, 1911).

They are not exploited by an employer and they lead a relatively privileged lifestyle compared to the mass of their members. In playing their negotiating role, union officials come under pressure not just from members but from employers and the state. This has clear political implications.

1) for the application of this approach to the British Labour Party, see Cliff and Gluckstein 1988.

Australian political scientist Don Rawson commented in 1966, '[s]ince the work by which they will be judged consists of trying to improve conditions under the existing, capitalist system it is not surprising that union officials have usually been reformist rather than revolutionary' (Rawson, 1966: 14). They use their position in the ALP to further their interests as a social group, and these interests are embedded in the continued existence of capitalism.

Labor's parliamentary leaders reinforce the reformist rather than the revolutionary orientation of the Party. Like union officials, Labor politicians mediate between workers and capitalists. But they perform this function at one further remove from direct struggles at the point of production. Like union officials, their electoral work — canvassing support to win the Party's endorsement of their candidature, door-knocking at election time or speaking at public meetings — brings them into periodic contact with workers. But their normal routine does not involve relating to workers *as workers*: reporting to them at strike meetings or visiting workplaces to recruit to a union. Unlike union officials, Labor politicians rarely interact with workers in forums where they may be disciplined. They are therefore even less subject to control by rank and file workers than union leaders. Further, Labor politicians, unlike union leaders, are at times called upon to run the capitalist state which makes them even more sensitive to the requirements of the capitalist class. When in office, they oversee some of the key elements of the state machine, a responsibility Labor leaders share with other senior public officials: heads of the public service and the central bank, military chiefs, judges of the High Court and so on. These arms of the capitalist state are capable of reining in Labor leaders if their programs, even when they are by no means radical, step too far beyond the parameters of what the capitalists of the day are prepared to accept. Jack Lang, Premier of New South Wales (NSW), the country's richest state, discovered this when his government was sacked by the State Governor in 1932. Rather than challenge undemocratic bastions of

authority, Labor politicians have in most cases bowed down before them. The personal benefits they enjoy by virtue of holding high office, in the form of high salaries, perks and pensions, reinforce their incorporation and preference for gradualism.

Contradictory features of working class experience and consciousness²⁾ make a stable Party possible, despite the fact that Labor's leadership pursue policies contrary to the long-term class interests of its base. On the one hand, the material reality of working class life and, in particular the exploitation that workers experience, can breed a basic sense of class identification. This is most apparent when exploitation drives workers to fight, evident in recurrent strike waves during the 20th century but also from the fact that between 1920 and 1980 approximately half of the Australian work force were members of trade unions. Even now, after more than two decades of decline, nearly two million workers, or 20 per cent, are unionists. Support for the Labor Party is best understood as another element of Australian working class identity, along with alienation at work, support for particular football codes and teams, attendance at certain schools, and identification with specific religions.

Subordination to employers can, however, inculcate not just resistance and class solidarity but also their opposite: feelings of powerlessness, submission, adaptation to capitalist norms and a belief in the apparent 'imperatives' of the system, including the sanctity of profits, national defence and international competition. While exploitation leads to a desire for justice, powerlessness breeds the belief that workers cannot win justice by their own actions and must rely on an arm of the state, in other words a strategy of parliamentary reform. Working class support for Labor, regardless of its record in office, is reproduced by this mixed consciousness. Labor in turn

2) The dual and contradictory nature of working class consciousness is explored by Gramsci 1971, p.333; and Lukács 1970, pp.24-38.

moulds this outlook to promote nationalism.

In summary, Labor's material constitution, its character as a capitalist workers party, is founded on its ambition to manage the capitalist state while resting on a core base of working class voters and trade union affiliation. Its leading personnel are predominantly senior trade union officials and parliamentary representatives who depend on support from the working class but are not workers themselves. Their orientation is to improve the lot of the working class within the capitalist system, not to challenge it fundamentally.

The ALP's distinctive characteristics mean that it is more able than the conservative parties to promote capital accumulation in some circumstances. Lance Sharkey, a leader of the Communist Party of Australia, explained in the 1940s how Labor Governments can sometimes be more effective in safeguarding the interests of big business. Labor is not generally as directly and openly dependent on particular capitalist interests as the conservative parties. As a consequence, the ALP has often been in a better position to pursue the general interests of capital, despite the opposition of individual members of the bourgeoisie or even whole sections of the capitalist class (Sharkey, 1943: 26).

Furthermore, in periods when the working class is mobilised or in an advantageous bargaining position, Labor governments may be more capable of controlling and defusing workers' militancy, thanks to their close relationship with union officials and distinctive association with the working class. The Government of John Curtin (1941-45), for example, was able to hold down real wages during World War II because, unlike Bob Menzies' short-lived conservative Government (1939-41), it enjoyed the forbearance, if not active support, of the labour movement (Sheridan, 1989). Both of these mechanisms have helped Labor to advance the interests of the capitalist class in recent decades.

As we establish in our book *Labor's Conflict: Big Business, Workers and*

the Politics of Class, Labor's material constitution was established very early in the Party's history and remains in place today. The details of the ALP's relations with the capitalist class and the labour movement have shifted over time. Today, Labor has a rather more attenuated relationship with the working class, as indicated by its more middle class membership and leadership, its shrunken core electoral base, and the declining weight of union officials in the Party (Bramble and Kuhn, 2010). The following sections take the consequences of this changing relationship with the working class into account as they consider Labor's management of economic restructuring, industrial relations and macro-economic policy under the Whitlam, Hawke, Keating, Rudd and Gillard Governments.

2. Australian Labor's Golden Age?

The Whitlam Government's economic program was, at the time, represented as a break from the 'Labor tradition'. Radical academics Robert Catley and Bruce McFarlane accurately described Labor's 1972 victory as 'neo capitalism comes to Australia' (Catley and McFarlane, 1973: 5-25). Take, for example, its decision to cut tariffs by 25 per cent in 1973. This was a sharp practical departure from the long-term consensus in economic policy. Since before World War I, both Labor and the conservatives had systematically protected domestic manufacturing industry. From the 1960s, however, there was an intellectual shift, initiated by economists and particularly appreciated by capitalists in internationally competitive export industries which stood to gain immediate benefits from reduced protection. They were not only in the farming sector, traditionally the main opponent of tariff protection for manufacturing, and the rapidly expanding mining sector but also sections of manufacturing itself. They recognised that, with the increasing scale of

state-of-the-art manufacturing operations and the tighter integration of the global economy, old-fashioned protectionism did not effectively promote capital accumulation any more. Decreasingly effective in helping manufacturing industries to expand, the tariff regime was also undermining the capacity of export sectors to grow. Under The Tariff Board, which advised governments about tariffs and quota policies, played an important role in the spread of a new economic orthodoxy, much more hostile to state intervention in the economy and protectionism in particular (Glazer, 1982: 91, 272-3). This was consistent not only with changes in the thinking of important sections of the Australian capitalist class, its advisers and the outlook of the Organisation for Economic Cooperation and Development (OECD) but also the level of integration of global capitalism.

Conservative Coalition Governments of the late 1960s and early 1970s were hamstrung in their ability to carry through a significant change from import-substitution industrialisation to a more export-oriented approach. Made up of parties integrally involved with the affairs of the capitalist class and therefore riven by the same divisions as the capitalist class itself, the Coalition could not distance itself sufficiently from the sections of capital which would feel the most pain from a sharp change in tariff policy, chiefly large manufacturers geared to domestic markets. On the other hand, sections of the Labor Party and its leadership were less constrained and were increasingly critical of the usefulness of tariff protection from around 1967.³⁾ Whitlam and his associates claimed to be ‘economically rational’ compared with the conservatives. In government, from 1972, they followed advice from the OECD that Australian manufacturing needed to be roused from its tariff-induced torpor by greater international competition (Catley and McFarlane, 1974: 18).

3) Whitlam stated that he ‘owed his own conversion’ on the issue to Labor left leader Jim Cairns, Murphy(1980: 33, 45).

The 1973 tariff cut began the practical shift away from the policy of building up industry behind protectionist barriers and was the most significant step in the transition to neo-liberal industry policy in Australia before the Hawke Government. The Whitlam Government's revaluations of the Australian dollar had similar structural and anti-inflationary logics to the tariff cut. In 1973, Whitlam confidently told a business meeting that his was 'the first genuine free enterprise government in twenty-three years' (Catley and McFarlane, 1981: 125, 233).

The economic policy pursued by Labor on other fronts also contributed to capitalist restructuring, in ways described by Sharkey, which reflected its character as a capitalist workers party. Minister for Minerals and Energy Rex Connor's attempts to maximise returns to Australian capital from the country's resources exports were one such example. Connor's policy had two major thrusts. One was to improve the prices secured for exports, by intervening in negotiations between mining companies and their customers and increasing minerals exploration during the boom of 1973. High mineral royalties meant that more of the returns from higher prices flowed into government coffers. Connor also aimed to increase the proportion of the mining industry owned by Australians. His goal was to accelerate national capitalist development by expanding state regulation and ownership of the mining sector (Catley and McFarlane, 1974: 45-53).

Labor's efforts to restructure Australian capitalism during the Whitlam Government were indeed innovative, but they did not represent a break from Labor's more profound traditions in economic policy. Now, as before, the Party was pursuing the interests of the Australian capitalist class. In the 1970s, as previously, it was doing so along lines approved by important currents in the economics profession and business.

The extension of the welfare state was a response to pressure from a res-

tive working class, then notching up post-war strike records in the struggle for higher wages. The Whitlam Government's expansion of spending on health, education and social security clearly benefited the working class. Medibank was a new system of universal health insurance that significantly improved the access of poorer people to health care. The fact that Medibank and some other welfare benefits and services were universal, rather than means-tested (available only to the lower paid) served workers' interests, as did the Whitlam Government's abolition of the means test on pensions for those older than seventy. The elimination of university fees in 1973 opened higher education up to working class children a little more. Expanding equal pay for women and access to childcare were likewise concessions to workers.

Nonetheless, the Whitlam Government's social program was also entirely consistent with the needs of Australian capitalism. Medibank and changes in funding for school and higher education met the need of increasingly capital-intensive production for a more literate, more skilled and healthier working class. Furthermore, as the OECD pointed out, social security policy could provide a justification for wage restraint (Catley and McFarlane, 1974: 31-3). Improved rights for women were an important way to draw more women into the workforce and relieve pressure on the immigration program. Free university education mainly helped middle class families, because it was not accompanied by sufficient complementary policies to support working class children, and Medibank did nothing to diminish the power of private doctors.

While the favourable conditions of the long global boom persisted, the capitalist class in Australia could afford the concession to workers that were an aspect of the Whitlam Government's renovation plans. But the outlook changed with the economic crisis of the mid-1970s. When the crisis hit in 1974, the Government was initially disoriented but then recast its policies

squarely in the interests of the capitalist class. Jim Cairns, Treasurer, leader of the Labor left and Deputy Prime Minister was allowed to put Keynesian policies in place to reflate the economy through public spending. They did not work. The recession deepened, unemployment rose and inflation climbed.

The Government responded in two ways. The first was the introduction of wage indexation, the pegging of wages to the consumer price index with a time lag, in April 1975. The Australian Council of Trade Unions (ACTU, the peak union body) had opposed the Government's attempt to restrict wage rises in 1973. But the leadership of the union movement, demoralised by rising unemployment, now gave Labor the benefit of the doubt and accepted an incomes policy (Bramble, 2008: 81-5). Wage indexation helped restore the profitability of business at the expense of workers' real living standards, because pay rises through indexation lagged behind prices. The second element of the Whitlam Government's economic policy involved a capitulation to the demands of business for 'responsible' budgetary policy. Labor right winger Bill Hayden replaced Cairns as Treasurer in mid 1975. Treasury now had a boss who would toe its line. Hayden shifted spending into reverse gear. His monetarist-inspired budget slashed outlays on welfare and tightened credit, while giving business tax concessions. He paved the way for the obsession with budget surpluses that has remained a staple of Labor's and the conservative Coalition's economic policies ever since.⁴⁾

4) For a detailed account of the Whitlam Government's macro-economic policy, see Catley and McFarlane 1974, pp.132-51; Whitwell 1986, p.216.

3. Neo-liberalism plus incomes policy under Hawke and Keating

When Labor took office again in 1983 under Bob Hawke it returned to and intensified two policies from different phases of the Whitlam Government. Like Labor before the economic crisis of the mid-1970s, the Hawke Government acted to expose the Australian economy to intensified international competition. Second, the possibilities for incomes policy, suggested by wage indexation in 1975, took more ambitious shape in the Prices and Incomes Accord between the Government and ACTU.

The Hawke and Keating Governments successfully promoted extensive economic rationalisation in both the private and public sectors (Castles, 1988; Kuhn, 1988: 110-6). While the conservative Fraser Government of 1975-83 had been strong on free trade rhetoric but weak on action, the Labor Government of 1983-96 delivered dramatic cuts in tariffs and import quotas. The greater distance between the ALP and the 'business community' entailed in Labor's material constitution meant that it tended to be less worried about treading on the toes of individual corporate heavy-weights who were more likely to be donors to the Liberal Party. Effective rates of assistance to manufacturing, which had fluctuated between 23 and 27 per cent under the Fraser Government, were brought down to only 10 per cent by 1993-94 (Fahrer and Pease, 1994: 186). When Labor lost power in 1996, Australian tariff levels were below those of many of its main trading partners.

The ALP's approach was not, however, simply market liberalisation which might have jeopardised capital investment. Although called 'deregulation', its measures are better described as reregulation of the economy, modifying the forms of state economic management and the way Australian capitalism was integrated into global capitalism. In the context of a series of tripartite industry plans, the Government used tariff reductions,

subsidies for investment and the retraining of redundant workers, as well as industry-specific measures, to improve the international competitiveness of key Australian sectors, the textile, clothing and footwear, iron and steel, and car industries.⁵⁾ There were similar though less formal arrangements in other areas, including stevedoring, ship and aircraft construction, pharmaceuticals, computers, telecommunications and heavy engineering. This approach led to substantial increases in exports, labour productivity and job losses (Fahrer and Pease, 1994: 200; Steering Committee on National Performance Monitoring of Government Trading Enterprises, 1994). Other measures, such as the 150 per cent tax deduction for research and development expenditure, were designed to elicit new state-of-the-art investment. Rationalisation was applied even more rigorously to the public sector. In 1993, contracting-out and compulsory competitive tendering became Government policy, with the adoption of a National Competition Policy.

The Labor Government ensured that it had the support of its partners in the trade union bureaucracy for its industry programs. Australian union officials had long been ardent defenders of protectionism, but during the 1980s their policy underwent a partial transformation. As former Treasurer John Dawkins put it on his retirement in 1994, 'After the 1983 election, the ACTU was converted to the central elements of a pro-business agenda and through its enhanced central power, was able to engage the entire union movement in its support' (*Australian Financial Review*, 1994). In steel, motor vehicles, metal trades and shipbuilding, union officials were key players, together with employers and government representatives, in restructuring committees at industry and enterprise level.

Reform of financial markets was an early priority of Labor's period in office. It with the floated the Australian dollar, a reduced in government con-

5) Keating and Dixon 1989; and Gruen and Grattan 1993 are useful overviews of the Hawke Government's program of restructuring.

trol over bank activities, and admitted foreign banks to Australia. The Government also relaxed rules on the ownership of print and electronic media (facilitating the expansion of Rupert Murdoch's empire and his domination of the Australian daily press) and terminated the statutory duopoly in the domestic airline industry. The state monopoly on telecommunications ended in 1991. Telecom (later Telstra), Australia Post and the Commonwealth Bank were the largest federal government agencies that were corporatized. Commonwealth Accommodation and Catering Services, Australian Industry Development Corporation, and the first tranche of the Commonwealth Bank, amongst others, were also privatized. After Paul Keating ousted Bob Hawke as Prime Minister in December 1991 the Labor Government went further, selling off the state owned airlines, more shares in the Commonwealth Bank and, in cooperation with State governments, significantly cutting the national rail transport network. In all cases, there were large numbers of redundancies and, in many, asset stripping of the new entities by their private sector owners.

The hopes harboured by Australian capitalists in 1983 — that Labor would be able to succeed in restructuring the economy where Fraser had failed — proved justified. Exports grew from 15 per cent of GDP in 1982-83 to 20 per cent by 1995-96, while the figure for imports rose from 17 to 20 per cent. Just as importantly, there were significant changes in the composition of exports. Labor presided over a shift in Australia's exports to a pattern closer to those of other developed countries. A series of Australian businesses became major foreign investors (outside Australia's traditional South West Pacific base) for the first time.

The approach of the Hawke Government to the restructuring of Australian capitalism was broadly in line with OECD perspectives during the 1980s, summarised in its manual, *Structural Adjustment and Economic Performance*.⁶⁾ From the 1990s this approach was called 'neo-liberalism'.

There was one exception: labour market policy. Rather than decentralising wage setting, Labor initially acted in line with OECD advice from an earlier period, implementing an incomes policy in the form of the Prices and Incomes Accord. This was particularly important in winning the support of significant sections of Australian business for the ALP in the 1983 election. Labor's distinctive relationship with the working class and intimate connections with the union bureaucracy made it possible and, by cutting real wages, reduced the pain of restructuring for the capitalist class. Thanks to its Accord with the unions, Australian Labor succeeded in this respect during the economic recovery of the 1980s, where Margaret Thatcher had failed. In 1989, ACTU Secretary Bill Kelty bluntly argued that the economy was in good shape because, 'Fundamental number one: the profit share has shifted back' (*Business Review Weekly*, 1989).

If the Accord's wage fixing mechanism had a distinctly social democratic flavour, its broader macro-economic policy context was resolutely orthodox. As Treasurer, Paul Keating had few disagreements with his Department and, after *Euromoney* magazine identified him as the finance minister of the year in 1984, he was dubbed 'the world's greatest treasurer'. Labor's orthodoxy was demonstrated in the late 1980s when the Government's tight monetary policy pushed up the mortgage rate to 17 per cent, exacerbating the effects of the global down-turn of the early 1990s on Australia, and ushering in what was, according to Keating, 'the recession we had to have' (Kelly, 1994: 489).⁷⁾

From the late 1980s, the ALP Government, again with the support of the ACTU, presided over a transformation of industrial relations in the direction now preferred by the OECD. At first as a safety valve in a tight labour mar-

6) Organisation for Economic Cooperation and Development 1987, pp.34-47.

7) also see Hamilton 2008, p.32.

ket, the Accord was redesigned to encourage productivity bargaining, usually by trading off established working practices and conditions of employment for modest wage increases. During the deep recession of 1990-91, most unionised workers were forced into decentralised 'enterprise bargaining', whereby productivity agreements negotiated at company or departmental level replaced industry awards as a route to money wage increases (Bramble, 2008: 125-80).

Labor's new industrial relations legislation even provided for non-union agreements. The outcome of enterprise bargaining was longer working hours, increased use of shift work, reduced penalty rates for work at unsocial times and more casual and part time employment (Department of Industrial Relations, 1995).

The overall result of Labor's wages policies, both in their centralised phase during the 1980s and in their decentralised phase in the following decade, was an increase in the profit share of national income from 17.5 per cent to 22.8 per cent, the highest figure since records began. Contrary to the Accord's initial promise, real wages were not maintained 'over time', although Labor did revitalise the public health insurance system and expand other elements of the welfare state. Between 1984 and 1994 the share of total disposable household income of the top forty per cent of households grew at the expense of the bottom sixty per cent, while real household disposable income fell for all but the top 20 percent (Bramble, 2008: 179).

A strike wave in 1980-81 had defeated efforts by the conservative Fraser Government to cut real wages through partial indexation. By way of contrast, the Hawke and Keating Labor Governments, thanks to their relationship with union officials, were able to engineer a major shift of national income from wages to profits without an industrial rebellion in the ranks of the unions. Industrial action fell to unprecedentedly low levels and stayed low. By the time Labor lost office in 1996, Australian business had enjoyed more

than a decade of industrial peace.

The response of the Government to unions which challenged the Accord was ruthless. In this it was also supported by the ACTU leadership and most other union officials. When Food Preservers Union members, mainly women, went on strike at the Heinz food processing factory near Melbourne in 1983, the Government sought to exclude the union from national wage increases (Bramble, 2008: 179).

In 1985 a joint operation between the NSW, Victorian and Federal Governments, the ACTU and other building industry unions deregistered and dismembered the militant Builders Labourers' Federation, which had secured substantial pay increases for its members. In 1986, the Plumbers and Gasfitters Union was threatened with similar treatment over its pursuit of a \$70 wage rise outside the Accord. In 1989-90 the Government used the Air Force to defeat a strike over wages by domestic airline pilots.

Both in its restructuring of capitalism and in its management of industrial relations, Labor's record in office from 1983 to 1996 demonstrated the specific benefits for capital of Labor's material constitution as a capitalist workers party. The ALP could promote widespread industry restructuring, some of which caused substantial pain to less competitive sections of business, more easily than could the conservatives who were more susceptible to pressure from individual sections of the capitalist class. On the other side of the class divide, Labor reduced real wages, pared back the wages share of GDP and boosted profits, suppressed strikes, and crushed unions that would not toe the line, all with the backing of the ACTU. It is highly unlikely that the conservatives could have achieved such outcomes had they been in office during this period. Years of cooperation with the Hawke and Keating Governments left the unions in a weak position when confronted by the incoming conservative Howard Government in 1996.

4. The 21st Century Labor Party and the Australian capitalist class

How does the Rudd and Gillard Governments' economic program fit into the analysis of Labor as a capitalist workers party? Rudd's transformation of Labor policy in 2008 from fiscal austerity, which he advocated both prior to taking office and in the first nine months of his new government, to fiscal profligacy in the context of global economic crisis is indicative. As Rudd himself pointed out at the height of the crisis, 'Not for the first time in history, the international challenge for social democrats is to save capitalism from itself' through state intervention (Rudd, 2009: 20).

In his 1998 maiden parliamentary speech, Rudd had rejected the notion that there was a convergence between left and right wing parties around a managerial agenda set by neo-classical economics. Invoking Keynes, he affirmed 'an active role for government' because although '[c]ompetitive markets are massive and generally efficient generators of economic wealth' which 'must therefore have a central place in the management of the economy', they 'sometimes fail'. He identified 'fundamentally unstable international financial markets' as a particular concern and the need for 'industry policy'. Governments should, moreover, promote 'equality of opportunity' (Rudd, 1998). In 2009, Rudd reiterated these points and emphasised that social democrats were committed to 'fairness for all' (Rudd, 2009: 21). This was certainly social democratic rhetoric. But it was almost as accurate in describing how conservative, as opposed to ALP, governments have behaved in Australia. In practice, both have supplemented, regulated, by-passed and sometimes overridden markets in order to promote capital accumulation. In this respect, differences have been matters of degree. Despite Rudd's claims, contemporary Liberals also spoke about social responsibility, as the conservative icon and Prime Minister again from 1949 to 1966 Bob Menzies

had (Rudd, 2006: 41). True, Labor has tended to stress ‘equality of opportunity’, the conservatives ‘freedom of choice’. But without *substantive* equality, in access to and control over resources, income and wealth, both are hollow slogans.

Shortly after taking over as leader of the Labor opposition in December 2006, Rudd proclaimed himself a ‘fiscal conservative’.⁸⁾ This was very much in line with the long Labor tradition of accommodation to the prevailing economic orthodoxy. After winning office in 2007, Labor’s immediate economic priority was to keep inflation in check and public spending under control, after what Treasurer Wayne Swan called ‘years of reckless handouts and giveaways’ by the Coalition Government (Swan, 2008). Swan’s first budget, in May 2008, cut outlays and predicted a surplus of \$21.7 billion. According to Melbourne’s *Herald Sun*, ‘Wayne Swan’s first Budget looks like being the one Peter Costello [conservative Treasurer] always wanted to deliver’ (*Herald Sun*, 2008). Did this contradict Kevin Rudd’s earlier and continuing claims to be a social democrat? Did it represent a betrayal or break from the ‘Labor tradition’? The answer to both questions is no.

In periods of boom, Keynesian social democrats can advocate economically conservative policies. The Chifley Government of 1945-49, for example, informed by a Keynesian analysis and anticipating a sharp economic down-turn in the near future, maintained wage pegging for almost two years after World War II. On the basis of a similar Keynesian economic logic, the new Rudd Government wanted to slow the resources boom. Rapid economic growth was increasing the rate of inflation as the economy encountered ‘capacity constraints’, limits on production because of skill shortages and insufficient transport facilities. Economic conservatism therefore met the needs of Australian capitalism at this time. Unlike the Whitlam Government,

8) Rudd’s own statement is reported in Coorey and Hartcher 2006, p.1. For earlier observations about Rudd, see Grattan 2006, p.7; Kelly 2006, p.14.

which expanded public spending in the context of the 1973 boom, the Rudd-Gillard Government did not have to buy off industrial militancy with major concessions. Further, dampening down the economy reduced the prospect that sections of the working class in the most prosperous industries would recognise that, through industrial action, they could get even better wages and conditions than those offered by employers.

The fiscally conservative phase of Rudd Government policy did not last long. By October 2008, the Government was spraying money out of a fire hose to stimulate the economy. It splashed cash at first home buyers, doubling the grant to \$14,000 for existing houses and tripling it for new ones. In December 2008 it sprinkled pensioners and other people on low incomes with payments of \$1000 and more. From April 2009 tax-payers earning less than \$100,000 enjoyed a drizzle of up to \$900. But the main shower was on construction, especially infra-structure projects. In a rapid turn-around from his first budget, Treasurer Swan predicted a \$58 billion deficit in his second. Encouraged by the Government, the Reserve Bank slashed its cash interest rate from 7.25 to 3.00 per cent between March 2008 and April 2009.

This rapid change in policy did not signal that Labor was switching to a more pro-working class policy. Under the impact of the global economic crisis, the Labor Government modified macro-economic settings, but not its economic goal, that is higher profits. Governments of wealthy countries, social democratic and conservative, were now all pursuing the same broad policy mix — large budget deficits and low central bank interest rates — and they were backed in their efforts by the International Monetary Fund and OECD. Most of the direct representatives of capital in business organisations applauded Rudd's spending packages from late 2008, which were in line with advice from Treasury.⁹⁾ All agreed, however, that the working class

9) Greig Gailey, President Business Council of Australia, 2009; Peter Anderson, Chief Executive Australian Chamber of Commerce and Industry, 2009; Heather Ridout,

would have to expect future cuts in public spending, in order to bring the budget back into balance as soon as the economy recovered. Constructing ‘an internationally competitive’ tax system ruled out the alternative of making the rich pay (Rudd, 2009c).

In 2010, Labor, again in line with mainstream economic thought, swung back to emphasising its economic conservatism and its commitment to return the budget to surplus by 2013 — read: it would attack public spending and especially the welfare state. During the campaign for the August 2010 election the ALP, now led by Julia Gillard, and the Coalition competed in their claims to orthodox fiscal rectitude and Labor even presented itself as being the Party of low corporate tax rates (Grattan, 2010: 7).

The Rudd-Gillard Government, whether in its early months of fiscal conservatism, its later fiscally profligate incarnation or once it returned to the old-time religion of budget surpluses, was typically social democratic in its macro-economic policies. This was not because of its devotion to fairness but precisely because it was employing the same tools and analytical frameworks to deal with the economic crisis as conservative administrations, with minor differences in the degree of reliance on particular measures and limited contrasts in rhetoric (Rudd, 2009a; Rudd, 2009c). Labor has been rather more inclined to support state intervention in the economy and a little less complacent about the alleged benefits of the market. Rudd, for example, argued in 2009 that ‘extreme capitalism and unrestrained greed... have perverted so much of the global financial system’ through the activities of ‘predatory speculators’ (Rudd, 2009a). The fundamental cause of the global financial crisis did not lie in the logic of capitalist accumulation — that is production subordinated to profit-making — or in the material world at all, but in ‘free market ideology’ which had been allowed to run unchecked for

Chief Executive Australian Industry Group, 2009.

30 years. This was much like the populist Labor tradition to the 1940s of denouncing the power of the banks and advocating the extension of state control and ownership. Now, however, a section of the economics profession, which included both its revitalised Keynesian wing and pragmatic exponents of neo-classical theory, also blamed economic problems on greedy speculators. The solution was a nicer, more regulated capitalism.

A similar convergence between the ALP and Coalition has been evident in the field of industry policy. The details have differed but the basic thrust has been identical: to restructure Australian industry and improve its international competitiveness. Labor's approach has demonstrated a greater, social democratic emphasis on the government 'picking winners' and expanding the skilled workforce through the education system, as opposed to reliance on the market and immigration. So we see continuation of the social democratic pattern here too.

In the spirit of the ALP's long-term devotion to building up strategic industries through state action, the Government adopted a 'car plan' which, under the cover of environmental concerns and combating the economic crisis, proposed \$6.2 billion of public subsidies to the industry by 2020. The rules of tariff exemption schemes were, furthermore, tightened to promote Australian industry (Rudd and Carr, 2008). On the other hand, despite pressure from the ACTU and manufacturing unions, the Rudd Government did not introduce preference for Australian companies in public procurement contracts. In April 2009, the Rudd Government announced that the federal government would initiate and own initially a new National Broadband Network to be constructed as a public-private partnership arrangement at an estimated cost of \$43 billion (Rudd, 2009b). By overcoming the problems created by the Howard Government's privatisation of Telstra with its copper-wire monopoly, Labor aimed by this initiative to expand affordable IT services that would increase the international competitiveness of Australian

business. Yet Rudd insisted that the Government would sell the Network's holding company within five years of its completion.

The late 2000s saw little change from the approach to foreign investment that had been pursued by governments since Whitlam was Prime Minister. Both Labor and conservative governments have encouraged foreign investment but reserved the right to veto takeovers of large, strategic projects. Peter Costello blocked Shell's bid for Woodside, with its North West Shelf gas operations. Wayne Swan prevented the purchase of OZ Minerals by Minmetals, a Chinese corporation, ostensibly because it owned a mine near a weapons testing range in South Australia.

Labor's election victory in 2007 owed a great deal to a distinctively social democratic phenomenon: the working class mobilisation against the Howard Government's anti-union WorkChoices legislation. There was great enthusiasm for the ACTU's Your Rights at Work campaign, which included huge demonstrations, community events and some stop-work action, as well as extensive advertising to rally the public against the reactionary laws (Bramble, 2008: 218-27). But an important area in which the Rudd Government did apparently break with distinctive Labor tradition was incomes policy. The Curtin and Chifley Governments pegged wages, Whitlam had indexation, and the Accord controlled workers' pay under Hawke and Keating. When Kevin Rudd took office strike levels were already at historically low levels and there was therefore no need for the Government to use such measures to restrain industrial militancy. Changes to education, training and immigration policies could make more important contributions to improved productivity and lower labour costs than an incomes policy. In the mean time, Labor could keep wages and conditions in check piece-meal. In its submission to the 2009 Fair Pay Commission review of minimum wages, the Government stressed the priority of minimising unemployment, code for keeping wages down (Australian Government, 2009a). Pressured by employ-

ers, Gillard, the Deputy Prime Minister and Minister for Workplace Relations, intervened to ensure that the process of award modernisation did not allow some hospitality, retail, pharmacy and horticultural workers to quickly gain better wages and conditions already enjoyed by those employed under more favourable determinations. The Government restored the application of Australian awards to non-Australian crews of ships in coastal but not international trade.

Following Labor's Fair Work Australia legislation, accurately dubbed 'WorkChoices Lite', unions were in a worse position than they had been after the first round of John Howard's industrial relations reform in 1996. 'Pattern bargaining' (solidarity between workers in different enterprises in the course of negotiations with employers) was still illegal, as was industrial action not approved through postal ballots. Union officials' rights to enter workplaces were not fully restored. The extraordinary powers of the Howard Government's Australian Building and Construction Commission to coerce witnesses and fine unions and unionists in the building and construction industry remained in place.

Although union leaders were markedly more critical of the Rudd Government than they were of the Hawke Government during its first two years in office, they did not present any significant challenge, industrial or political. Years of retreat and looking to Labor to save them from the anti-union Howard Government left them bereft of initiative. The union militants who drove the strike wave of the 1960s and 1970s had long departed the workplace and have not yet been replaced by a new generation. There was therefore little pressure on the Rudd or Gillard Governments to make significant concessions to workers. As a result, their health, education and welfare policies have done nothing to transfer wealth and power from capital to labour. Indeed, the wages share of national income is at historic lows.

During the 2007 election campaign Labor had endorsed a Coalition prom-

ise to cut marginal income tax rates. In Wayne Swan's first budget in 2008, commitment to this promise, which disproportionately benefited the rich, took priority over 'fiscal conservatism' and fine words about equality of opportunity. Rudd's priorities for tax reform included 'maximum reward for effort' and promoting investment, i.e. profits, rather than equality. The Government raised the pension age to 67 and penalised unemployed young workers by requiring them to enrol in school or further education as a condition for receiving Youth Allowance (Gillard, Rudd and Ellis, 2009). In May 2009, Labor legislated for eighteen weeks paid parental leave but this leave is means-tested and less generous than the rate recommended by the doctrinaire economists of the Productivity Commission and a model advocated by the conservative opposition leader Tony Abbott (Australian Government, 2009b). It also improves the efficiency of capital's use of skilled female labour.

The 2010 budget included a Resource Super Profits Tax as the centre piece of a policy of income redistribution. But it was overwhelmingly redistribution within the capitalist class. Most of the revenue from the new tax would go towards a cut in the corporate tax rate and building infrastructure for business. Gillard's first priority, after taking over as Prime Minister, was to appease the largest mining companies. She made a deal that gutted the Resource Super Profits Tax proposal which, far from benefitting the working class, would mainly have shared the super-profits of mining corporations in Australia with other sectors of the capitalist class. This capitulation indicated a decline in Labor's distinctive willingness and ability to stand up to specific capitalists in the interests of capital in general.

The ALP in office has generally pursued macro-economic policies compatible with the orthodoxy prevailing at particular phases of Australian capi-

talist development. Economic management under the Rudd-Gillard Government has likewise been in line with advice from Treasury, the Reserve Bank and the policies of other rich countries. Labor has been a little more inclined to interventionist industry policies than the conservatives and this remained the case after the 2007 election. Labor's promises in Opposition to 'rip up' WorkChoices appeared to represent a clear break with the dominant trend across the OECD to labour market 'deregulation'. There was, however, rather less to this than met the eye. Even in Opposition, Labor guaranteed to business that much of WorkChoices would be preserved, and it was on this basis, together with Rudd's declarations of fiscal conservatism and his commitment to fix infrastructure problems, that several business lobby groups welcomed Labor's victory in 2007.

The Rudd Government and, so far, the Gillard Government have had rather more space to manoeuvre in industrial relations than their Labor predecessors. Despite the ACTU's Your Rights at Work campaign, which was to a large extent responsible for Labor's victory in 2007, the unions were much less of a force than they had been in 1972 when Whitlam was elected or even in 1983 when the Hawke Government took office. There was no need to make a deal with the unions to keep wages down. Labor's recent industrial legislation has been the most anti-union in the Party's history: never before has a Labor Government required unions to conduct secret ballots before strikes or imposed such onerous restrictions on unions' freedom to organise. Parental leave, a social policy initiative with echoes of the Whitlam era, has been introduced, but it is one of the least generous in the OECD.

Although there have been shifts in Labor economic policy over decades, it has been characterised by a fundamental consistency and the LAP is still a capitalist workers' party. Labor's economic policies and practice have reflected and, under Julia Gillard, are still shaped by the interplay of the forces that make up the Party's material constitution — its working class base, the

power of trade union officials, and the pressure on the Party's leadership from the capitalist class and the state machine, within which Labor's parliamentarians are embedded. These factors have pushed the Party to the left at some points, to the right at others. The dedication of the ALP's leadership, like those of social democratic parties elsewhere, to maintaining and managing the Australian economy in the interests of the capitalist class has, nevertheless, remained a constant.

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□ 국문초록

괜찮은 자본주의 만들기?: 1970년대 이후 호주 시민주의의 경제정책

톰 브램블·릭 쿤

20세기 초 이래로 노동당 정부들은 일관되게 기업이윤을 증대시키려 노력해 왔다. 그들이 수행해 온 방식은 변하였지만, 그들의 정책은 지속적으로 호주 자본주의의 필요와 자본주의 노동자 정당으로서 ALP의 성격에 의해 만들어져 왔다. 1940년대부터 1970년대 초까지 노동당은 케인스주의적 프로그램과 보호주의적 경제학을 옹호하였다. 경제전문가들이 반 보호주의로 돌아서자, 윌렘 정부는 호주 자본주의를 세계경제에 좀 더 밀접하게 통합시키려고 하였다. 호크와 키팅 정부는 연정 전임자들보다 훨씬 더 나아가 경제 개방, 탈규제, 사유화, 기업화를 추진하였다. 많은 분야에서, 노사관계에서 주요한 예외가 있긴 했지만, 그들은 대체로 새로운 신자유주의 정설 경제학에 따라 행동했다. 루드와 길라드 정부의 논리는 경제위기에 대한 대응으로 신자유주의적 계율과 케인스주의적 계율의 혼합물을 적용하였고, 이는 이전의 노동당 정부의 경제정책과 마찬가지로 ALP의 독특한 물질적 구조라는 관점에서 온전히 이해될 수 있는 것이다.

주요 용어: 호주 노동당, 사회민주주의, 경제 정책, 케인스주의, 신자유주의, 마르크스주의.