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The case for Marxist Interventions, a new on-line journal

Australia is a class riven, unequal society. During 2008 it became apparent that the Australian economy, free from recessions since the early 1990s is not bullet proof and that capital accumulation, in all parts of the global economy, is inherently crisis-prone. For more than three decades the left and organised working class in Australia has been in uneven retreat. This has been one factor that contributed to the vigour of the economy. Nevertheless, periods of low level class conflict have been punctuated by dramatic bursts of struggle from below, most recently against the invasion of Iraq in 2002-2003 and during the early stages of the union campaign against the Howard Government's WorkChoices industrial relations laws. Campaigns in other parts of the planet, notably against neo-liberal globalisation and the attack on Iraq have promoted Australian struggles.

Yet Australian Marxist research and discussion takes place in a difficult environment. The Marxist left is small. Not only the right but also ALP governments and the academic mainstream are hostile to working class and social movement activism and Marxist perspectives. Despite the difficulties, a considerable number of Marxist writers continue to make important contributions. Much of the resulting work, however, appears fragmentarily in a variety of journals which cater to academic audiences uninformed about or unsympathetic to Marxism, or remain in the form of unpublished essays and theses. It is important to find ways to make these contributions more readily accessible to an audience which can make use of them and can appreciate their significance without being tutored about basic concepts. *Marxist interventions* has done this for some time. Until recently, *MI* was a strong on-line collection of material about Australia. We feel it is time to give it a new start.

MI will now be an Australian-based on-line journal which will publish theory and empirical research informed by Marxism. There will be a bias towards Australian subject matter but *MI* will also publish material on other countries and global issues. We seek contributions from those who work in or outside universities, based in Australia or elsewhere.

In this issue

As we publish, the Australian dimension of the global economic and financial crisis is deepening, but still in its early stages. It is likely to become far more serious in coming months, and as it does we expect a major discussion among Marxists. This issue does not pre-empt that discussion, but provides some raw materials for the debate and foreshadows some likely issues.

There is likely to be a sharp debate about the costs and benefits of emissions trading. In his article, Peter Jones argues that emissions trading is not a solution to global warming but rather represents a new vehicle for capital accumulation.

We are beginning to see arguments for economic protectionism, both from vulnerable sections of capital and from the labour movement. Bill Dunn explains how about the cases for protection and free trade are, in reality, seriously exaggerated; and that both are inherently capitalist.

The roots of capitalist crises typically lie in preceding booms. For that reason, Ben Hillier reviews the recent special issue of the *Journal of Australian political economy*. Looking at the evidence, he argues that an underlying tendency for profit rates to fall even in boom times laid the basis for today's crash.

In times of crisis, both the right and social-democrats can be expected to play the race card. In a discussion of the Howard era, Rick Kuhn considers how the Howard government used racism to manage the political situation.

The Great Depression culminated in world war, and while it would be rash to forecast this for the near future, imperialist conflict is likely to sharpen. Tom O'Lincoln challenges conventional views about the Pacific war.

To meet the political challenges of capitalism in crisis, the left needs organisation. But what kind? Louis Proyect, moderator of the Marxmail internet discussion list, debates Mick Armstrong, author of *From little things big things grow*.

In responding to crises of the present, we draw on the legacies of the past. One such legacy comes from Jeff Goldhar, revolutionary activist who died not much more than a decade ago. His bequest has enabled many socialist ventures to succeed, as Janey Stone explains.

Saving the planet or selling off the atmosphere? Emissions trading, capital accumulation and the carbon rent

Peter Jones

Governments are increasingly implementing emissions trading schemes, ostensibly to reduce greenhouse gas emissions. Karine Matthews and Matthew Paterson argue that the drive to implement emissions trading is primarily driven by the goal of supporting capital accumulation, rather than environmental considerations. This article ultimately agrees, but argues that their approach is not consistent with Marx's labour theory of value. The concept of the 'carbon rent' is used to develop a more consistent approach to understanding how the state can use emissions trading to distribute income away from the poor and working class.

According to Prime Minister Kevin Rudd, a decision not to take action against climate change would be 'an active decision to place the next generation at grave risk'.¹ Apart from a few climate change deniers and business interests, practically all the experts who examine the issue agree that a transition towards a much lower carbon economy is necessary. The last Intergovernmental Panel on Climate Change report argued that in order to stabilise the concentration of carbon dioxide in the atmosphere at 450 parts per million (ppm), global emissions would have to peak around the year 2020, and 'decline

1 Kevin Rudd *National Press Club Address by Prime Minister Kevin Rudd on the Federal Government's Carbon Pollution Reduction Scheme*, 15 December 2008, Media Monitors transcript, www.climatechange.gov.au/whitepaper/report/pubs/pdf/rudd-address-national-press-club.pdf, accessed 15 February 2009, p. 2.

thereafter'.² A more recent study by James Hansen et al. finds that we are already 'in the dangerous zone' for 'tipping points' such as the melting of the Greenland Ice Sheet, and they recommend a target of 350ppm—which could only be achieved by taking net global emissions below the rate at which carbon is naturally removed from the atmosphere within decades.³ Even Ross Garnaut—a neo-liberal economist—argues that something needs to be done about climate change, although his assessment of what is politically possible leads him to conclude that a target of 550ppm is the best we can hope for.⁴ This would not only lead to the destruction of the Great Barrier Reef (the focus of media commentary at the time his target was revealed), but if Hansen et al. are right, it would 'push Earth toward the ice-free state'.⁵

Yet the Rudd Government's White Paper on its proposed Carbon Pollution Reduction Scheme promises no more than a cut in Australia's emissions of 15 per cent by 2020 in the context of a global agreement, and a cut of only 5 per cent without one.⁶ Rudd's line that this is about the same as the per capita emissions reduction targets being suggested by the European Union is technically correct but totally disingenuous, since in absolute terms this would still leave per capita emissions in Australia more than twice as high as in the EU.⁷ Even based on the 15 per cent target, if the rest of the developed world put in the same claim for per capita emissions in absolute terms, global emissions would actually rise by about 35 per cent, not fall towards the 450ppm target that Rudd claims is 'in the national interest'.⁸ If all countries were to pollute at the per capita levels Rudd is proposing for Australia in 2020, global emissions would more than triple.⁹ The White Paper also outlines an enormous subsidy package for the heaviest polluters, estimated to amount to over \$3.5 billion per year in free permits to pollute, direct cash payments and research funding for

- 2 Intergovernmental Panel on Climate Change, *Climate change 2007: synthesis report*, Cambridge University Press, Cambridge 2007, pp. 66-67.
- 3 James Hansen et al. 'Target atmospheric CO₂: where should humanity aim?', 2008, <http://arxiv.org/abs/0804.1126>, accessed 10 July 2008, p. 13.
- 4 Ross Garnaut *Garnaut Climate Change Review final report*, Cambridge University Press, Melbourne 2008 pp. 212-213.
- 5 Hansen et al. 'Target Atmospheric CO₂', p. 12. Assuming the ratio of CO₂ to non-CO₂ greenhouse gases remains the same under the 550 ppm CO₂-eq. scenario as it is today, 550 ppm CO₂-eq. converts to roughly 460 ppm CO₂-only, which Hansen et al. conclude would 'push Earth toward the ice-free state'.
- 6 Australian Government, *Carbon Pollution Reduction Scheme: Australia's low pollution future, white paper, volume I*, Bluestar Print, Canberra 2008, p. iv.
- 7 Rudd *National Press Club Address on the Carbon Pollution Reduction Scheme*, p. 12; Garnaut, *Garnaut Review final report*, figure 3.2 p. 55.
- 8 Garnaut *Garnaut Review final report*, p. 43. This calculation follows because Australia's per capita emissions are currently twice as high as the OECD average, and emissions from OECD countries account for roughly half of global emissions, Garnaut, *Garnaut review final report*, pp. 56 and 153.
- 9 This follows because Australia's current per capita emissions are four times world per capita emissions, Garnaut *Garnaut Review final report*, p. 153.

so-called 'clean coal' technology in the first two years of the scheme.¹⁰ Moreover, the small emissions reductions that are achieved will come through a 'market-based' emissions trading scheme, which according to the Treasury will cost the average household roughly an extra \$300-350 in electricity and gas bills in the first year of the scheme, and more as the carbon price increases.¹¹

Even the most moderate of green groups, the Australian Conservation Foundation (ACF), has rightly denounced the Government's dangerously inadequate targets, and their enormous pre-emptive polluter bailouts.¹² However, the ACF still supports an emissions trading scheme (ETS) if permits are fully auctioned. Indeed, before Rudd announced the details of the Government's approach, environmentalists were some of the strongest supporters of an ETS. In a joint policy document released before the 2007 election, a coalition of twenty organisations, 'Australia's Environment Groups', argued for a 'price for carbon'.¹³ More recently, the Climate Institute, Australian Conservation Foundation, Australian Council of Social Service, and Australian Council of Trade Unions have formed the Southern Cross Climate Coalition, which supports a 'broadly based domestic Emissions Trading Scheme'.¹⁴ The Greens have similarly bought the free-market environmental line that a scheme which combined fully auctioned permits with assistance to low income households would be an equitable way to cut emissions.¹⁵ Friends of the Earth have expressed greater scepticism about the effectiveness and fairness of emissions trading, but they still have not opposed such a scheme outright.¹⁶

Where should Marxists stand on this issue? Our most important demand should be that capitalists, especially those who have profited from polluting, and not workers be made to pay for the transition to a low carbon economy. Up until recently, their argument that emissions trading was a fair way to make businesses and households pay for the 'carbon

10 Australian Government *Carbon Pollution Reduction Scheme: Australia's low pollution future, white paper, volume 2*, Bluestar Print, Canberra 2008, p. E-2.

11 Based on Treasury's estimate of a \$4-5 per week increase in electricity prices, and a \$2 per week increase in gas and other household fuels prices, for the average household. Australian Government *Australia's low pollution future: the economics of climate change mitigation*, Canprint Communications, Canberra 2008, p. 189.

12 Australian Conservation Foundation *Households to foot the big polluters' carbon bill*, www.acfonline.org.au/articles/news.asp?news_id=2103, accessed 21 February 2009.

13 Aid Watch et al. *Australia's Environment Groups: Climate Change Policy Agenda, 2007*, www.foe.org.au/climate-justice/policy-position/federal-election-2007/AusENGOJointPolDoc07.pdf/, accessed 8 July 2008.

14 Southern Cross Climate Coalition *Towards an effective and fair response to climate change*, media statement, 6 July 2008, www.climateinstitute.org.au/images/scccstaement.pdf, accessed 11 July 2008, p. 1.

15 Christine Milne *Business as usual cannot trump the laws of science on climate change*, media statement, 14 December 2008, <http://greens.org.au/media/2008/12/15/4296>, accessed 21 February 2009.

16 Friends of the Earth Australia *Open submission to Garnaut on the emissions trading scheme*, 17 April 2008, www.foe.org.au/climate-justice/policy-position/garnaut-review-2008, accessed 10 July 2008.

cost' of their consumption might have seemed like a strong one to many on the left. Rudd's enormous proposed hand-outs to the coal-fired power industry should have put an end to any misconceptions about the ALP's commitment to 'climate justice'. It is also important to understand why emissions trading is objectionable at a deeper level: why, regardless of the specific decision to hand money to polluters, the logic of workers' sacrifice is built in to attempts to regulate pollution through trading schemes.

This article attempts to explain this by using Marxist value theory. It begins by criticising a previous attempt by Karine Matthews and Matthew Paterson to explain emissions trading using a partly Marxian analysis, for its inconsistency with Marx's labour theory of value. It then builds an alternative account by examining how emissions trading creates 'winners' and 'losers', illustrated with an example from the operation of the European Union Emissions Trading Scheme (EU ETS), and a look at the likely distributional consequences of the ETS proposed in the Australian Government's White Paper. Finally, it combines this analysis with aspects of Matthews' and Paterson's approach to explain how emissions trading can work to encourage and intensify capital accumulation at the expense of workers. Lohmann makes a strong case that emissions trading schemes are also unlikely to be an effective means of reducing pollution, but that is not the focus of the discussion here.¹⁷

The value of polluting

Matthews' and Paterson's article, 'Boom or bust? The economic engine behind the drive for climate change policy', was an important step towards understanding the effects of emissions trading on the capitalist economy.¹⁸ Their article sought to explain why governments have adopted any measures aimed at mitigating climate change at all. For some neoclassical economists the decision by the European Union and others to remain committed to the Kyoto Protocol in the absence of any involvement by the world's largest polluters (especially the US) was difficult to explain, since the benefits of mitigation are spread across the world, while the economic costs are concentrated in those states that choose to cut emissions. For this reason, Hovi et. al conclude that the small measures which have been taken to restrict pollution under Kyoto, such as the European Union Emissions Trading Scheme (EU ETS), must be considered 'irrational' from the point of view of a state interested in maximising GDP.¹⁹

17 Larry Lohmann (ed.) *Carbon trading: a critical conversation on climate change, privatisation and power* Dag Hammarskjold Foundation, Durban Group for Climate Justice and The Corner House, 2006, www.thecornerhouse.org.uk/summary.shtml?x=544225, accessed 21 July 2008.

18 Karine Matthews and Matthew Paterson 'Boom or bust? The economic engine behind the drive for climate change policy', *Global change, peace and security* 17 (1), 2005.

19 Jon Hovi, Tora Skodvin and Steinar Andresen 'The persistence of the Kyoto protocol: why other Annex 1 countries move on without the united states', *Global environmental politics* 3 (4), November 2003, pp. 1-23.

Matthews and Paterson argue that this apparent paradox can be resolved through a Marxist understanding of the state. For Marx, capitalism is not primarily a mode of production aimed at maximising output or GDP, but a system driven by the process of capital accumulation. That is, capital is driven by the logic of investing money in order to have this money returned and to make a profit'.²⁰ The production of useful commodities is (only) undertaken as a means for achieving this end. Matthews and Paterson argue that one way to increase these opportunities for creating profits, and hence promote capital accumulation, is to bring 'new objects into the realm of production for the market'. They argue that creating a market for emissions is one way of doing this. Even if it is true that emissions trading reduces GDP, they suggest, states still may still find it desirable to create an emissions commodity around which new 'opportunities for making profits can be established'. Thus 'the principal political-economic benefit of emissions trading is as a site of commodification.'²¹

However, Matthews and Paterson do not ground their account in Marx's value theory. From a value perspective, emissions trading attaches an *exchange value* to the act of polluting. However, this does not increase the total amount of *value* created within the economy, since, for Marx, only human labour can create new value.²² The commodification behind emissions trading is therefore not like the commodification of 'ordinary' goods and services, where capitalists can profit from the productive activities of workers, since the Earth's capacity to absorb CO₂ is an entirely natural resource.²³ It does not necessarily follow that simply creating a new market benefits capital as a whole—indeed, at a superficial level of analysis, one might equally draw the conclusion that forcing capital to pay to pollute the atmosphere is likely to reduce profits. This article seeks to provide a theoretical framework within which questions such as these can be posed more clearly. Before introducing this alternative framework, it is necessary to analyse how emissions trading works, and its consequences for the distribution of income, in some detail.

The first emissions trading provisions emerged in the United States, as part of an attempt to reduce acid rain. After early experiments with combinations of trading and command-and-control regulation, Congress established the first comprehensive program of emissions trading in 1990.²⁴ This focused exclusively on regulating emissions of a single gas—sulphur dioxide. Some state and local jurisdictions later established smaller scale trading schemes within this framework, aimed at controlling emissions of nitrous oxides.

20 Karl Marx *Capital, volume 1*, Penguin and New Left Review, London, 1976 [1867], pp. 251-253.

21 Matthews and Paterson 'Boom or bust?', pp. 62-62, 64.

22 Marx *Capital, volume 1*, p. 128.

23 Additional permits 'produced' by human labour expended on planting carbon sinks could be considered a new repository of value, but these are not a significant proportion of the emissions trading market.

24 Daniel Cole *Pollution and property: comparing ownership institutions for environmental protection*, Cambridge University Press, Cambridge, 2002, pp. 48-51.

Until 1998, these recently established US schemes were the only large-scale examples of emissions trading to have been implemented. Despite the novelty of this approach, states such as the US and Australia successfully pushed for emissions trading to be adopted as the international response to climate change, under the Kyoto Protocol.²⁵ Its ‘flexibility mechanisms’ allow states to meet their emissions targets either by reducing domestic emissions, or by purchasing carbon ‘credits’ on an international emissions market.²⁶

In order to meet its obligations under Kyoto, the European Union has established a regional ETS, and many other states are considering schemes of their own. The EU ETS is divided into ‘phases’. At the beginning of the first ‘phase’, member states were given the right to hand out CO₂ permits to industry, based on their expected emissions levels.²⁷ The permits were valid for the duration of the phase, which lasted from 2005 to 2008. The second phase started in January 2008, and will run until 2012.

One of the most contentious elements of emissions trading is the way in which permits are allocated. In choosing to hand out permits free of charge to existing polluters, Phase I of the EU ETS followed the example of the US acid rain abatement scheme.²⁸ Indeed, no large-scale ETS has yet been established which allocates a significant proportion of permits via the alternative option of auctions. The decision not to auction permits is often justified via a corollary of the neoclassical ‘Coase Theorem’: that regardless of whether permits are ‘grandfathered’ or auctioned, emissions will still be capped at the same level, and emissions permits will still be priced and allocated according to their highest value use.²⁹ That is, regardless of how permits are allocated initially, firms which can reduce their pollution relatively cheaply will do so until the cost exceeds the revenue they can earn by selling (or not having to buy) permits, and other firms which find it relatively costly to reduce their own pollution will buy permits from them. Through this process, a uniform ‘cost’ is imposed upon pollution, equal to the price of permits (the ‘carbon price’).

However, the word ‘cost’ here takes on a specific meaning. For neoclassicals, ‘cost’ usually means ‘opportunity cost’ i.e., the income foregone in order to produce a product.

25 Hovi ‘The persistence of the Kyoto protocol’, p. 1; Stuart Rosewarne, ‘The Kyoto Protocol and the Australian state’s commitment to capital accumulation’, *Capitalism, nature, socialism* 14 (1), March 2003, pp. 22-23.

26 These credits can be bought either from states whose emissions remain below target, or from sellers of ‘offsets’.

27 European Commission ‘Questions and answers on emissions trading and national allocation plans’ press release, 08 March 2008 <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/05/84&format=HTML&aged=1&language=EN&guiLanguage=en>, accessed 13 October 2008.

28 Cole, *Pollution and property*, pp. 52-53.

29 Australian Government *Carbon Pollution Reduction Scheme: Australia’s low pollution future, white paper, volume 1*, Bluestar Print, Canberra 2008, p. 9-3. Note, however, that this argument only holds where permits are based on genuinely historical emissions. Under the EU ETS, free permits have been based on ‘updated’ emissions levels, increasing the incentive to pollute. Karsten Neuhoff ‘Implications of announced Phase II national allocation plans for the EU ETS’, *Climate policy*, 6, 2006, p. 413.

The opportunity cost of reducing pollution could be relative to anything from the cost of converting to a new, less polluting technology, to the cost of simply reducing output (and therefore sales) in order to reduce pollution—whichever involves foregoing the least income overall. In general, it is opportunity cost which firms use for decision making, and which therefore goes into determining market prices. If the market reaches equilibrium, the opportunity cost of pollution becomes equal to the carbon price, regardless of how these permits were distributed in the first place (this is another corollary of the ‘Coase theorem’).³⁰ Consequently, prices for emissions intensive goods can be expected to rise by a proportion of the carbon price. Thus polluters end up charging consumers for the ‘cost’ of the permits they were handed free.

This is what occurred under Phase I of the EU ETS. According to a report produced for the UK Department of Trade and Industry:

The combination of free allocations with full pass-through of marginal costs is estimated to result in increased profitability for the UK power generation sector of approximately £800m/year over Phase I ... This represents a direct transfer of value from electricity consumers.³¹

Thus it is no exaggeration to say that the EU scheme represents a shift from the principle of ‘polluter pays’ to one of ‘polluter earns’. In other words, although they do not necessarily provide an incentive to pollute, free permits nevertheless effectively transfer wealth to polluting companies at the expense of consumers.

However, the overall effect on the distribution of wealth is even worse than this would suggest. The extent to which the price of permits pushes up the price of a given commodity depends upon the quantity of greenhouse gases emitted in its production. For example, a given permit price is likely to add to the price of coal-fired electricity by substantially more than it would add to the price of food. Nevertheless, as the transportation of food still often requires significant fossil fuel inputs, the price of food can also be expected to rise. Indeed, many of essential goods and services, such as food, transportation and electricity, are also the most emissions intensive. Since low income households spend a higher than average proportion of their incomes on purchasing these essential goods, they are hit relatively hardest by emissions trading relative to their income level.³² Worse still, official measures of inflation do not take this into account, since they ‘weight’ price increases

30 Ronald Coase *The firm, the market and the law*, University of Chicago Press, Chicago and London, 1988, p. 14.

31 IPA Energy Consulting *Implications of the EU emissions trading scheme for the UK power generation sector*, 2005, www.berr.gov.uk/energy/environment/euets/phase1/page26230.html, accessed 21 August 2008, pp. 1-2.

32 National Institute of Economic and Industry Research, *The impact of carbon prices on Victorian and Australian households* Brotherhood of St. Lawrence, Victoria 2007, www.bsl.org.au/main.asp?PageId=5394, accessed 21 August 2008, p. 16.

according to average consumption patterns, not according to the consumption needs of the least well off. Therefore even those low income households whose incomes increase in line with inflation are likely to be left worse off overall.³³

Ironically, this flow of windfall profits was only halted with the collapse of Phase I of the EU ETS. Eager to capitalise on what was effectively a ‘free money’ bonanza, many polluters successfully fudged their baseline emissions to convince their governments to hand them extra allowances.³⁴ So generous were member states in their allocation procedures that, by April 2006, it became clear that there was no scarcity in the market for emissions permits. That is, member states had given away so many rights to pollute that the total number exceeded the total level of business as usual pollution. This lack of permit scarcity destroyed any incentive to reduce emissions arising from the ETS, since within three weeks the price per tonne of CO₂ fell from around €30 to €8.50, eventually settling at €0.20.³⁵ This also destroyed the monetary value of the free permits—though firms which had been clever enough to sell their excess permits while the price was high still made substantial profits. Some of these were made at the expense of publicly owned facilities such as hospitals, which needed to buy permits early because they had not successfully played the permit rent-seeking game.³⁶

Auctions versus gifts

Would auctioning permits solve this problem? Although there has not been a substantial experiment in the full auctioning of pollution permits it has been widely proposed. Policy in the EU also seems to be moving in this direction. Under Phase II of the EU ETS, which began in January 2008, a (very small) proportion of permits have been auctioned.³⁷ Under Phase III, which begins in 2013, the European Commission estimates that 60 per cent of permits will be auctioned.³⁸ The Australian government has, however, rejected the recommendation of its own Garnaut Review to fully auction permits, and instead proposes to hand-out around 40 per cent of permits to industry for free.³⁹

33 This effect applies most obviously to those dependent on government transfer payments indexed to inflation, but also to those workers able to bargain for higher nominal wages based on the increased rate of inflation.

34 Lohmann *Carbon trading*, p. 88.

35 Open Europe, *Europe's dirty secret: why the EU emissions trading scheme isn't working*, 2007, www.openeurope.org.uk/research, accessed 21 August 2008, p. 16.

36 Lohmann *Carbon trading*, p. 91.

37 Neuhoff ‘Implications of Announced Phase II National Allocation Plans for the EU ETS’, p. 416.

38 European Commission ‘Questions and answers on the Commission’s proposal to revise the EU Emissions Trading System’, p. 5.

39 \$3.6 billion worth of free permits will be handed out to industry in the first year of the scheme, which is 40 per cent of the \$9.1 billion worth of permits which will be created, after adjusting for the effective

If permits are auctioned under an ETS, polluters would at least be denied the windfall profits outlined above. As long as the market for permits functions competitively (which it may not), emissions trading with fully auctioned permits does put a real cost on pollution, and not simply an opportunity cost. This means that the state captures the revenue from this new commodity, and not polluters. However, we should not conclude that this represents an unambiguous victory against the interests of polluters in particular, and capital in general. Since auctioning permits makes no difference to the opportunity cost of pollution, it follows that it will have the same consequences for the prices of emissions intensive goods and services.⁴⁰

Whether the overall effect is regressive depends upon how the state spends the additional revenue it raises. Under a 'cap and share' scheme, the money would be distributed on an equal basis to each citizen (with each having the option to 'spend' this dividend on retiring permits).⁴¹ Peter Barnes bases his advocacy for such a scheme on what he sees as the unfortunate but necessary recognition that environmental 'goods' can only be preserved if they are priced and commodified.⁴² He argues that if the Earth's carbon cycling capacity can be said to belong to *anyone*, it must belong to *everyone*: hence the need to share the revenue from emissions trading equally. In his book *Heat*, George Monbiot argued for a scheme which would have a similar effect, combining state-auctioned permits for industry with an equal allocation of tradeable carbon 'rations' for consumers.⁴³ Such proposals avoid the kinds of problems outlined so far. In theory they would have a progressive effect on the distribution of income, since, in absolute terms, the poor consume fewer emissions intensive resources than the rich, but both would receive the same dividend or allocation of rations.

There are still important problems with 'cap and share' type proposals. They theoretically provide lower income households with a carbon dividend which on average would cover the costs of increased prices, but there is still a strong case that these price increases themselves are objectionable. Imagine a pensioner who is barely scraping by switching off their heating in winter so that they can spend their carbon dividend on food and petrol. Think also of someone on a low income who needs to travel long distances and has no

exclusion of petrol sales from the scheme, Australian Government, *Carbon Pollution Reduction Scheme, volume 2*, p. E-2.

40 Garnaut, *Garnaut review final report*, p. 331.

41 Cap and Share, *Cap and share: a brief guide to a scalable climate framework*, www.capandshare.org/quickguide.html, accessed 21 July 2008.

42 Peter Barnes *Who owns the sky?* Island Press, Washington, 2001, p. 34.

43 George Monbiot *Heat: how to stop the planet burning* Allen Lane, London, 2006, pp. 45-46. Recently Monbiot has changed his mind about carbon 'rations', and now supports an upstream industry level global carbon trading scheme to be administered by the world's central banks, the proceeds of which would be spent on the transition to a low carbon economy. George Monbiot, 'Green Lifeline', *Guardian* 1 July 2008, www.monbiot.com/archives/2008/07/01/green-lifeline, accessed 21 July 2008.

access to public transport: the carbon dividend may well not cover their increased transport costs. Moreover, it is not hard to imagine a situation in which politicians or bosses cynically justify cuts in welfare payments or wages by pointing out that the carbon dividend has made lower income households 'better off'.

The ETS outlined in the Australian government's White Paper would be significantly worse than 'cap and share'. Unsurprisingly, the White Paper makes no reference to the Earth's natural systems as a form of common property. Instead, it commits only to using some of the revenue raised by the proposed ETS for the purposes of compensating households for price increases.⁴⁴ Indeed, there are reasons to suspect that even this commitment will not be maintained over the long term. If the carbon price increases significantly, compensation payments will also need to rise substantially for lower income households not to be left worse off. The scheme proposed in the White Paper would effectively make the carbon dump just another commodity that consumers must pay to access. Auctioning permits combined with compensation is certainly no guarantee that the poor and working class will not be made to pay for the costs of whatever cuts in pollution an ETS does manage to achieve.

From a political economy perspective, this redistributive aspect of emissions trading is surely a crucial one. It suggests that one goal lying behind the current trend towards adopting trading schemes is to shore up the profitability of capital at the expense of labour. Indeed, the Treasury's own modelling reveals that under an emissions trading scheme, 'labour income growth slows more than capital income'.⁴⁵ Interestingly, while Matthews and Paterson ignore this possibility, it actually supports their overall conclusion that states are pursuing emissions trading as part of their role in promoting capital accumulation. Indeed, it is also possible to combine the analysis of the distributional consequences of an ETS with their original insight that emissions trading promotes the dynamic process of capital accumulation within a more consistent Marxist framework. However, it is first necessary to examine in more detail how Marx explains the relationship between the environment and capital accumulation.

Nature and capitalism

It is perhaps the dominant view that Marx's labour theory of value is unsuited to analysing issues involving the preservation of the environment. Paul Burkett argues against this common misconception, drawing attention to Marx's three distinct concepts of value.⁴⁶ The most fundamental of these is use-value. For Marx, '[t]he usefulness of a thing makes it a use-value', and this an entirely qualitative material property: it is 'the physical body of

44 Australian Government *Carbon Pollution Reduction Scheme, volume 1*, p. 17-1.

45 Australian Government *The economics of climate change mitigation*, p. 187.

46 Paul Burkett *Marx and nature: a red and green perspective* St. Martin's Press, New York, 1999, pp. 69-79.

the commodity itself'. Thus use-values 'constitute the material content of wealth, whatever its social form may be'.⁴⁷ The ratio according to which one use-value is exchanged for another use-value is known as exchange-value. This property is entirely quantitative, in that it abstracts away from the specific useful qualities of things in order to establish a relationship whereby one use-value is brought into equivalence with another (typically mediated by money). Marx argues that this abstraction and equivalence must ultimately be founded on a property common to them both, which he argues can only be the labour time socially necessary to produce each of them.⁴⁸ Marx calls this their *value*. For Marx, value is the *underlying essence* of exchange-value, but the two are not necessarily (nor even usually) equivalent. As we will see, exchange-value is additionally determined by other factors which are less essential (though still often important) for understanding the underlying dynamics of the capitalist economy.

Marx argues that, under capitalism, natural resources are treated as 'gifts of nature', that is, they do not enter into value calculations.⁴⁹ This is not because they are in any sense worthless. After all, they are not only the pre-condition for many industrial processes (air, oil, coal, the sun etc.), but also for the reproduction of value-creating labour itself. Natural resources enter as 'gifts', as 'valueless' objects, because, although they contain use-value,⁵⁰ their ease of appropriation (i.e., the labour necessary to extract them) is generally the only factor limiting their extraction. Just as it costs the individual nothing to appropriate the natural use-value contained in a breath of air, it 'costs' the capitalist system nothing to appropriate the usefulness of natural resources such as oil in the ground, except insofar as extraction requires the use of capital and labour. However, because many natural resources—such as oil—are concentrated in certain locations, it is possible for some capitalists and/or states to prevent others from extracting them. The construction of such exclusions in no sense means more capital must be deployed in order to extract resources such as oil (except insofar as capital is expended on the security apparatus maintaining these exclusions), or that the *value* of oil has increased: it simply means that those who have asserted their 'rights' to this oil can charge others a 'monopoly rent' to use it. This (combined with other factors such as speculation) translates into an *exchange-value* for oil far in excess of its value, and therefore a redistribution of surplus value produced elsewhere towards those who are able to extort this monopoly rent.

Emissions trading can be analysed in a similar manner. Effectively, the state grants itself monopoly rights over use of the carbon dump, by requiring polluters to hold permits. Where it auctions these permits the state captures the carbon rent, and where it gives them away it effectively hands this rent over for nothing—in both cases at the expense of those

47 Marx *Capital*, volume 1, p. 126.

48 Marx *Capital*, volume 1, pp. 128-129.

49 Karl Marx *Capital*, volume 3, Foreign Languages Publishing House, Moscow, 1959 [1894], p. 728.

50 Marx *Capital*, volume 1, p. 131.

who have to pay higher prices. As an analytical category, the concept of monopoly rent has the advantage that the representation of nature as a set of commodities is not essentialised in an ahistorical form. Rather, the commodification of purely natural use-value is entirely contingent upon the construction of exclusions around it. This implies that the ‘objective’ lack of space in the carbon dump in no sense means that sufficient exclusions will be created to prevent it ‘filling up’. The purely economic logic behind emissions trading is one of constructing exclusions to capture value in other spheres, not keeping the Earth’s average surface temperature within certain bounds. Although a genuinely environmental/political logic is also at play, the concept of a carbon rent does not presume that this is a process of driving prices towards their ‘right’ level—unlike approaches which presume the existence of an underlying, ‘true’ scarcity price.

Monopoly rents do not create new value but this does not mean that they cannot have a substantial effect upon the capitalist economy. Armed with this conceptualisation, it is now possible to clarify the sense in which it *is* correct to say that emissions trading can be explained as part of the state’s role to promote the process of capital accumulation. As we have seen, if permits are not auctioned, emissions trading grants polluters access to a new form of rent. This is extracted from all sectors of the economy, including real wages, through the mechanism of higher prices. Overall, it therefore increases the surplus accruing to capital, without actually expanding the total value created. The taxation system can work in a similar fashion. A new or higher tax extracts surplus value from bosses and/or workers, depending on the nature of the tax, and places it into the hands of the state.

If the allocation of permits is based on genuinely *historical* emissions (and permit hand-outs are not given to new polluters, or in excess of historical emissions, as they have been under the EU ETS),⁵¹ or if permits are auctioned, the price for carbon serves to make less polluting capital relatively more competitive. If this effect is large enough to actually force the closure of some polluting forms of production, while promoting the construction of others, this will have some effect on the rate of profit and total value produced: but whether these dynamic effects are beneficial to capital as a whole is a complex question, which cannot be answered by simply pointing to the fact that a new market has been created, as Matthews and Paterson do.

While the climate change issue is no doubt providing much of the purely *political* force behind the establishment of emissions trading, this analysis has demonstrated that such schemes cannot be considered a victory for the environment over and against the interests of capital. Rather, emissions trading is ‘capital friendly’ in that it creates a carbon rent collected from those who consume carbon intensive goods and services, effectively reducing real incomes of workers. This carbon rent could conceivably have the opposite effect on average if it were allocated equally or progressively to each citizen under a ‘cap and share’ scheme. But not only is such an outcome incredibly unlikely, it would still leave

51 Neuhoﬀ ‘Implications of announced Phase II national allocation plans for the EU ETS’, p. 413.

those workers who have little choice but to consume higher quantities of carbon intensive goods effectively paying to clean up the mess capitalism has created.

Moreover, such proposals effectively function as distractions from the central issue: that existing proposals for emissions trading are a way of collecting money from workers to bailout polluters. Emissions trading is just an extension of the trend towards ‘user pays’ which has formed an important front in the class war from above which has been waged since the 1970s. Just as the ‘free market’ seems to mean that workers lose their houses while banks are given multi-billion dollar bailouts, free market environmentalism means workers are made to pay the ‘true carbon cost’ of the things they buy, while the owners of coal-fired power stations are handed millions of dollars in ‘compensation’ in exchange for years of making profits from environmental destruction.

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Neither free trade nor protection but international socialism: contesting the conservative antinomies of trade theory¹

Bill Dunn

Attitudes towards international trade are remarkably polarised. Most mainstream economists advocate free trade as a mainstay of national and global prosperity. Meanwhile, many critics see it as the major cause of inequality and poverty. This polarisation is remarkable given the weakness of any systematic relationship between the propensity to trade and overall economic well-being and the practical infrequency of complete openness or autarchy. The dualism of trade theory is supported by, and reproduces, a conservative worldview which tends to obscure other more determinant aspects of political economy, and directs opposition to global capital into safe, nationalistic channels.

Introduction

Debates about international trade are usually posed in terms of a simplistic antagonism between free trade and protection, or between market and state led strategies. Posing the debate in this way, however, creates a dualism that is both misleading and profoundly conservative.

1 An earlier version of this paper was presented to the Political Economy Seminar Series, University of Sydney, August 18, 2008. I am grateful to the participants. I would particularly like to thank Don Monroe and an anonymous referee for their helpful comments.

The title recalls the long-time slogan of the International Socialists, who during the cold war supported ‘Neither Washington nor Moscow but International Socialism’. The point was to argue that western capitalism and what they designated ‘state capitalism’ in the Communist countries were different versions of the same thing. It is not my intention to re-open old controversies. There were always good theoretical reasons for stressing either the similarities or differences between the two sets of political economies. However, politically, the slogan served the important purpose of orienting the left away from supporting either of the superpowers towards a different interpretation of socialism as working class self-emancipation.² The left should avoid arguing on a terrain not of its own choosing, arguing about which superpower was less bad rather than positively articulating its own agenda. The argument here is that the left should be similarly wary of supporting either side in contemporary debates around trade and accepting a political economy framed in terms of a choice between states and markets.

The paper was substantially written before the current economic crisis. There may now appear to be more pressing things for Marxists to worry about than trade theory. However, in at least two respects its relevance is heightened. First, conditions of crisis raise all sorts of proposals, amongst them demands for changes in trade policy, to which Marxists have to respond. Both businesses and unions have already raised demands for protection from foreign competition. Some countries have raised import tariffs, for example, India those on steel, Russian those on cars. However, this also meets opposition. By late 2008 the Russian import restrictions had provoked widespread popular protest, notably in the Eastern port city of Vladivostok.³ The collapse of commodity prices seems likely to heighten demands from poorer countries for freer trade and greater access to rich country markets. Meanwhile, the rich country government bailouts, again notably in the car industry, have been denounced by the right wing press as another form of protection.⁴ Historically, such measures have been damned with equal vehemence from the left as a form of nationalism tainted with racism.⁵ Cutting through these different claims to develop a strategic politics of trade requires concrete class analyses, not resort to any simple formula of either support or opposition. Secondly, the particular asymmetries of the global trade regime have contributed to the current crisis and provide reasons to be sceptical both about claims that it could have been averted simply by more prudential financial management, and about the prospects for sustained recovery without major and traumatic restructuring.

A visit to any standard textbook will confirm a simple dualism dominates the debates around trade. On the one hand free trade dogma is asserted. On the other, national (or

2 Karl Marx, *The First International and after*, Vintage Books, New York, 1974, p. 82.

3 *Wall street journal*, 12 January 2009; *Financial times*, 21 December 2008.

4 *Australian*, 23 December 2008.

5 Thomas Bramble, ‘Interventionist industry policy: a Marxist critique’, *Journal of Australian political economy*, 33, 1994, pp. 65-89; Thomas Bramble, ‘Solidarity versus sectionalism: the social tariff debate’, *Journal of Australian political economy*, 48, 2001, pp. 73-114.

sometimes local) opposition to trade continues to be posed as the alternative.⁶ The second section of this paper argues that free trade in practice has almost always been a question of degree. All states maintain some restrictions; few if any have practiced complete autarchy. The third section shows that the degree of openness or closure bears little or no relation to overall economic performance; a fact well established empirically but which seems to have impinged on trade theory hardly at all. The fourth section argues that the inadequacy of the apparently antagonistic theories can be understood by appreciating their shared conservative agenda. The rival theories actually have common interests in preserving states, markets and national (capitalist) wealth; and are therefore unable to raise crucial questions about class, production and social transformation. This critique is concretised in the concluding section, which suggests the generality of trade theories is misleading in two senses. First, they can obscure what for Marxists are more fundamental relations of production. Apart from anything else, capital investment and exploitation in production are themselves the crucial determinants of tradeable surpluses. Secondly, the generality of trade theories conceals the specific importance of trade at particular times, notably how the systematic imbalances in the global trade regime have contributed to the current crisis.

The false antinomy of free trade and protection in theory and history

The overwhelming majority of economists support free trade. Comparative advantage in particular, has occupied a crucial place in the liberal literature and remains the cornerstone of much of mainstream international economics.⁷ Trade merely extends the efficiency of markets across borders. Meanwhile, a vociferous minority insists that 'free trade is unfair trade'.⁸ Supporters of free trade charge this opposition with being impassioned but irrational⁹ but it has been able to draw on a powerful body of scholarly literature.¹⁰ Within this, dependency theory has become less fashionable since the 1970s but many of its central insights are still articulated particularly in relation to persistent problems of

6 See for example, Ha-Joon Chang *Kicking away the ladder: policies and institutions for development in historical perspective*, Anthem Press, London, 2002; Graham Dunkley *Free trade: myth, reality and alternatives*, Zed, London, 2004.

7 David Ricardo, *On the principles of political economy and taxation*, Cambridge University Press, Cambridge, 1951; see for example Paul R. Krugman and Maurice Obstfeld, *International economics*, Addison-Wesley, Boston, 2003.

8 *New York times*, 20 July 2003.

9 Jagdish Bhagwati, *Free trade today*, Princeton University Press, Princeton, 2002.

10 see for example Raul Prebisch, *The economic development of Latin America and its principal problems*, United Nations, New York, 1950; Hans W. Singer, 'The distribution of gains between investing and borrowing countries', *American economic review*, 40 (2), 1950, pp. 473-485; Arghiri Emmanuel, *Unequal exchange: a study of the imperialism of trade*, New Left Books, London, 1972; Immanuel Wallerstein, *The modern world-system*, Academic Press, New York, 1974; Samir Amin, *Unequal development*, Monthly Review Press, New York, 1976.

development in some of the poorest parts of the world, especially sub-Saharan Africa¹¹ and in relation to the disadvantages of exporting primary products. While it is a liberal caricature (dating back at least to Adam Smith) to depict these critics as simple minded protectionists, they have emphasised the systematic disadvantages of the international trade regime for poorer countries and proposed national planning as an alternative. There is a tendency to see trade as a general good or bad, to emphasise the benefits or the disadvantages it brings and to pose free markets or state intervention as the alternative methods of securing national wealth.

There are, of course, exceptions. Amongst mainstream economists Dani Rodrik is perhaps the most consistent.¹² The best known, since his brief piece in *The Journal of economic perspectives* in 2004 put him firmly into the sceptics' camp, is surely Paul Samuelson.¹³ Similarly, amongst the critics, several like Anwar Shaikh, Sonali Deraniyagala and Ben Fine dismantle the orthodoxy, without, as far as I am aware, attempting to erect the nationalist or anti-trade alternatives that will be criticised here.¹⁴ However, these remain relatively isolated voices.

Abstract liberal theory takes support for free trade as axiomatic; yet in practice this can prove fragile. Few liberals would probably advocate genuinely unrestricted trade, understood in the broadest sense as an 'exchange of commodities for money or other commodities'¹⁵—which may therefore take place within as well as between countries. There are many market imperfections that liberals admit warrant state regulation. There are goods whose production is banned or whose trade is legitimately restricted. Protection of both consumers and corporate intellectual property is often accepted. Impeccably liberal writers from John Stuart Mill¹⁶ to Leon Walras¹⁷ have advocated land nationalisation

11 see Sarah Bracking and Graham Harrison, 'Africa, imperialism and new forms of accumulation', *Review of African political economy*, 95 (5), 2003, pp. 5-10; Ray Bush, 'Undermining Africa', *Historical materialism*, 12 (4), 2004, pp. 173-202.

12 see for example Dani Rodrik, 'The global governance of trade: as if development really mattered', United Nations Development Programme, New York, 2001, www.wcfia.harvard.edu/sites/default/files/529__Rodrik5.pdf, accessed 7 February 2009; Dani Rodrik, 'Growth strategies', Working Paper 10050, NBER Working Paper Series, 2003, www.nber.org/papers/w10050, accessed 7 February 2009; Francisco Rodriguez and Dani Rodrik, 'Trade policy and economic growth', Working paper 9912, 2000 <http://ksghome.harvard.edu/~drodrik/skepti1299.pdf>, accessed 7 February 2009.

13 Paul A. Samuelson, 'Where Ricardo and Mill rebut and confirm arguments of mainstream economists supporting globalization', *Journal of economic perspectives*, 18 (3), 2004, pp. 135-146.

14 Anwar Shaikh, 'Globalization and the myths of free trade', in Anwar Shaikh (ed.), *Globalization and the myths of free trade*, Routledge, London, 2007; Sonali Deraniyagala, 'Neoliberalism in international trade', in Alfredo Saad-Fihlo and Deborah Johnston eds, *Neoliberalism: a critical reader*, Pluto, London, 2005; Sonali Deraniyagala, and Ben Fine, 'New trade theory versus old trade policy: a continuing enigma', *Cambridge journal of economics*, 25 (6), 2001, pp. 809-825.

15 *The Concise Oxford dictionary*, Oxford University Press, Oxford, 1982, p. 1135.

16 John Stuart Mill, *Principles of political economy*, Oxford University Press, Oxford, 1998.

because of the absence of a free market. As Karl Polanyi argued, state support is always necessary to underwrite markets not just in land but also in those other ‘fictitious commodities’, labour and money.¹⁸

The same applies to international trade. Even the most dogmatic of contemporary liberal free-traders might allow practical exceptions, limiting for example, trade in drugs, people, and perhaps in uranium and other deadly materials.¹⁹ Classical liberal writers like Adam Smith and David Ricardo indeed allowed many exceptions. Smith, taking the priority of national security as given, supported the Navigation Acts, by which the British Navy controlled and restricted trade. Ricardo was only a cautious and qualified opponent of the Corn Laws.²⁰

Similarly, few of the earlier opponents of free trade were simple minded protectionists. Few advocated either isolation or the still common caricature version of mercantilism as the promotion of exports and restriction of imports.²¹ Mercantilist theory, an ‘imaginary organon’ according to Schumpeter,²² has often been invoked by liberals as a simple scare figure. Even early authorities like Thomas Mun and Josiah Child advocated a strategic use of trade restrictions and this becomes even clearer in the mercantilist writers after Smith like Alexander Hamilton and Friedrich List. Similarly, important post-war theorists like Raul Prebisch and Hans Singer²³ proposed particular restrictions or reforms to the international trade regime rather than blanket opposition. Amongst dependency theorists Arghiri Emmanuel does explicitly advocate autarchy, although he sees little chance of its implementation,²⁴ and this is perhaps also implicit in the arguments of Andre Gunder Frank and Samir Amin.²⁵ These writers are exceptions but trade continues to be presented as if it involved a straightforward choice between openness and closure.²⁶

The practice of trade is even more ambiguous than the theory. Levels of trade have increased rapidly since WWII in both absolute terms and relative to economic growth (see table 1). The figures underestimate the increase in merchandise trade in the sense that

17 see Serge-Christophe Kolm, ‘Review: Léon Walras’ correspondence and related papers’, *American economic review*, 58 (5), 1968, pp. 1330-1341.

18 Karl Polanyi, *The great transformation*, Beacon Press, Boston, 2001.

19 Robert B. Reich, *The work of nations*, Simon & Schuster, London, 1991.

20 See Daniel R. Fusfeld, *The age of the economist*, Addison Wesley, Boston, 2002 p. 43.

21 See for example the definitions in *Concise Oxford English Dictionary*; and David N. Balaam, and Michael Veseth, *Introduction to international political economy*, Prentice Hall, New Jersey, 2001.

22 Joseph A. Schumpeter, *History of economic analysis*, Routledge, London, 1994, p. 335.

23 Prebisch, *The economic development*; Singer ‘The distribution of gains’.

24 Emmanuel, *Unequal exchange*.

25 Haldun Gulap, ‘Debate on capitalism and development: the theories of Samir Amin and Bill Warren’, *Capital and class*, 28, 1986, pp. 139-159.

26 See for example John Sloman and Keith Norris, *Economics*, Prentice Hall, Australia, 1999.

primary goods and industrial production have declined as a proportion of rich countries' GDP. Therefore the share of imports in total consumption of such physical goods may be rising even faster. However, if we attempt to evaluate the level of imported against locally produced goods the limited extent of international trade becomes clear. In a genuinely free-trading, borderless, world there should be no preference for home produced goods over imports. Table 2, comparing domestic commodity production and merchandise imports illustrates that 'home bias' remains substantial. Trade and production levels are not strictly comparable because trade figures do not measure value added and indeed exceed GDP levels in many countries. Nevertheless, if the level of imports is taken as the maximum possible level of foreign goods consumed domestically, even these exaggeratedly high levels of trade actually show substantial enduring asymmetries. Even in the largest economies, the level of local production is only a fraction of the world total, but most consumption is of locally produced goods.

Table 1 Trade Openness; exports as a percentage of GDP for leading economies

	1913	1950	1973	1987	2003
France	6.0	5.6	11.2	14.3	22.2
Germany	12.2	4.4	17.2	23.7	31.3
Japan	2.1	2.0	6.8	10.6	11.0
UK	14.7	9.5	11.5	15.3	16.8
US	4.1	3.3	5.8	6.3	6.6

Sources: David Held, *Global Transformations*, Polity, Cambridge, 1999; World Trade Organization, *International trade statistics*, 2007.

The process can be read as one of 'managed openness' in which states both promote and restrict trade.²⁷ Rich ones, in particular, are able to implement a range of tariffs but also non-tariff barriers and export promotion policies.²⁸ The number of discriminatory preferential and regional trading agreements is large—with the EU being only the most extensive. 'Managed openness' could also describe much of the policy and practice of the WTO, often involving pragmatic compromises—for example opt-outs and permission for regional and preferential trade agreements. Other key elements of its agenda, particularly protecting corporate 'intellectual property' represent a direct, if seldom explicit, limitation on trade freedom.

27 Linda Weiss, 'Managed Openness: Beyond Neoliberal Globalism', *New left review*, 238, 1999, pp. 126-140.

28 Linda Weiss, 'Global governance, national strategies: how industrialized states make room to move under the WTO', *Review of international political economy*, 12 (5), 2005, pp. 723-749.

Table 2 Domestic production (agriculture and industry) and merchandise imports in leading countries, 2004, \$USb

	Imports	Domestic production	Imports as a percentage of domestic production
France	465	541	86
Germany	717	814	88
Japan	455	1433	32
UK	463	599	77
US	1525	2719	56

Source: calculated from United Nations, *Human development report 2006*, United Nations Development Programme, New York, 2006; World Trade Organization, *International trade statistics*, 2005.

A huge quantity of trade is also unfree in the sense that it is conducted within firms. Estimates for the level of this intra-firm trade vary but figures of about a third of the total are commonly cited.²⁹ There is a transfer of goods from one place to another but because the same firm is at both ends of the transaction there is no market, and the price mechanism operates at most indirectly. So, although goods cross national boundaries and appear in trade statistics, this is not trade at all in the sense cited earlier, with no exchange of commodities for money or other commodities.

However, these organised rather than market driven relations are hardly unique. Many inter-capitalist relations are relatively unfree; also involving significant elements of power and control. As Gary Gereffi and his co-authors have argued,³⁰ the bureaucratic forms of organisation within firms and market relations between them really represent only two ends of a spectrum. The relations between the clothing multinationals and their subcontractors are particularly well known. Other industries like electronics often operate on similar lines. It may be apposite to recall Leontieff's point that most trade (as against the orthodoxy of Heckscher Ohlin models) occurs within industries not between them. For most OECD countries levels of intra-industry trade have increased in recent years (see table 3). Even when conducted between independent firms, the long distance and long term nature of many trading relations means that price mechanisms are seldom the spot transactions of perfect competition. Amongst other things there are typically long-term contracts involving complex negotiations around price and quality.

29 Theodore H. Cohn, *Global political economy*, New York, Pearson 2005; Peter Dicken, *Global shift: reshaping the global map in the 21st Century*, Sage, London, 2003; David Held, Anthony McGrew, David Goldblatt and Jonathan Perraton, *Global transformations*, Polity, Cambridge, 1999.

30 Gary Gereffi, John Humphrey and Timothy Sturgeon, 'The governance of global value chains', *Review of international political economy*, 12 (1), 2005, pp. 78-104.

Table 3 Intra-industry manufactured trade as a share of the total

	1980	1990	2000	2003
France	86	87	88	87
Germany	68	74	79	77
Japan	30	38	50	51
UK	78	83	86	83
US	67	71	75	70

Source: Organisation for Economic Cooperation and Development, Statistics, 2005

If free trade has hardly been the norm, nor has autarchy. At least since the collapse of the Tokugawa Shogunate in Japan, states have not chosen isolation. The closest approximations to autarchy have been imposed by powerful adversaries rather than adopted as a strategy. Most states have employed selective protection to encourage particular industries. This finds contemporary expression in the almost universal international variations of tariff levels by commodity. Thus in practice, free trade and protection have been rare, almost imaginary ends of a spectrum of trade policy. However, the variation within this spectrum provides a basis for evaluating the relative benefits to national economies of openness or closure.

The enduring weakness of the relationship between trade and growth

At a global level the association of trade openness and economic prosperity is often asserted by contrasting the miserable experience of the Great Depression with post-war growth. There seems little doubt that competitive devaluations and increasing import restrictions exacerbated the Depression. In the post-war boom period, increasing trade openness and overall wealth coincided. Fears that the recessions of the 1970s and 1980s might lead to a renewed period of competitive closure helped to produce theories of hegemonic stability, which emphasised the importance of openness and the role of leading states in providing this supposed public good.³¹

However, on a longer term view the evidence seems less convincing. The openness and prosperity of Europe in the 1860s had already given way to the beginning of the first 'great depression' before Germany's move into relative protection. The US (which had never joined the European openness) and Germany now overtook Britain and France. Indeed, the US emerged as the overwhelming economic power at the end of World War II, having

31 Charles. P. Kindleberger, *The world in depression 1929-39*, Penguin, London, 1973; Robert Gilpin, *The political economy of international relations*, Princeton, Princeton University Press, 1987.

maintained consistently high tariffs and low levels of trade. Its superpower rival, the USSR, had of course risen while remaining even more isolated from international trade. In the post-war period the US became a qualified convert to trade openness but trade growth was from a low base. If the US now grew more slowly than other countries like Japan and Germany, which opened to trade more quickly, the most open of the leading economies—Britain—did worst.

Nevertheless, in the post-war period support for free trade became a shibboleth amongst rich country economists. The focus of opposition and the practice of constructing state-led national economies shifted to poorer countries. In terms of overall growth rates the experiences of import substitution industrialisation were by no means the abject failure liberal legend now insists.³² However, the significant successes of a few export oriented economies in Asia undermined dogmatic assertions of trade dependency and were used to reaffirm liberal arguments on the benefits of trade. The association with trade and wealth became a commonplace.

One immediate difficulty here is that despite enormous efforts to prove the benefits of trade openness, even free trade supporters admit ‘there is little persuasive evidence concerning the effect of trade on [national] income’.³³ Table 4 shows some basic data. It uses the standard statistical measure of correlation. A coefficient of 1 means a 100 per cent correlation, in this case that an increase in trade openness would always correspond with an exactly proportional increase in wealth. Conversely a coefficient of 0 effectively means there is no relation between the variables. A negative sign means an ‘inverse relationship’, in this case that an increase in trade is associated with a decrease in wealth and vice versa. There are various problems connected with the use of correlation. It is always possible that two variables are associated just by chance and the likelihood of this increases with smaller samples. Therefore it is usual to add an indicator of ‘statistical significance’, the probability that the results are reliable. Conventionally, asterisks are used to indicate when we can be * 90 per cent, ** 95 per cent and *** 99 per cent confident that the correlations are not just chance associations. Those series left unmarked are reckoned not statistically significant at this level of confidence—but even the apparently significant associations would, by definition, occur by chance one in 10, 20 and 100 times that such tests were applied. Furthermore, correlation does not allow us to draw conclusions about causation. Countries may be rich for other reasons and then trade more. Nevertheless, with suitable qualifications, such data may provide a useful starting point for evaluating whether, or to what extent, trade makes a difference to a country’s wealth or growth.

32 Dani Rodrik, ‘Globalisation, social conflict and economic growth’, *The World Economy* 21 (2), 1998, pp. 143-158; David Harvey, *A brief history of neoliberalism*, Oxford University Press, Oxford, 2005.

33 Jeffrey A. Frankel and David Romer, ‘Does trade cause growth?’, *American economic review*, 89 (3), 1999, pp. 379-399.

Table 4 Correlation between country wealth and trade openness, 1960-2004

	all	population					
		<1m	1-5m	5-10m	10-20m	20-50m	>50m
1960	0.08	0.46	-0.05	0.11	-0.03	-0.16	0.09
(number)	(98)	(9)	(20)	(21)	(17)	(14)	(17)
1970	0.15*	0.05	0.03	0.27	0.34	-0.14	0.02
	(153)	(36)	(34)	(24)	(22)	(19)	(18)
1980	0.20**	0.07	0.13	0.42**	0.40**	0.04	0.04
	(157)	(39)	(34)	(24)	(22)	(19)	(19)
1990	0.30***	0.25	0.32	0.55***	0.46**	0.08	-0.21
	(169)	(38)	(40)	(25)	(25)	(20)	(21)
2000	0.34***	0.31*	0.38***	0.52***	0.33*	0.44*	-0.27
	(188)	(40)	(49)	(30)	(27)	(20)	(22)
2004	0.34***	0.48	0.32	0.55**	0.33	0.32	-0.51*
	(81)	(12)	(20)	(17)	(10)	(9)	(13)

Source: Alan Heston et al., *Penn world table version 6.2*, Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania, September, 2006.

Intuitively, it might make a difference whether one considers large countries, which might more easily be self-sufficient and in which there might be more ‘internal trade’; or small ones, which might be expected to struggle if they were isolated. The sample is not constant. Nevertheless, in these series more signs were positive than negative, and only one of the negative series appeared to be statistically significant: there may be a weak association between the propensity to trade and national wealth. There is also a hint of an increasing correlation over time. However, comparative advantage, in particular, is an argument about change, about opening to trade and increasing wealth. It requires several more predicates (absent in Ricardo and seldom articulated by subsequent supporters) to make any assertion about absolute levels of wealth or trade openness.

Table 5 therefore shows data for economic and trade growth. It shows time series comparisons, with the data again organised by decade and by country size. There are a few quite strongly positive and statistically significant associations. Again, correlation does not demonstrate causation and most of the values for the association of growth and wealth were low. Many were negative (implying greater trade may coincide with slower growth). Nevertheless, here too there are more positive than negative signs and more likelihood that the positive correlations were significant. If the figures do not convince as a general case

for openness they certainly do not support one for closure either. Data for the 153 countries, which were available across the three decades from 1970, broadly confirm this result. There is perhaps a hint of an increasing association, but this remains very weak.

Table 5 Correlation between country per capita growth and changes in trade openness, 1960-2004, by country population

Countries by population in 1990	population							All (const sample)
	all	<1m	1-5m	5-10m	10- 20m	20- 50m	>50m	
1960s	0.03	0.35	-0.11	-0.12	-0.18	0.59**	0.11	
(number)	(98)	(9)	(20)	(21)	(17)	(14)	(17)	
1970s	0.11	0.04	0.04	0.21	0.52**	0.29	0.36	0.11
	(153)	(36)	(34)	(24)	(22)	(19)	(18)	(153)
1980s	0.13	-0.07	0.23	0.79**	0.17	-0.10	0.34	0.17**
	(156)	(38)	(34)	(24)	(22)	(19)	(19)	(153)
1990s	0.17**	0.36**	-0.05	-0.11	0.16	0.54**	-0.06	0.23***
	(169)	(38)	(40)	(25)	(25)	(20)	(21)	(153)
2000s	-0.02	0.18	-0.40*	0.16	-0.37	0.19	0.19	
	(107)	(38)	(20)	(17)	(10)	(9)	(13)	

Source: Alan Heston et al., *Penn world table version 6.2*, Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania, September, 2006.

Of course, dependency arguments never made a general case for closure but claimed more specifically that trade systematically advantaged rich countries and hurt poorer ones. The same data sample can be cut differently to test this hypothesis. In Table 6, countries are ranked according to their per capita wealth relative to that of the US. 'Poor' is taken as less than a tenth US GDP per capita, 'lower middle' as between a tenth and a fifth, 'upper middle' as between a fifth and a half and 'rich' as greater than a half. It is perhaps possible to understand why in the 1960s the dependency argument gained a certain resonance. Rich countries that opened did well, very poor ones tended (albeit weakly and not statistically significantly) to do badly. Later, however, there were few indications of any systematic relationship.

Table 6 Correlation between country per capita growth and changes in trade openness, 1960-2004 by country wealth

	all	Poor	Lower middle	Upper middle	Rich
1960s	0.03	-0.17	0.08	0.06	0.56***
(number)	(98)	(33)	(19)	(25)	(21)
1970s	0.11	0.17	0.24	0.27	-0.38**
	(153)	(48)	(39)	(31)	(35)
1980s	0.13	0.37***	0.13	-0.10	0.15
	(157)	(52)	(28)	(40)	(37)
1990s	0.17**	0.29**	-0.10	0.08	0.29*
	(169)	(58)	(36)	(37)	(38)
2000s	-0.02	-0.10	0.50	-0.36*	0.02
	(81)	(16)	(11)	(23)	(31)

Source: Alan Heston et al., *Penn world table version 6.2*, Center for International Comparisons of Production, Income and Prices at the University of Pennsylvania, September, 2006.

There are different versions of dependency theory. For Emmanuel high wages in the North were the independent variable and the nature of the commodities being traded was irrelevant.³⁴ Others, from Prebisch and Singer to Immanuel Wallerstein and Amin³⁵ through to more recent writing on the 'resource curse' have particularly identified the role of primary product exports in poorer countries' dependency.³⁶ So one final result to report is that of the correlation between growth and the level of primary product exports. Data were available for a somewhat smaller sample of 109 countries. For these, the correlation between the level of primary exports (calculated as overall openness multiplied by the proportion of primary products in exports) as of 1990 and growth in the subsequent decade was -0.16.³⁷ The sign is negative but not strikingly so and significant only at the 90 per cent confidence level.

34 Emmanuel, *Unequal exchange* p. 146.

35 Prebisch, *The economic development*; Singer 'The distribution of gains'; Wallerstein *The modern world-system*; Amin *Unequal development*.

36 Jeffrey D. Sachs and Andrew M. Warner, 'Natural resource abundance and economic growth', NBER Working Paper 5398, 1995.

37 Calculated from United Nations, *Human development report 2006*, United Nations Development Programme, New York, 2006.

The weak relationship between trade openness and growth should not be surprising. A variety of theoretical and empirical problems are now well known.³⁸ Assumptions of rational individualism contrast with the way trade is orchestrated by powerful firms and states. Assumptions of one-off or 'static' gains fail to capture the dynamic processes, often including the deepening of inequality, encouraged by trade specialisation. Writing of Ricardian theory, Frank claimed to have 'identified over thirty underlying assumptions each of which is historically and empirically unfounded and several of which are mutually contradictory'.³⁹ He did not elaborate, but other authors provide substantial lists.⁴⁰ A few problems of commission and omission bear repetition.

Factor endowments are never simply 'given'.⁴¹ Even land today is seldom in its original state. It is usually the product of past management. Labour and capital are more obviously social constructions. Moreover, specialisation involves change, meaning that post-specialisation 'endowments' cease to correspond to the initial bases of specialisation. Land, for example, might be over-farmed. Ricardo explained why the rate of profit in agriculture should be expected to decline as new, poorer land was brought into cultivation.⁴² Industrial capital, on the other hand, might be more intensively and productively invested. More industry tends to mean economies of scale; more agriculture means diseconomies. Inequalities may thus become entrenched. Moreover, since capital can move we may repeat the scenario where 'Portugal did export wine, *a la* Ricardo, but English capital came to control the vineyards'.⁴³

Furthermore, the theory of comparative advantage predicts only a one-off gain.⁴⁴ Even if specialisation initially brings increased productivity it does not explain why, having specialised, countries should continue to grow more quickly. Of course, with infinite commodities and infinite countries there might always be more appropriate specialisms. But even if adjustment costs are ignored, the marginal improvements seem likely to decline. The differences seem likely to be greater, for example, between cloth and wine, or cloth and semiconductors, than in subsequent shifts from red to white wine or from memory to microprocessor production. Estimates of the static gains from trade (or the costs of closure) are at most 3 per cent of GDP, hardly the basis of fundamental economic transformation.⁴⁵ Acknowledging this, mainstream economists switch their argument away

38 See for example Rodriguez and Rodrik, 'Trade policy'; Rodrik, 'The global governance'; and Samuelson, 'Where Ricardo and Mill'.

39 A. Gunder Frank, *Dependent accumulation and underdevelopment*, Macmillan, London, 1978, p. 94.

40 See for example see Dunkley, *Free trade*.

41 Karl Marx, *Selected writings* Oxford University Press, Oxford, 1977 pp. 269-70; Frank *Dependent Accumulation*; Immanuel Wallerstein, *The essential Wallerstein*, The New Press, New York, 2002.

42 Ricardo, *Principles*.

43 Dunkley, *Free trade*, p. 73.

44 Deraniyagala, 'Neoliberalism'.

45 Deraniyagala and Fine, 'New trade theory'; Dunkley, *Free trade*.

from factor endowments to dynamic gains, implicitly abandoning comparative advantage. But this means the theoretical basis becomes much less certain and the extent of any gains or losses becomes essentially an empirical question.⁴⁶

It would be possible to add to the data discussed above. Francisco Rodriguez and Dani Rodrik⁴⁷ use more formal econometric modelling than is applied here but arrive at similar conclusions about the weakness of any relation between trade openness and growth. Supporters of free trade like Jagdish Bhagwati respond by saying that it makes no sense to deal with these gross aggregates and that if, instead, we group countries more carefully in terms of their attributes the sorts of positive correlations liberal theory predicts do emerge.⁴⁸ However, this is really the point. The trade theories are constructed at the general level but this is inadequate. It is necessary to look at the specifics. Trade, or restrictions on trade, are not good or bad in themselves but depend on the circumstances.

In short, there is very little evidence of any systematic relationship between trade and wealth or growth, nor of differences in the experiences of rich countries and poor. The weakness of the relation suggests that the primary causes of growth, and of wealth and poverty, lie elsewhere.

The conservatism of general trade theories and the inadequacy of the objective of the wealth of nations

In *Capital*, Marx criticised vulgar economics for the priority it gives to exchange relations over production relations. In exchange everything appeared a world of ‘freedom, equality, property and Bentham’.⁴⁹ We need to look behind the veil of exchange relations to reveal the dynamics of exploitation in production.

Critics of the contemporary trade regime, including Marxist critics, have pointed out that exchange relations are not actually equitable. Nestlé and Phillip Morris do not confront peasant coffee growers as equals. The US and the EU have power in both formal and informal structures by means of which they gain at the expense of poorer and weaker states. Identifying these inequalities is entirely proper and useful.

However, what often happens next is that the argument shifts back to trying to make these trade relations more equitable without challenging the exploitative dynamics in production that ultimately underlie them. Analysts criticise the wide range of practical restrictions on trade introduced by powerful states. For example Oxfam and Nancy Birdsall of the Centre for Global Development attack the farm subsidies in the US and the EU Common

46 Deraniyagala and Fine, ‘New trade theory’.

47 Rodriguez and Rodrik, ‘Trade policy’.

48 Bhagwati, *Free trade*.

49 Karl Marx, *Capital: a critique of political economy: volume I*, Penguin, Harmondsworth, 1976, p. 280.

Agricultural Policy, and demand the effective implementation of free trade.⁵⁰ At this point the critics and the mainstream trade theorists, like Bhagwati, in fact converge.⁵¹

Other writers like Ha-Joon Chang recall Friedrich List's phrase about 'kicking away the ladder'; showing how rich states which got rich while restricting trade now seek to prevent others from following the same course.⁵² So, they suggest, to make trade relations more equitable it is necessary to have more state intervention in trade by poorer country governments. The agenda remains focussed (or re-focuses) on trade. The classic understanding of political economy as states plus markets (or perhaps in a normative sense of states or markets) is reproduced. As Michael Kidron suggests in his critique of theories of unequal exchange, the apparent radicalism conceals a naive nationalism. 'Slap a tax on exports... Go for autarky and diversification. Use the North's own weapon against it by forcing through high wages in the South'.⁵³

This conservative dualism of trade theory can perhaps be understood as an example of what Pierre Bourdieu describes as *doxy* and *doxa*.⁵⁴ The idea is that the orthodoxy—in this case liberal trade theory—and the heterodoxy—in this case mercantilist and dependency theories—between them constitute a terrain of debate or *doxy*. The sound and fury of this debate draws attention to these perspectives and effectively conceals the *doxa*. This is the universe of the unexplored, a universe that potentially includes more radical critiques which quite literally remain out of the question. Longstanding Marxist emphases on production are pushed out of sight and so too, for example, are questions of the potential gender and ecological impacts of trade. Apparent antagonisms thus actually mask shared assumptions, which go unchallenged.⁵⁵

A striking symmetry emerges between the pro and anti-free-trade camps in terms of shared methodology and shared normative objectives. Probably the easiest way of explaining this is by reference to Adam Smith. Erik and Sophus Reinart have recently claimed him as a 'misunderstood mercantilist'.⁵⁶ This may seem shocking. But they emphasise that the one reference to the 'invisible hand' in Smith's great work was actually made in the context of opposing government intervention in trade because people had a natural preference for

50 Oxfam, *Rigged rules and double standards*, 2002, www.oxfam.org.uk, accessed 2 March 2007; Nancy Birdsall, 'Rising inequality in the new global economy', *International journal of development issues*, 5 (1), 2006, pp. 1-9.

51 Jagdish Bhagwati, 'Reshaping the WTO', *Far eastern economic review*, 168 (2), Jan/Feb, 2005, pp. 25-30.

52 Chang, *Kicking away*.

53 Michael Kidron, *Capitalism and theory*, Pluto, London, 1974, p. 114.

54 Pierre Bourdieu, *Outline of a Theory of Practice*, CUP, Cambridge, 1977, pp. 164-171.

55 See also Steven Lukes, *Power: a radical view*, Macmillan, London, 1974 and John MacLean, 'Philosophical roots of globalization and philosophical routes to globalization', in Randall D. Germain (ed.), *Globalization and its critics*, Macmillan, Basingstoke, 1999.

56 Reinart and Reinart 'Mercantilism'.

home over foreign produce. Smith's objective is precisely the 'wealth of nations'. The country should get rich. Henceforth (to simplify only slightly) if class, gender or other specific interests are recognised they are indicted for 'rent seeking behaviour', which should be overcome for the national good. And this view is essentially shared by both sides of the trade debate, by free traders but also by the mercantilists and dependency theorists. Both liberal and nationalist perspectives on trade conceive the fundamental issues as those of acquisition and distribution between countries, and so naturalise the nation state as the basis for discussions of welfare and common good. So, for example, Robert Brenner and Theda Skocpol developed now familiar criticisms of Wallerstein's World Systems Theory. Its focus on the transfer of value rather than its production leads to a static, rather trans-historical view of the world that blurs the distinctive features of its specifically capitalist nature.⁵⁷ Powerful sectional interests conceal themselves behind 'national oppression' while attention is shifted from class relations to the arena of trade competition between states. Much of the argument around trade thus sits, more or less knowingly, in the state-centric realist tradition; offering advice to rulers, whose concerns about poverty and inequality are secondary at best.

Mainstream theories, which are usually taken as the basis of explanations of 'rent seeking' may actually emphasise just how conservative and anti-democratic a blanket support for, or opposition to, trade can be. The Heckscher Ohlin theory predicts that countries' comparative advantage depends on 'factor endowments'—that is, it lies in producing goods by using most intensively the land, labour or capital of which they have most compared to the other two factors. It is reasonably straightforward to extend the model to more specific factors, to different types of land or skill levels of labour, for example. By extension, the Stolper-Samuelson theorem predicts that owners of those factors in which a country is well endowed will favour free trade, whereas those that own the relatively scarce factors, in which a country's comparative advantage does not lie, will be threatened by foreign competition and will demand protection. Ronald Rogowski has used this formula to map a series of historical political coalitions in terms of their attitudes to trade.⁵⁸

Rogowski's history is contestable but his discussion prompts a useful observation. Orthodox theory suggests that where labour is relatively poorly endowed it should oppose free trade. Despite being relatively scarce compared with other countries, labour may nevertheless be a majority of the population in such countries, in which supporting free trade is therefore necessarily anti-majoritarian. Even if we assume that only 'unskilled' labour in rich countries loses from trade, as Adrian Wood and Robert Reich suggest, their understanding of this group as those without tertiary education implies that they remain a

57 Robert Brenner, 'The origins of capitalist development: A critique of neo-Smithian Marxism', *New left review*, 104, 1977, pp. 25-92; Theda Skocpol, 'Wallerstein's World Capitalist System: a theoretical and historical critique', *American journal of sociology*, 82 (5), 1977, pp. 1075-1090.

58 Ronald Rogowski, *Commerce and coalitions: how trade affects domestic political alignments*, Princeton University Press, Princeton, 1989.

national majority.⁵⁹ Similarly, relatively autarchic strategies like import substitution industrialisation are precisely attempts to develop national capitalisms in countries where capital is weak. They commonly involve transferring wealth from often already desperately poor, small rural producers to capital. Here the Stolper-Samuelson theory would predict that existing labour forces, at least in the less populous of these countries, would benefit from protection and would rationally support it. But workers were not numerous at least at the start of such processes. The point was precisely to create a new labour force through dispossessing the peasantry. Again the aims of trade theory, and of national development, were necessarily anti-majoritarian. It would appear that trade theorists cannot take their theory too seriously without the snake eating its own tail, without it clashing with the ostensible liberal principles of democracy, and undermining its own claims to enhance welfare. However, trade does not actually have the dramatic impact, for good or ill, that trade theories usually suggest.⁶⁰ There are usually more fundamental determinants of growth and class conflict.

Growth, for example, can be achieved by making people work harder and longer. This has worked in relatively open economies like South Korea in the 1970s and 80s⁶¹ and in relatively closed ones like those of the USSR and other former communist countries. A switch from subsistence to cash crop farming may improve the trade balance but undermine welfare. Different economic activities like building yachts or social housing have consequences not captured by aggregate measures of national income or the current account. The commodification or state organisation of previously private labours, particularly by women, may add to measures of national wealth but not to wellbeing. At least in the short term, growth can often be achieved at the cost of environmental destruction. All of this tends to remain invisible to trade theoretic debates in which both sides typically advocate strategies for capitalist growth, the desirability of which is assumed, and see national 'development' as a technical, unquestioned desideratum.⁶² The agenda is set and allegiance demanded by one side or the other in pursuit of the supposed national good. The methods and consequences of obtaining growth are at best secondary.

Beyond the generality of trade theory?

The sweeping claims of trade theories mask other crucial aspects of social life and political economy; particularly processes of capital accumulation and of exploitation in production as the *sine qua non* of the production of surpluses that can be traded profitably. Trade is a

59 Adrian Wood, *North-south trade, employment and inequality: changing fortunes in a skill-driven world*, Clarendon, Oxford, 1994; Adrian Wood, 'Globalisation and the rise in labour market inequalities', *The Economic journal*, 108, 1998, pp. 1463-1482; Reich *The work*.

60 Deepak Nayyar, 'Globalization and free trade: theory, history and reality', in Anwar Shaikh (ed.) *Globalization and the myths of free trade*, Routledge, London, 2007.

61 Alice Amsden, *Asia's next giant: South Korea and late industrialization*, Oxford University Press, New York, 1989.

62 Dunkley *Free Trade*; Makuwira 'Development?'

redistributive not a generative process. There is nothing inherently wrong with moving goods from one place to another, an ancient practice that would presumably continue even in a communist society; albeit in a very different form. The division of labour so celebrated in liberal visions of efficiency is part of the problem of a capitalist society, amongst other things making for alienated work. If work ceased to be a curse then least cost would not determine who made what. Increasing locally based production might also be more ecologically sustainable. But different preferences about what to make and consume might still lead to the movement and exchange of goods. Some things like particular minerals are only available in specific places; some products are much harder to make in some places than others. It might still be irrational, as Adam Smith insisted, to grow grapes in Scotland using glasshouses and heaters when the French vineyards were so close.

The generality of theories of trade masks the particular character of trade in the capitalist world economy and the specific importance of trade in particular places and at particular times. For example, the general fallacy of trade based dependency, the argument above that there is little if any systematic disadvantage to poorer countries from international trade in general in no way lessens the specific impacts on those places which have suffered catastrophic falls in the prices of their commodity exports as in the familiar cases of Zambian copper or Caribbean bananas. However, the problems, although grave, may be time, place and commodity specific. Some commodity prices fell much less than others, a few even rose over the course of the 20th century.⁶³ Meanwhile, for several countries like Mexico, China, Pakistan and Thailand, which ‘successfully’ shifted out of reliance on primary product exports, the terms of trade also fell sharply.⁶⁴

Many poorer countries established and sustained substantial trade surpluses to generate export earnings in order to repay debts or to accumulate foreign currency reserves as a security against speculation. Many countries were also pushed into export oriented restructuring at the expense of local consumption by the IMF and World Bank. Here it would appear to be the financial regime, rather than trade policies *per se*, which provided the fundamental rationale for increasing export competition, which helped to drive down prices.

The other side of these lower export prices and trade surpluses is the imports and trade deficits of many rich countries, particularly the US. These deficits also, at least in part, underlie the current financial crisis and raise questions of the sustainability of current patterns of trade.

The US has long been able to run deficits because it enjoys advantages of ‘seigniorage’. The role of the dollar as the key international currency means the US can buy goods from foreigners with its own money, while other countries hold dollars as foreign currency reserves. Unlike gold reserves, the dollars accumulated by trade surplus countries, notably

63 Jose A. Ocampo, and Maria A. Parra, ‘The terms of trade for commodities in the twentieth century’, *ECLAC review*, 79, 2003, pp. 35.

64 UN *Human development*.

China, are then lent back to the US at interest but—befitting the lowest risk economy—at rates lower than those offered elsewhere. This cheaply borrowed money is then churned on the US domestic market, contributing to the growth of corporate and household debt. Borrowing within the US sustains economic growth (including the growth of the US import market so vital for many poorer countries) while international debt covers the trade deficits and the circuit is apparently happily completed.

However, this was always a destabilising spiral rather than a closed, virtuous circle. Several years ago Robert Brenner described how the Fed was caught in a ‘double bind’, needing

to reduce interest rates to provide liquidity to keep the economy ticking over and defend the value of US assets; but... need[ing] to raise interest rates so as to attract a continuing inflow of funds from abroad to maintain the dollar, thus making it possible for the US to fund its historically unprecedented current account deficit.⁶⁵

From \$75b in 1995, the US deficit reached \$358b in 2000 and blew out to \$722b by 2006, even as the dollar fell. Finally, in 2007 as this fall accelerated, it appeared at last to have stimulated exports and the deficit narrowed, albeit only to \$700b.⁶⁶ This export growth came primarily at the expense of, and undermined the fragile recoveries in, Europe and Japan rather than through new sales to poorer countries like China from which the US was importing. China, in particular had substantially reduced the proportion of its imports from rich countries.

As the crisis deepened in 2008 it reversed the situation for the dollar. Claims on the US state were reasonably seen by currency speculators as the safest in an uncertain world, even when that state lay at the centre of all that was uncertain. If they are maintained, such high dollar values make imports cheaper and exports more expensive to foreigners, and so can only exacerbate the trade deficits; as, almost certainly, will recession and further manufacturing decline within the US. A rising dollar helps secure its role as a reserve currency but also the need for the US to borrow them back. The original problem takes a deeper turn.

Alternatively, the dollar might eventually be sent downwards by lower interest rates and a relative loss of confidence in the US economy (and the increasingly indebted US state). This might stimulate economic recovery and increase exports at the expense of its competitors. However, more expensive imports would further limit domestic consumption already shot to pieces by the sub-prime meltdown, while a falling dollar would threaten to undermine the privileges of seigniorage, reducing the prospects for borrowing. The

65 Robert Brenner, *The boom and the bubble: the US in the world economy*, Verso, London, 2003, p. 283.

66 United States Census Bureau *US international trade in goods and services—annual revision for 2007*, 2007, http://www.census.gov/foreign-trade/Press-Release/2007pr/final_revisions/07final.pdf, accessed 7 February 2009; United States Census Bureau *Statistical abstract of the United States 2008*, 2008, at <http://www.census.gov/compendia/statab/>, accessed 7 February 2009.

pressure would be to sell dollar reserves so sending the currency spiralling downward. In theory this might eventually return the world trading system to some kind of balance—Marx after all saw crises as momentary and forcible solutions to the contradictions of capitalism—but this would require a truly momentous upheaval.

Some form of muddling through is probably more likely than fundamental restructuring but this cannot resolve the basic problems of a global political economy in which trade relations have become systemically asymmetrical and destabilising. In the mean time, socialist strategy will need to look beyond the pro-capitalist assumptions that underpin the urgings both of liberal free-trade economists and the protectionist proposals of their more state-oriented critics in the developed and developing world. Trade relations are an important aspect of contemporary capitalism's contradictory totality but these can only be understood as part of a broader global political economy.

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Going gangbusters?

'Australia's economic boom 1992-?', special issue of *Journal of Australian political economy*, 61, June 2008, ISSN 0156-5826, \$9.90

Ben Hillier

We are going gangbusters at the moment. We are certainly doing very well at the present time.

John Howard, 8 March 2002

The *Journal of Australian Political Economy* special issue on the long Australian economic boom is timely for two reasons. First, because its release comes at the end of the boom, allowing for a comprehensive overview of and a vantage point from which to appraise the long period of expansion which began back in 1992. Secondly, the contributors are generally critical of the neo-liberal orthodoxy, whose bankruptcy is now apparent.

The most obvious question to ask is: 'how were 16 years of expansion sustained?'

Michael Howard and John King, while citing many factors, evoke 'long wave theory' to explain the period. This theory, put forward by Russian economist Nicolai Kondratiev in the 1920s, postulates that in addition to short-run boom-bust cycles, the capitalist economy undergoes long-term upswings and downswings in price movements, accumulation and economic growth. Howard and King suggest that the period from 1992 represented the first half of a new global long wave upswing.

However, as G. A. Studensky, argued against Kondratiev 80 years ago that

A cycle means fluctuations within the framework of a fundamentally unchanged system ... [W]aves of technical progress must be interpreted, not as cycles, but as phases of reversible historical process of the

development of productive force which proceeds by jolts and is accompanied by crises.¹

That is, capitalism embodies a fundamental contradiction of development: the tendency of the rate of profit to fall as the ratio of investment in capital equipment rises relative to investment in labour.

The rate of profit is the fundamental gauge to judge the health of the system because, as Ashley Lavelle notes, it best 'reflects capitalists' propensity to invest'. The lower the expected return on investment, the less inclined bosses will be to outlay their capital, and the more inclined they will be to collectively intervene in the economy to create more favourable conditions of investment.

Long wave theory plays down or ignores this contradiction. It envisages a system of 'complex repetition'² in which the economy moves inexorably from one period to the next., which seems to be a more sophisticated version of the idea that the market is self-correcting.

Yet capitalism is a system in which technological advance adds productive capacity while also generating lethargy, stifling the dynamism of the system in the long term. This tends to undermine accumulation and results in profound crises, which lead to attacks on working class living standards and are often solved by extra-economic means like war or revolution.³

The long term tendency for the rate of profit to fall asserted itself globally from the late 1960s. As Philip O'Hara notes, the rate of profit in Australian industry declined through the 1970s and 1980s as the ratio of investment in capital equipment to outlays on labour power increased, and the rate of exploitation of the workforce declined between the 1960s and 1970s. This led to a period of lower growth and instability which saw 3 recessions in the 17 years from 1974.

The pattern reversed in the 1980s and 1990s as the ruling class took the offensive against organised labour. While the fundamentals did not move enough to restore the rate of profit to its 1960s peak, it seems they did move enough to provide a foundation on which a semblance of stability could be restored.

Yet despite this attempt by the ruling class to reverse their collective fortunes, Lavelle points out that the last 30 years have represented 'almost continuous decline' globally, and

1 Quoted in George Garvey, 'Kondratieff's theory of long cycles', *Review of economics and statistics*, 25 (4), November 1943, p. 213.

2 Leon Trotsky, 'The curve of capitalist development', from *Fourth international* New York, 2 (4), May 1941, www.marxists.org/archive/trotsky/1923/04/capdevel.htm, accessed 8 February 2009

3 For a systematic exposition on the law of the tendency of the rate of profit to fall, and a brief critique of long wave theory see Chris Harman *Explaining the crisis: a Marxist re-appraisal* Bookmarks, London, 1999, pp. 14-50 and pp. 132-136; On the centrality of the law see also Rick Kuhn *Henryk Grossman and the recovery of Marxism* University of Illinois Press, Chicago 2007.

that ‘the current [Australian] boom is best seen as part of the period of lower growth and higher unemployment that commenced in the 1970s’.

It was a period of immense change in terms of institutions and the regulatory environment, as well as ideologically with the supremacy of neo-liberal ideas over a discredited Keynesianism, and the collapse of state capitalism in the Eastern Bloc ironically marginalising socialist ideas. Christopher Lloyd and Geoff Dow in their articles point to a ‘new regime of accumulation’ and a particular ‘mode of regulation’ which have been established over the last several decades. This new framework represents ‘a shift of ideology, culture and public policy’ and the ending of commitments to social cohesion, consumer affluence and equality.

Their focus on these changes is useful, especially in highlighting local developments—the dismantling of industrial protectionism, the sidelining of a centralised wage setting and arbitration system and the process of privatisation of state assets. Yet such a discussion needs to consider the extent to which these changes were elements of a conscious attempt by the ruling class to force a rise in the rate of profit.

As Robert Brenner points out,⁴ the *global* move to neo-liberal policies resulted from the *failure* of previous institutional and regulatory arrangements not only in response to the collapse in profit rates and the global crisis of the mid 1970s, and the subsequent exacerbation of the problems into the 1980s.

Seen in this light, regulatory, institutional and ideological changes reflect less a qualitative shift in the capitalist system than a series of tactical and pragmatic moves by the ruling class, with an accompanying set of theoretical justifications. In fact, many institutional and regulatory changes—particularly those relating to protectionism and privatisation, as opposed to those which directly attack labour—can be (and are being) reviewed in light of their long-term effectiveness. So while U.S. President Nixon could embrace Keynesianism as long as it seemed to deliver, today ‘it’s laissez-faire [only] until you get into deep shit’.⁵

It is this dynamic of declining profitability, and then attempts to reverse the decline, that must be central to an evaluation of the period as a whole.

The most telling insights into the nature of the period since the 1970s come from those contributors who, like Lloyd, show how the 25-year ruling class offensive has shifted a significant share of national income from wages to profits. Lloyd finds the profit share increasing from 21 per cent of income in 1992 to 27 per cent in 2008 and contributed to a partial revival in the profit rate. The boom from 1992, explains Lavelle, was ‘built partly on good, old-fashioned increases in exploitation’.

This changing fortune of the wages share of income gives credence to Howard and King’s analysis that one of the central planks of the boom was the dramatic collapse of trade union

4 Robert Brenner *The economics of global turbulence* Verso, New York, 2006.

5 The ‘King of Wall Street’ John Gutfreund, cited in Michael Lewis ‘Hitting the wall’ *Australian financial review*, ‘Review’ section, 30 January 2009 p. 12.

power over the last 20 years. Unfortunately, this was a decline to which the trade union leadership contributed—most notably through their ‘Accord’ with the Hawke-Keating Labor Government, as Damian Cahill outlines in the journal’s final article.

There are a number of symptoms of the decline of organised labour and the transfer of wealth to the bosses—persistent underemployment, growing wealth inequality and increasing insecurity in employment—that point to a lop-sided boom in terms of income distribution.

Therese Jefferson and Alison Preston, focussing on the experience of women in Western Australia, find that the gender pay gap has widened, coinciding with two waves of industrial relations reforms that tipped negotiating power decisively toward employers.

National figures from Lloyd and Iain Campbell show that the transition to an ‘individualised, differentiated and market driven system of employment’ that has helped sustain the boom has also resulted in a rise in casual employment to 30 per cent of total employment.

Campbell provides useful data exposing the increase in the number of underemployed in Australia—those 30 per cent or so working less than full time hours who would prefer to work longer hours. During the last recession there was a significant rise in unemployment and underemployment, but as the expansion set in, bringing unemployment down from over 10 per cent to less than 4 per cent, underemployment remained high (5-7 per cent depending on the year and method of measurement), declining slightly only over the last few years.

This existence of high unemployment (at least double the average of the first decades after WWII) and underemployment is another sign, not only that the boom was not as equitable a period of expansion as that of the post WWII decades, but also that despite its longevity, it was not as strong. On the other hand, this experience suggests that the current sharp downturn has serious social ramifications, as workers were already struggling in ‘the good times’.

Nevertheless, while a generalised offensive against the working class and a changing institutional backdrop leading to an incomplete recovery in the rate of profit helps explain the 16 year expansion, it doesn’t go far enough in explaining Australia’s particular immunity to serious recessions in this period.

Other key factors, which a number of contributors point out, were the minerals boom particularly due to demand from China, and the explosion of consumer credit and household debt that sustained spending above incomes and sent private saving levels plummeting.

Ray Broomhill notes how the current account deficit climbed from \$16 billion in 1993/94 to \$59.2 billion in 2006/07 and Lloyd points out that mineral and energy exports rose from 29 per cent of merchandise exports to around 44 per cent over the same period. Lavelle observes that personal debt levels were, by the mid 2000s twice those during the Great Depression, with Australia’s debt servicing ratio the second highest in the OECD.

Several contributors argue that the scale of the current account deficit and personal debt are unsustainable, and a cursory glance at the business pages suggests they have already been proven right. The key factors in the good times have now become vulnerabilities—and may soon turn into liabilities.

In fact regardless of the theoretical diversity of the contributions, much of the information presented, when put together, suggests the downturn we are entering will be grim. During the boom, the manufacturing sector was already in long term decline. Organised labour was already in a parlous state. The economy was very dependent on income from mineral exports. Consumption was reliant on credit. Levels of poverty and inequality were already high. Under-employment was already substantial. And crucially, the rate of return on investment was already insufficient to drive serious and sustained economic growth.

There are clearly difficult times ahead, and it would be wishful thinking to suggest workers are not going to be hit the hardest by the downturn. Yet there is nothing *axiomatic* about how workers will fare in the coming period. The productive capacity of society is not fundamentally diminished by an economic crisis. Offices, factories and arable land do not simply disappear. There will still be plenty of food, plenty of raw materials and plenty of people willing to work. The objective conditions for *human* development do not deteriorate simply because capitalists are unwilling to invest.

Ultimately, the human cost of any failings in the system will not be determined by the latest Treasury figures, but by a struggle over the distribution of what *is* produced and over access to the productive equipment and land that will lie idle while working people are told there are fewer jobs.

Howard and King disagree, writing that trade unions ‘have no future, outside some parts of the public sector ... and a few residual areas of strength in the private sector’. But there is no reason to suppose that labour’s decline is inexorable, for crisis can provoke resistance, and we have seen that when unions conduct serious fights they can recruit and rebuild.⁶

If the coming economic crisis is not to be simply a misfortune for workers, then we will need more of these fights. Whether they happen will be determined not only by objective economic reality, but by the willingness of organised labour to go gangbusters in taking on employers and the government.

The diversity of theoretical perspectives represented in the special issue of the *Journal of Australian Political Economy* can be regarded as a weakness. Some will see this as an advantage, but I suspect that many people seeking a comprehensive overview of the Australian economy could walk away more confused about the economic situation than ever. The greatest strength in the issue, however, is the weight of the statistical research and the many contributions exposing John Howard’s myth that we never had it so good.

6 Diane Fields, ‘From exploitation to resistance and revolt: the working class’, in Rick Kuhn (ed.) *Class and struggle in Australia* Pearson, Sydney, 2005, pp. 55-73; Tom Bramble *Trade unionism in Australia: a history from flood to ebb tide* Cambridge University Press, Melbourne, 2008, pp. 239-252.

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Xenophobic racism and class during the Howard years

Rick Kuhn

Between 1996 and 2007, the Howard Government used racism to sustain its popularity. From the late 1990s, the primary victims of racist campaigns against immigrants were refugees who arrived by boat, without official permission. After 9/11 2001 the focus increasingly shifted to Muslims and Arabs, who were more explicitly targeted from 2005. While the conservative parties' racist policies served electoral purposes, their campaigns were also shaped by a deeper logic: the interests of the capitalist class and its capacity to influence state policies. The declining appeal of racist arguments and policies contributed to the Government's demise in 2007.

Despite Howard's humiliating electoral defeat in 2007, Australian capitalism remains fundamentally racist. The Rudd Government has retained the core of its predecessor's policies towards Aborigines and remains committed to locking up refugees who arrive in Australia by boat.¹ Campaigns and local council decisions against the building of mosques and Muslim schools demonstrate the continuing potential for xenophobic racism to mobilise people.² As the Australian segment of the world economy contracts into global recession, the appeal of neo-liberal ideas has declined. Opportunists inside and outside the mainstream parties will try to play the race card to advance their own careers without

- 1 Jenny Macklin 'Compulsory income management to continue as key NTER measure' media release, 23 October 2008 www.jennymacklin.fahcsia.gov.au/internet/jennymacklin.nsf/content/nter_measure_23oct08.htm, accessed 3 January 2009; Chris Evans 'New directions in detention—restoring integrity to Australia's immigration system' speech, Australian National University, Canberra, 29 July 2008, www.minister.immi.gov.au/media/speeches/2008/ce080729.htm, accessed 3 January 2009.
- 2 Robert Bevan 'Racism builds on mosque requests' *Australian financial review* 23-29 December 2008, p. 38.

addressing the underlying causes of popular discontent. The Howard years, can teach us about the scope and limits of such attempts and the interests they serve.

From the mid 1990s, Australia experienced a cascade of moral panics and racist campaigns against Aborigines, Arabs, refugees and Muslims. The rise of racism in Australia is well documented. But our understanding of the construction and reconstruction of racism under the Howard Government is less satisfactory. We can deepen it by examining the way governments and mainstream political parties have used xenophobic racism, that is racism directed against groups other than Aborigines. The relationships amongst racism, capitalist class interests and the state are at the centre of this analysis. Other important issues are, for reasons of space, confined to the margins of the discussion. They include the potential for racism to have a broad appeal, because it can seem to offer practical responses to real problems faced by ordinary people; the role of the mass media in the reproduction of racism; the dynamics of anti-Aboriginal racism; and the impact of popular mobilisations *against* racism.

The following inquiry begins with a survey of the Coalition parties' role in the resurgence of xenophobic racism. The next two sections look at the Howard Government's racist campaigns, initially directed against refugees but later against Arabs and Muslims. In 2005, the targeting of Muslims became much more explicit. An analysis of this move and its logic is the subject of the fourth section. The argument turns, in the fifth section, to the relationship between capitalist class interests and the Coalition's racism. The final section sketches the Howard Government's last racist spasms and considers the reasons for its defeat in the election of 24 November 2007.

Rollback

The Howard government made it a priority to roll back gains made by struggles from the 1960s through to the 1990s.³ Decades of campaigning by Aborigines and white supporters had eroded genocidal and paternalistic policies that denied civil rights and decent living standards to Aborigines, and stole their children. Only in 1965 could all Aborigines finally vote in every State and Territory election. The 1967 referendum removed provisions in the Australian constitution which discriminated against Aborigines. Through legislation, court decisions, pressure and purchases a few Aboriginal groups were able to regain a degree of control over some traditional lands. Much wider layers of people recognised that Aboriginal disadvantage was created by white society and Australian governments at all levels, and the need for change.

In relation to immigration, conservative governments diluted and then the Whitlam Labor Government in 1973 abolished the White Australia Policy. In addition to the decline in the flow of suitable 'white' immigrant labour for Australian industry and the growing importance of trade with Asian countries, anti-racist campaigning played a role in this

3 Andrew Markus *Race: John Howard and the remaking of Australia* Allen & Unwin, Crows Nest 2001, pp. 98-99.

shift. Particularly from the 1970s, migrants from areas outside North-western Europe and North America faced less prejudice and discrimination. At an official level, tolerance of non-Anglo cultures was embodied in multiculturalism which became a system of government patronage through ethnic community leaders.⁴

It was not mainstream politicians but a prominent ‘traditional’ intellectual and a business leader who started rehabilitating racism from the mid 1980s, in the guise of defending mainstream culture in Australia.⁵ Geoffrey Blainey, a conservative historian who made his name writing corporate histories, attacked the migration of east Asians to Australia. Hugh Morgan, as the chief executive officer of a mining corporation and former president of the Mining Industry Council, had material interests threatened by Aboriginal land rights. Morgan, a senior member of the Liberal Party, played an organising role in two rightwing think-tanks and was later, between 2003 and 2005, president of the Business Council of Australia, which brings together the CEOs of the largest public and private corporations in Australia. He denigrated Aboriginal culture, arguing that land rights would promote cannibalism and infanticide.⁶

In the racism of Morgan and Blainey, opposition leader John Howard saw a formula for political success. He ‘understood that economic liberalism on its own would not win elections’ and complemented the politics of privatisations, cutting the welfare state and deregulating markets, especially the labour market, with ‘a conservative social politics focused on the traditional nuclear family, individual responsibility and chauvinistic nationalism.’⁷ In 1988, when he first tried to serve up this dish of profit-boosting economic policy and racism, it was not received well. He retreated from his initial position and, in May 1989 lost the leadership of the Liberal Party. But Howard continued to criticise the

4 Andrew Jakubowicz, Michael Morrissey and Joanne Palser ‘Ethnicity, class and social policy in Australia’ *SWRC reports and proceedings* 46 Social Welfare Research Centre, University of New South Wales, Kensington, May 1984; Stephen Castles, Bill Cope, Mary Kalantzis and Michael Morrissey *Mistaken identity: multiculturalism and the demise of nationalism in Australia* Pluto, Sydney 1988, pp. 53-54, 66, 70-78; and Jock Collins, Greg Noble, Scott Poynting and Paul Tabar *Kebabs, kids, cops and crime: youth, ethnicity and crime* Pluto, Annandale 2000, pp. 214-215.

5 Here racism is understood as activity which constitutes or reinforces the oppression of a population defined in terms of its alleged essential biological or cultural characteristics. For a discussion of the use of cultural differences to justify racism see Paul Gilroy ‘One nation under a groove: the cultural politics of “race” and racism in Britain’ in David Theo Goldberg (ed.) *Anatomy of racism* University of Minnesota Press, Minneapolis 1990, pp. 263-82; also Pierre-André Taguieff ‘The new cultural racism in France’ *Telos* 83 Spring 1990, pp. 109-122; Kenan Malik *The meaning of race* Verso, London 1996, pp. 143-144, 184-188, 193-198; Satnam Virdee ‘Race, class and the dialectics of social transformation’ in Patricia Hill Collins and John Solomos (eds.) *International handbook of race and ethnic studies* Sage, London, forthcoming 2009.

6 Markus *Race*, pp. 57-72.

7 Phil Griffiths ‘Racism: whitewashing the class divide’ in Rick Kuhn (ed.) *Class and struggle in Australia* Pearson Australia, Frenchs Forest 2005, p. 169, which draws on Markus *Race* pp. 85-86, 220-221; and conservative journalist Paul Kelly *The end of certainty: the story of the 1980s* Allen & Unwin, St Leonards 1992, pp. 418-419.

level of immigration and endorsed Blainey's denunciation of a 'black armband view of history', as presenting too 'gloomy' an account of Australia's past.⁸

After campaigning on a neo-liberal platform and, under John Hewson, losing the 'unlosable' 1993 federal election, the Liberals restored Howard to the leadership.⁹ By then he had fine-tuned his racist policies. He no longer emphasised the limited 'capacity of the community to absorb'¹⁰ people from east Asia and, in the context of the first stages of recovery from the recession of the early 1990s, his reservations about levels of immigration in general did not threaten to impose constraints on short term economic growth. The intensification of racism in Australia that Howard promoted became an aspect of a ruling class agenda, the core of which remained neo-liberal economic policies designed to restore profit rates. In this way, he provided a distinctive answer to an important question: how do politicians and parties attract or maintain mass support, even though their policies do not serve the interests of most of the middle class, let alone the working class people (a large majority of the population) who vote for them?¹¹

Throughout the Howard era, racism played a role analogous to the previous 'Accord' between Labor governments and the union movement, from 1983 until 1996. Both secured support for governments pursuing neo-liberal economic policies—including privatisations, corporatisations, contracting out and marketisation of public services; reduction of tariff and quota protection for domestic industry; reform of labour and financial markets—that were not themselves popular. The Accord and racism have, of course, operated in very different ways. The Accord was a set of formal and informal arrangements that delivered notable benefits for the bureaucracy of the trade union movement—influence over policy, closeness to ministers and therefore an improved profile with members, positions on advisory and statutory bodies, and limited public funding for some union activities—while promising, but not delivering sustained living standards and job security for workers.¹² Racist rhetoric and policies, on the other hand, could draw on and reinforce long and deeply entrenched feelings of racial superiority and traditions of attributing people's problems to racial scapegoats.¹³

8 Geoffrey Blainey 'Drawing up a balance sheet of our history' *Quadrant* July-August 1993, 37 (7-8) pp. 10-15; Mark McKenna 'Different Perspectives on black armband history' Australian Parliament, Parliamentary Library, Research Paper 5, 10 November 1997, www.aph.gov.au/LIBRARY/pubs/rp/1997-98/98rp05.htm, accessed 30 January 2007.

9 Griffiths 'Racism' p. 170.

10 Geoff Kitney 'Howard push for curb on Asians' *Australian financial review* 2 August 1988, p. 1.

11 I am grateful to Scott MacWilliam for a discussion which helped me formulate this question more clearly.

12 See Tom Bramble and Rick Kuhn 'Social democracy after the long boom: economic restructuring under Australian Labor, 1983 to 1996' in Martin Upchurch (ed.) *The state and 'globalisation': comparative studies of labour and capital in national economies* Mansell, London 1999, pp. 20-55.

13 See Virdee 'Race, class' for a discussion of Marxist approaches to the psychology of racism.

During the 1996 election campaign, immigration was not an issue, but the conservatives claimed that there was an 'Aboriginal industry', that Aboriginal land rights were a threat to ordinary Australians and that the Aboriginal and Torres Strait Islander Commission (ATSIC), a government agency providing policy advice on and services for Indigenous people, was corrupt. Widespread disillusionment with the Labor government's neo-liberal economic policies, and the appeal of the Howard's contrasting claim that he would make Australian's 'comfortable and relaxed' were crucial factors in the conservatives' victory, but their racist tactics also played a role.¹⁴

The new conservative administration curtailed ATSIC's activities and, in 2004, finally abolished the Commission. Separate programs for Aboriginal health, education and welfare were 'mainstreamed' away from organisations controlled by Aborigines into government departments. In the area of education, a consequence of this transition was that \$181 million allocated to Aboriginal education in 2004-2005 was not spent.¹⁵ The Government's attacks on Indigenous people are a significant context of its promotion of xenophobic racism but are too complex to deal with here.¹⁶

On coming to office, Howard expressed 'understanding' for the right-wing populist Pauline Hanson and her supporters, as her following grew between 1996 and 1998. She railed against immigration and allegedly preferential treatment given to Aborigines and Asians, rejecting neo-liberal policies shared by the Labor governments and their Coalition successor.¹⁷ By identifying widespread problems, particularly the decline in services, facilities and employment opportunities in rural and regional areas, created by government policy and the process of capital accumulation, she attracted considerable support. Her popularity demonstrated that there was a substantial constituency that could be tapped by the kind of racist messages that the struggles of the 1960s and 1970s had, for a period, pushed to the edges of political common sense. Hanson's racism appealed to and reinforced prejudices and diverted attention away from the fundamental processes that had given rise to neo-liberalism and stressed many small businesses and workers. Although she was critical of the new Coalition government, for a period Howard used Hanson as a proxy to tap racist sentiments for his own purposes, learning from and legitimising her views. His pronouncements on Hanson were a 'dog-whistle', they conveyed his own very lightly

14 John Howard edited transcript of interview on 'An average Australian bloke', *Four Corners* ABC Television, first broadcast 19 February 1996, transcript 5 October 2004, www.abc.net.au/4corners/content/2004/s1212701.htm, accessed 24 January 2007.

15 'Minister underspends \$181m in Indigenous education ... then gets a promotion' *National Indigenous times* 99, 23 Feb 2006 www.nit.com.au/News/story.aspx?id=6554, accessed 25 January 2007.

16 For a discussion of anti-Aboriginal racism in Australia, see Quentin Beresford and Marilyn Beresford 'Race and reconciliation: the Australian experience in international context' *Contemporary politics*, 12 (1) March 2006, pp. 65-78. On the Northern Territory intervention see Jon Altman and Melinda Hinkson (eds) *Coercive reconciliation: stabilise, normalise, exit Aboriginal Australia* Arena Publications, North Carlton, 2007.

17 Rick Kuhn 'Rural reaction and war on the waterfront in Australia' *Monthly Review* 50 (6) November 1998, pp. 30-44.

coded racist views to a target audience without being explicit and thus alienating those who might be disturbed by more overtly racist statements.¹⁸ This tactic intersected with the Government's campaign against 'political correctness', a concerted effort to make racism and sexism respectable again by trivialising and demonising anti-racist arguments, verbal conventions and behaviour.¹⁹

Xenophobic racism

The Coalition Government initially cut back Australia's migrant intake. The Keating Government had introduced a six months waiting period before the majority of migrants could access most welfare services. The new conservative regime increased this to two years.²⁰ After 1997-1998, however, the Howard Government raised levels of migration every year. Twenty nine per cent of migrants were admitted on strictly economic (as opposed to family reunion or humanitarian) grounds in 1995-96 but 69 per cent in 2005-06.²¹ Over the same period there was a rapid expansion of the number of Business Long Stay Visa holders, who were essentially guest workers.²²

Primarily for economic reasons, the conservatives did not concentrate on mobilising racist support around the issue of the scale of immigration or the number of migrants coming from east Asia. But the Coalition built on their Labor predecessor's policy of locking up asylum seekers who had arrived in Australia by boat in concentration camps. Particularly from 1999, the Howard Government demonised such refugees, including children; generated a moral panic about them; and reduced their rights.²³ Where previously they could immediately apply for Permanent Residence Visas, under new rules they were only eligible for three-year Temporary Protection Visas (TPVs). A TPV holder could not legally leave and then re-enter Australia. Marr and Wilkinson noted that the Liberal Party's own polling identified the appeal of racism in Australia. The Party used this knowledge by

18 I am grateful to an anonymous referee for the insight that Howard used Hanson as a proxy. On the concept of the political dog-whistle see Josh Fear 'Under the radar: dog-whistle politics in Australia' Australia Institute Discussion Paper 96, September 2007.

19 Markus *Race* pp. 97-103.

20 James Jupp *From White Australia to Woomera: the history of Australian immigration* Cambridge University Press, Cambridge 2002, p. 152.

21 Department of Immigration and Multicultural Affairs *Population flows: immigration aspects 2000*, 2000, pp. 16 and 24, www.immi.gov.au/media/publications/statistics/popflows/, accessed 10 February 2009; and Department of Immigration and Multicultural Affairs *Population flows: immigration aspects 2005-2006*, 2007, pp. 21 and 31, www.immi.gov.au/media/publications/statistics/popflows2005-6, accessed 10 February 2009.

22 In 2004-2005 49,855 Business long-stay visas were approved for 28,042 workers and their families, Australian Manufacturing Workers' Union *Temporary skilled migration: a new form of indentured servitude* July 2006, pp. 14, 17, 42, www.amwu.asn.au/images/skilled-migration-0706.pdf, accessed 8 February 2007.

23 Scott Poynting "'Bin Laden in the suburbs": attacks on Arab and Muslim Australians before and after 11 September' *Current issues in Criminal Justice* 14 (1) July 2002, pp. 46-49.

employing racist themes to increase its own popularity. 'In his first term [Howard] targeted voters resentful of Aborigines. As his second term ended, he was pursuing voters who feared their country was being invaded by Muslim boat people'.²⁴ In the process, his Government was also *convincing* voters to fear such an invasion. In 1999-2000, the number of asylum seekers arriving by boat in Australia peaked at only 4,175 people.²⁵

The *Tampa* and 'children overboard' affairs were key episodes in the Coalition's strategy for the 2001 election. The government prevented refugees, picked up from a small boat sinking in the Indian Ocean by the Norwegian freighter *Tampa*, from reaching Australian territory. Instead they were sent to an Australian-funded concentration camp on the impoverish Pacific island of Nauru. Shortly before the election, Howard and his ministers falsely claimed that refugees on another boat had threatened to throw their children into the sea if a nearby Australian naval vessel didn't pick them up. In fact they were signalling for help because their boat was sinking.²⁶

Attacking refugees, who arrived by sea and mainly came from the Middle East and Afghanistan, tapped into and reinforced anti-Arab and anti-Muslim racism. 'I certainly don't want people of that type in Australia' John Howard said during the 'children overboard' affair, leaving Australians to draw their own conclusions about the 'type' he was referring to. Commentators in the mass media joined the dots, for those slow on the uptake. The government encouraged racism towards Arabs and Muslims, without being explicit, and even denied any racist intent. Meanwhile, One Nation had, in late 1998, begun an uneven terminal decline, ultimately as steep as its rise. The party was undermined by vicious internal, personal and political conflicts; its parliamentary representatives' lack of experience, discipline and shared, coherent views; tactical errors and administrative blunders; and a campaign of persecution through the courts, orchestrated by Liberal Minister Tony Abbott.²⁷ Once One Nation had faded, there was no serious competition to the conservatives' right. They broadened their electoral appeal by playing the anti-Muslim and anti-Arab tune louder on their racist dog-whistle.

Despite internal conflicts over the issue, the Labor Party joined the racist campaign by voting for the Government's measures to remove the right to claim asylum from people

24 David Marr and Marian Wilkinson *Dark victory* Allen & Unwin, Crows Nest 2003, p. 175.

25 Department of Immigration and Multicultural Affairs 'Outcome one performance tables' *Annual report 2000-01* www.immigration.gov.au/about/reports/annual/2000-01/report21.htm, accessed 13 February 2007.

26 For an excellent, brief account of these developments see Scott Poynting and Victoria Mason 'The resistible rise of Islamophobia: anti-Muslim racism in the UK and Australia before 11 September 2001' *Journal of sociology* 43 (1) 2007, pp. 78-81. For a detailed study of the 2001 election campaign see Marr and Wilkinson *Dark victory*.

27 Michael Leach, Geoff Stokes and Ian Ward *The rise and fall of One Nation*, University of Queensland Press, St Lucia, 2000; Mike Seccombe and Damien Murphy 'Watchdog rethinks Liberal links to Abbott's slush fund', *Sydney morning herald* 28 August 2003, <http://www.smh.com.au/articles/2003/08/27/1061663855108.html>, accessed 7 February 2009.

who arrived in some off-shore Australian territories. The Government had wedged Labor: dividing sections of its base from the Party.

The 9/11 terrorist attacks took place in the lead-up to the election. The Government used them to intensify public anxiety and promote its own ability to defend the country. It fuelled discussion of terrorism in the mass media that invoked anti-Arab and anti-Muslim hysteria. Ministers identified refugees as potential terrorist threats.²⁸ Even before the 1991 Gulf War, research in 1988 had found that racial prejudice in Australia was strongest against Muslims and very high against Lebanese.²⁹ A survey conducted during October-December 2001 found ‘an expanding Islamophobia [sic]’.³⁰ An upsurge in attacks against Muslims and Arabs followed. Poynting and Noble’s survey of Muslims and people with Middle Eastern backgrounds found that two thirds had experienced more racism after the terrorist attacks.³¹

The moral panics about refugees and terrorism, which the Government initiated or encouraged and regarded as its best assets, had frightening consequences for Arabs and Muslims in Australia. But they served the conservatives’ purpose; despite sluggish economic growth, the Coalition won the election on 10 November 2001.³²

(Re)defining the enemy

Howard positioned himself carefully, using formulations such as ‘I think the most special of all measures is for me to use the authority of my office to remind all Australians that our quarrel is not with people of Arab descent, our quarrel is not with people of the Islamic faith.’³³ His Government was very careful not to overtly identify all Muslims and especially Muslims in Australia—about 1.5 per cent of the population, roughly 300,000 people—as a problem. However, in concrete, practical ways, notably in its refugee policies and its wars against Muslims in Afghanistan and Iraq, the Government promoted anti-Muslim racism, while condemning it in the abstract.

28 Scott Poynting, Greg Noble, Paul Tabar and Jock Collins *Bin Laden in the suburbs: criminalising the Arab other* Institute of Criminology, Sydney 2004 p. 60.

29 Ian McAllister and Rhonda Moore *Ethnic prejudice in Australian society: patterns, intensity and explanations* Office of Multicultural Affairs, Barton 1989 pp. 7-8 cf p. 10.

30 Kevin M. Dunn, James Forrest, Ian Burnley and Amy McDonald ‘Constructing racism in Australia’ *Australian journal of social issues* 39 (4) November 2004, p. 416.

31 Scott Poynting and Greg Noble *Living with racism: the experience and reporting by Arab and Muslim Australians of discrimination, abuse and violence since September 11 2001* Human Rights and Equal Opportunity Commission 2004, pp. 5-6; also see Tanja Dreher ‘Targeted’: *experiences of racism in NSW after September 11, 2001* UTS Shopfront Monograph Series 2, 2005.

32 Marr and Wilkinson *Dark victory* pp. 277-278.

33 John Howard transcript of press conference, Melbourne, 8 October 2001, www.pm.gov.au/News/interviews/2001/interview1368.htm, accessed 12 February 2007; also see ‘Abbott urges Australians to embrace Muslim community’ ABC news, 31 October 2002, www.abc.net.au/news/newsitems/200210/s716037.htm, accessed 2 February 2007.

The Coalition stewed together a paranoid response to 9/11 and vilification of refugees in the electoral casserole that was the main course in its 2001 election campaign. This dish used ingredients of anti-Muslim and anti-Arab racism manufactured by politicians and the mass media in earlier periods.³⁴ After the events of 9/11, John Howard warned of a 'terrorist threat from bin Laden cells in Australia'.³⁵ Although no arrests or charges resulted, raids by Federal Police and ASIO, sometimes with the media in tow, drove home the message.³⁶ So did the restriction of civil liberties through legislation passed in 2003 and 2005, in the name of combating terrorism. State Labor governments enacted complementary or even more extreme measures.³⁷

The practical implication of Australian preparations for and participation in the invasion of Afghanistan in 2001 and of Iraq in 2003 was that Afghans and Iraqis did not have the right to themselves settle accounts with their oppressive rulers. These incompetent (largely Muslim) people needed the strongest state in the world and its allies to impose new rulers and institutions on them.³⁸

After the Bali bombings, the Government signalled that it was in control of the situation through ASIO and Federal Police raids which targeted Muslims with Indonesian backgrounds. While the raids never led to any charges for terrorist offences, they created

- 34 On the history of anti-Muslim and anti-Arab racism in Australia see Howard Brasted 'Contested representations in historical perspective: images of Islam and the Australian press 1950-2000' in Saeed and Akbarzadeh *Muslim communities in Australia*, p. 211; Peter Manning 'Australians imagining Islam' *Muslims and the news media* I. B. Tauris, London 2006, p. 130; Peter Manning *Dog whistle politics and journalism: reporting Arabic & Muslim people in Sydney newspapers* Australian Centre for Independent Journalism, University of Technology, Sydney 2003, p. 44; Christine Asmar 'The Arab Australian experience' in Murray Goot and Rodney Tiffen (eds) *Australia's Gulf War* Melbourne University Press, Carlton 1992, pp. 64, 67-68, 70-72 and 79; *Racist violence: report of the national inquiry into racist violence in Australia* Australian Government Publishing Service, Canberra 1991, p. 145; Ghassan Hage 'Racism, multiculturalism and the Gulf War' *Arena* 96, 1991, p. 12; Asmar 'The Arab Australian experience' pp. 71-72; Joseph Wakim 'Terrorist alerts in Australia: Have we learned the lessons?' paper presented to Australasian Middle East Studies Association Conference, 22 September 1996, www.aac.org.au/media.php?ArtID=5, accessed 9 September 2006; Jock Collins, Greg Noble, Scott Poynting and Paul Tabar *Kebabs, kids, cops and crime: youth, ethnicity and crime* Pluto, Annandale 2000
- 35 Geoffrey Thomas, Gay Alcorn, Christopher Kremmer 'World airlines face shutdown' *Sydney morning herald* 20 September 2001, p. 1.
- 36 Poynting *Bin Laden* pp. 168-171.
- 37 Poynting *Bin Laden* pp. 175-176; Scott Poynting and Victoria Mason "'Tolerance, freedom, justice and peace"? Britain, Australia and anti-Muslim racism since 11 September 2001' *Journal of intercultural studies* 27 (4) November 2006, p. 380; Tom Richardson and Mark Dodd 'States go further than PM on terror' *Australian* 14 September 2005, p. 1; Louise Dodson, Andrew Clennell and Stephanie Peatling 'Premiers give go-ahead to terrorism laws' *Sydney morning herald* 3 November 2005, p. 2.
- 38 For the realities of strategic power and oil behind the rhetoric of the US and Australian governments, see Chris Harman 'Analysing imperialism' *International socialism* 99, Summer 2003, pp. 3-81.

the impression that the kind of people through whose doors the police came crashing were a threat.³⁹

Conservative governments in France and Germany had politicised Muslim women's clothing. Far right member of the NSW upper house Fred Nile suggested that the chador be banned in public places. Howard seemed to toy with the idea before rejecting it.⁴⁰ For almost four years after 9/11, his Government refrained from explicitly identifying Australian Muslims in general as a problem. It did not, however, publicly criticise those elements in the mainstream media which argued differently. Such elements were, in fact, dominant. Peter Manning has demonstrated that, overall, the Sydney daily press portrayed Arabs and Muslims negatively both before and after September 2001.⁴¹ The events in New York and Washington were, moreover, followed by a dramatic increase in hostility and violence directed against Muslims and Arabs, especially women, in Australia.⁴²

The Coalition Government knew that questions of race, especially when tied to supposed physical threats to Australians, provided good electoral ground for it, compared with industrial relations reform, privatisations and cuts in social welfare. But from 2004 the Howard Government's ability to mobilise support using its accustomed racist focus on refugees and implicit attacks on Arabs and Muslims declined dramatically.

A prolonged campaign by activist groups against the harsh treatment of refugees and their imprisonment was turning public opinion around, to the extent that even a few Liberal parliamentarians started raising public criticisms. Then the scandals of the detention as an illegal immigrant of Australian permanent resident Cornelia Rau and the deportation of Australian citizen Vivienne Alvarez Solon to the Philippines erupted.⁴³

39 Poynting *Bin Laden* pp. 171-172; 'Govt denies targeting Muslims in wake of ASIO raids' ABC news 1 November 2002, www.abc.net.au/news/newsitems/200211/s716149.htm, accessed 2 February 2007.

40 Fred Nile 'Question without notice' Legislative Council Hansard extract, 20 November 2002, pp. 7058-7059, article 27, www.parliament.nsw.gov.au/prod/parlament/hansart.nsf/V3Key/LC20021120027, accessed 29 January 2007. Compare and John Howard 22 November 2002 transcript of interview with John Laws, radio 2UE, 21 November 2002, www.pm.gov.au/news/interviews/2002/interview1995.htm, accessed 29 January 2007; John Howard transcript of interview with Phillip Clark, radio 2GB, 22 November 2002, www.pm.gov.au/news/interviews/2002/interview2000.htm, accessed 29 January 2007. Similarly compare Mark Riley, Kelly Burke 'PM's veiled comments on how Muslim women dress' *Sydney morning herald* 22 November 2002, p. 1; with Mark Riley 'PM rejects chador ban after backlash' *Sydney morning herald* 23 November 2002, p. 10.

41 Manning *Dog whistle politics and journalism*.

42 Poynting and Noble *Living with racism* pp. 17-19.

43 See William Maley 'PM suddenly finds a heart' *Australian* 24 March 2005, p. 13; Michelle Grattan 'How Howard got himself out of detention' *Sunday age* 19 June 2005, p. 19; 'Australia immigration policy softened by release of children, court ruling' Agence France Presse 28 July 2005, through Factiva; 'Australia ends offshore detention of refugees' Agence France Presse 14 October 2005, through Factiva.

These events and inquiries into them thoroughly discredited Australia's immigration detention policy and administration.⁴⁴ The Government initiated reforms and released a large proportion of the imprisoned refugees.

It was now much harder to generate fear of desperate and destitute people arriving in boats. This became particularly apparent in 2006. Forty three West Papuans fleeing Indonesian repression arrived in north Queensland in January. All of them were eventually granted refugee status, despite pressure from the Indonesian government. Australian efforts to maintain hegemony in southeast Asia and the southwest Pacific are made easier by supporting friendly regimes, no matter how repressive they are. The Coalition was worried that a continuous stream of West Papuan refugees claiming asylum in Australia would highlight human rights violations by the Indonesian authorities, undermining cooperation with the Indonesian government and its stability.

The Howard administration then attempted a final solution to the problem of refugees arriving by sea. Previously some off-shore islands had been 'excised from the migration zone' to prevent such people claiming political asylum; now the entire continent was to be excised. But a revolt on the Coalition backbench forced Howard to withdraw his Immigration Bill from the Senate on 14 August 2006.⁴⁵

Picking on Muslims

John Howard used the London bombings of 7 July 2005 to recast his use of racism. His government began a campaign that attacked Australian Muslims explicitly for the first time, claiming that some mainstream Islamic leaders in Australia were not 'as strong in denouncing these acts as they should have been'.⁴⁶

A summit with Australian Muslim leaders on 23 August 2005,⁴⁷ was modelled on a similar gathering in Britain.⁴⁸ Howard's event demonstrated to the public that the Government

44 Michael Grewcock 'Slipping through the net? Some thoughts on the Cornelia Rau and Vivian Alvarez inquiry' *Current issues in criminal justice* 17 (2) November 2005, pp. 284-290.

45 Sophie Morris and Laura Tingle 'PM backs down on asylum seekers' *Australian financial review* 15 August 2006, p. 1.

46 John Howard transcript of doorstep interview, Claridges Hotel, London 23 July 2005 www.pm.gov.au/news/interviews/Interview1477.html, accessed 5 February 2007. The NSW Labor Premier, who had for years promoted moral panics over the alleged criminality of people with Muslim and Lebanese backgrounds agreed, 'Statewide Mornings', ABC Radio 2BL 702 Sydney, Federal Government Broadcast Alerts, Media Monitors Australia, through Factiva, 25 July 2005. Also see Collins *Kebabs* and Poynting *Bin Laden* pp. 87-152

47 'Muslim group unveils plan to tackle radicals' 22 August, 2005 www.abc.net.au/news/newsitems/200508/s1442962.htm, accessed 5 February 2007.

48 There was a domestic precedent for this kind of derogatory summitry. The NSW Premier had organised his own meetings with Lebanese community leaders in 1998 and 1999 which suggested that crimes allegedly perpetrated by Lebanese-Australians were 'an ethnic community issue, not society's issue', Collins *Kebabs* p. 8.

regarded Muslims as a problem and security threat. To make this message absolutely clear, Treasurer Peter Costello arranged for his comments calling on radical Muslim clerics to leave Australia to be published on the day of the meeting. 'Foreign Minister Alexander Downer compared fundamentalist Muslims to Nazis as he defended the decision not to invite radical clerics to the summit.'⁴⁹

Taking up a theme Costello had linked to the oath of citizenship, Education Minister Brendan Nelson, said that special steps were being taken to teach Muslim children about 'Australian values'. People who did not 'want to live by Australian values' could 'clear off'. 'John Howard warned that the Government was prepared to "get inside" mosques and schools to ensure they're not supporting terrorism'.⁵⁰ It is worth contrasting the response to this campaign with that to a similar concern Nelson had expressed during the 2003 invasion of Iraq in a letter 'to State education ministers raising concerns that Islamic schools may be encouraging anti-Christian and anti-Western feelings in students'. The Queensland Labor Government had made the letter public and denounced it, and Nelson backed away from the issue.⁵¹ Deputy Leader of the Opposition Jenny Macklin embraced the values agenda, reverting to Labor's response to the Tampa affair: condoning and thus encouraging the Government's racism, in the forlorn hope that going soft on the Government's racist agenda would neutralise its electoral appeal. She stated that, 'In this environment it's extremely important that we have all students in all schools studying and understanding the importance of tolerance, understanding the importance of our civic and legal responsibilities as Australian citizens.'⁵²

Although he had moved from implicit to explicit targetting of Muslims, John Howard regarded some potential policy reversals as too embarrassing. A few days after Nelson's reflections on Australian values, Liberal members of the House of Representatives Bronwyn Bishop and Sophie Panopoulos joined in, by demanding that headscarves be banned in schools. But Bishop had failed to consult the script and forgot that Howard had already pronounced on the issue of how Muslim women dressed. He quickly ruled the proposal out.⁵³ *Official* discrimination against Muslims on the basis of their clothing was

49 Samantha Maiden 'Costello tells firebrand clerics to get out of Australia' *Australian* 23 August 2005 p. 1.

50 Peter Costello interview with Ray Martin, *A Current Affair* 23 August 2005, www.treasurer.gov.au/tsr/content/transcripts/2005/124.asp?pf=1, accessed 5 February 2007; Brendan Nelson transcript of doorstep interview Art Gallery Of New South Wales, Sydney 24 August 2005 www.dest.gov.au/Ministers/Media/Nelson/2005/08/tran240805.asp, accessed 5 February 2007; 'Teach Australian values or "clear off", says Nelson' *PM*, ABC Radio National, 24 August 2005 www.abc.net.au/pm/content/2005/s1445262.htm, accessed 6 February 2007.

51 'Concerns over Islamic schools' 28 March 2003 *Daily Telegraph* p. 8; Scott Emerson and Sascha Hutchinson 'Nelson's Islamic school "slur"' *Australian* 28 March 2003 p. 5; Ashleigh Wilson 'Nelson bid to reassure Islamic schools' *Australian* March 2003 p. 6.

52 'Teach Australian values or "clear off"'.

53 'School headscarf ban impractical: Howard' ABC news online, August 29 2005 www.abc.net.au/news/newstems/200508/s1448543.htm, accessed 29 January 2007. Howard was no doubt aware that his

not on the agenda, but during the Gulf War and after 9/11 others acted on official *cues* rather than *policies* by attacking women wearing the headscarf.

Just before mass rallies against WorkChoices on 15 November 2005, the Government invoked the racial demon again: ASIO and the Federal Police staged raids on Muslims allegedly plotting terrorist acts; and the Coalition scheduled parliamentary debates on anti-terrorist legislation.

The intensification of the Coalition's manipulation of racism helped to create the political climate that led to mob violence against Muslims and Arabs in the Sydney beach-side suburb of Cronulla, on 11 December. Just as John Howard had always said that his own policies had nothing to do with racism, in commenting on the Cronulla pogrom he denied that there is 'underlying racism in this country'.⁵⁴ This echoed Bob Carr's response to the NSW Anti-Discrimination Board's account of anti-Arab and anti-Muslim coverage in the mass media: 'I treat with contempt any report that brands Australians as racists.'⁵⁵

But by February 2006, the Coalition was in a sticky situation. Evidence presented to the inquiry into bribes paid by AWB, the monopoly marketer of Australian wheat, to secure sales to Saddam Hussein's Iraq became very embarrassing. In this context, the Prime Minister and Treasurer again criticised Muslims. According to Howard, 'there is a small section of the Islamic population in Australia that, because of its remarks about jihad, remarks which indicate an extremist view, that is a problem... It is not a problem that we have ever faced with other immigrant communities who become easily absorbed by Australia's mainstream'.⁵⁶

statement 'that you can't in a democratic society pass laws telling people how to dress' would be quoted back at him, Howard interview, 22 November 2002.

- 54 Scott Poynting 'What caused the Cronulla riot?' *Race and class* 48 (1) July 2006, pp. 85-92; John Howard transcript of press conference, Phillip Street, Sydney 12 December 2005 www.pm.gov.au/news/interviews/Interview1723.html, accessed 6 February 2007.
- 55 *Legislative Assembly Hansard*, Corrected Copy, Thursday 1 May 2003 www.parliament.nsw.gov.au/prod/parlment/hanstrans.nsf/v3ByKey/LA20030501, accessed 15 February 2007; Nick O'Malley 'Carr savages Puplick's race report' *Sydney morning herald* 2 May 2003, p. 7.
- 56 'PM critical of "extremist" Muslims' ABC News, 20 February 2006 www.abc.net.au/news/newsitems/200602/s1573689.htm, accessed 6 February 2007. Peter Costello 'Worth promoting, worth defending Australian citizenship, what it means and how to nurture it', Sydney Institute, 23 February 2006, www.treasurer.gov.au/tsr/content/speeches/2006/004.asp, accessed 6 February 2007; 'Costello pushes nationality "test"' ABC News, February 24, 2006, www.abc.net.au/news/newsitems/200602/s1577182.htm, accessed 6 February 2007. Kim Beazley's response was 'Costello's in power, he's been in office for 10 years if he's got a problem with people who've come into this country who are committed to Jihad or committed to any form of violence why doesn't he do something about it?', 'Costello's Muslim comments "a diversion"' ABC News 24 February 2006, www.abc.net.au/news/newsitems/200602/s1578080.htm, accessed 6 February 2007.

To maintain the momentum, the Government linked fear of Muslims to the tightening of citizenship laws. This was the particular task of parliamentary secretary Andrew Robb. His consultations with Muslims were part of the Coalition's victim blaming strategy.

[A]fter months of discussions with Muslim communities I believe that [their] unfair stigmatisation will not change materially until all Australian Muslims take responsibility for addressing the situation they find themselves in.

Each Australian Muslim in their own way and in their own circumstance should seek to address the fears and misunderstandings of the broader community.⁵⁷

Robb tied the integration issue to the Government's decision to introduce a test of fluency in English and adherence to Australian values before applicants could become Australian citizens.

The campaign against Australian Muslims entered top gear in August 2006, while the Government was finding the going heavy because of a jump in petrol prices, higher interest rates, the unpopular privatisations Telstra and Medibank, slower growth, and the collapse of its plans to prevent any refugees arriving by boat in Australia from claiming political asylum.

John Howard asserted that 'a small section of the Islamic population... is very resistant to integration'. There was, he said, a 'need for everybody who comes to this country to fully integrate and fully integrating means accepting Australian values, it means learning as rapidly as you can the English language... [and that] men and women do have equality'. The Prime Minister had, however, appointed Tony Abbott, whose opposition to women being able to decide to terminate their pregnancies was public knowledge, to the post of Health Minister.⁵⁸ To coincide with the anniversary of the 9/11 attacks, he again raised concerns about the integration of Muslims in Australia.⁵⁹ Not to be outdone on Australian values, Labor leader Kim Beazley demanded that all applicants for visas to visit Australia

57 Andrew Robb 'Key Initiatives National Action Plan' media release, 16 July 2006 www.minister.immi.gov.au/parlsec/media/media-releases/2006/04306.htm, accessed 8 February 2007. Also see Andrew Robb 'Australian migrant integration—past successes, future challenges' speech to Sydney Institute, 27 April 2006 www.minister.immi.gov.au/parlsec/media/speeches/sydney-institute.htm, accessed 7 February 2007.

58 John Howard transcript of interview with Chris Smith, Radio 2GB, Sydney, 31 August 2006 www.pm.gov.au/news/interviews/Interview2111.html, accessed 6 February 2007; also 'The World Today' ABC Radio 2BL 702 Sydney, 1 September 2006, Federal Government Broadcast Alerts, Media Monitors, through Factiva. Also Luke McIlveen 'Costello tells Muslim leaders it's time to be accountable: speak up to protect us all from terrorism' *Daily telegraph* 4 September 2006, p. 5; Peter Costello interview with Laurie Oakes *Sunday Nine Television Network*, 3 September 2006, www.treasurer.gov.au/tsr/content/transcripts/2006/130.asp, accessed 8 February 2007.

59 Rhianna King 'PM launches fresh attack on Muslims' *West Australian* 11 September 2006 p. 1; Ross Peake 'Howard attacks hostile Muslims' *Canberra times* 11 September 2006, p. 1.

should 'sign off on those values'. His own colleagues soon repudiated this bizarre suggestion.⁶⁰ But he helped maintain the issue's currency.⁶¹ The citizenship test, introduced in September 2007, turned out to be a multiple choice quiz on the contents of a conservative booklet about Australian history and society. As Josh Fear has pointed out

It is doubtful whether the Australian Citizenship Test will result in more harmonious relations between recent migrants and native-born Australians. However, this initiative functions very well as a dog whistle to those Australians who believe that people of other language and cultural backgrounds are not integrated into 'mainstream' culture to a sufficient degree.⁶²

From late 2006, the Government used commentary on current events to help keep the issue of anti-Muslim racism alive, ably assisted by the mainstream media. Howard defended the Pope against criticism of his association of Islam with violence. Sexist comments and remarks critical of the White House by the Mufti of Australia, Taj al-Din al-Hilali, provided an opportunity to implicate Muslims in general.⁶³

The Coalition also promoted the idea that Islam was a problem in Australia while bolstering its superficially anti-racist credentials through several initiatives which also provided access or resources for Muslim groups. In publicising collaboration between Muslim communities and police, the priority of governments and police was control over young Muslims rather than measures to prevent racist attacks. Funding a new, conservative, Melbourne University-based National Centre of Excellence for Islamic Studies, to the tune of eight million dollars was state intervention into theology, designed to counteract fundamentalism. Publicity for worthwhile programs for Muslim kids and support for some community initiatives reinforced concerns that 'integration' into Australian culture is necessarily desirable and that those who believe in Islam are worryingly alien.⁶⁴

In the lead up to the 2007 NSW State election there was 'a bidding war between Labor and the Opposition about who [could] sound tougher on Muslims', in relation to Australian values, terrorism and crime.⁶⁵ The abandonment of multiculturalism and stress on

60 Michelle Grattan 'Beazley proposes visitors, migrants agree to values' *Age* 12 September 2006, p. 5; Mark Kenny 'Beazley warned on values pledge' *Advertiser* 14 September 2006, p. 13.

61 Nicolette Burke 'True blue test' *Daily telegraph* 18 September 2006 p. 1.

62 Fear 'Under the radar' p. 10.

63 For example, Russell Skelton 'Hilali fans fires of furore with defiant declaration on White House' *Age* 28 October 2006, p. 3; Danielle Cronin 'Muslims move to end Hilali crisis' *Canberra times* 30 October 2006, p. 1.

64 Andrew Robb media release 'Key Initiatives National Action Plan' 16 July 2006 www.minister.immi.gov.au/parlsec/media/media-releases/2006/04306.htm, accessed 8 February 2007. Prominent specialists in Islamic studies who have been critical of Australian and US foreign policy are not involved in the National Centre.

65 Tom Allard 'Jemma, Ruddock disagree on Muslim ban' *Sydney morning herald* 29 January 2007, p. 3.

integration was underlined in the ministerial reshuffle of January 2007 at the national level. The Department of Immigration and Multicultural Affairs was rechristened Immigration and Citizenship, and handed over to a devout Catholic. Kevin Andrews had demonstrated his capacity to kick heads as Minister for Workplace Relations, responsible for the implementation of the Government's far-reaching anti-union legislation. He played an important role in the 'Haneef affair', discussed below.

Class and race—who benefits?

A series of impressive studies—by Poynting, Noble, Tabar, Collins, Dunn, Hage and Manning—drawn on in previous sections, have demonstrated the rise of anti-Arab and anti-Muslim racism in Australia. They offered a variety of partial explanations for this phenomenon, but did not explicitly get to its roots in the capitalist structures of Australian society. In Australia, racism has served capitalist class interests in several ways. From the very start of the colonial period, racism justified the appropriation of Indigenous land. This key ideological basis for the Australian state became a major public issue when land rights legislation and court decisions threatened to restore to Aborigines ownership over relatively small areas, often in a very limited form. Anti-Aboriginal racism also divided the working class and justified the super-exploitation of Indigenous labour, which remained crucial for the profitability of the pastoral industry well after World War II.⁶⁶ Discrimination against the Irish and Catholics (overwhelmingly of Irish background until after World War II) reproduced in Australia a division Marx had observed in the British working class.⁶⁷ The hold of sectarianism on Australian workers, notably public servants, remained an obstacle to solidarity against employers into the 1960s.⁶⁸ Prejudices against non-Anglo immigrants were already present during the 19th century, and became more widespread with the mass migration program from the 1940s.⁶⁹

If the ideology of 'white Australia' divided white workers from black and Asian workers, both locally and internationally, it also asserted that white workers and their white employers had common interests and consequently helped sustain white capitalist class control against threats from the local working class and rival ruling classes.⁷⁰ White Australia was a key feature of Australian national identity. Into the second half of the 20th

66 Mick Armstrong 'Aborigines: problems of race and class' in Kuhn *Class and struggle in Australia*, pp. 143-146.

67 Letter from Karl Marx to Sigfrid Meyer and August Vogt in *Karl Marx and Friedrich Engels selected correspondence* Progress Publishers, 1975, pp. 220-224 (written 9 April 1870), www.marxists.org/archive/marx/works/1870/letters/70_04_09.htm, accessed 11 March 2007.

68 Michael Hogan *The sectarian strand* Penguin, Ringwood 1987. Peter J. Tyler 'Your most obedient servants' paper presented to seminar 'Serving the people through responsible government: representation, accountability and public service' Sydney, 24 May 2006, p. 7, www.records.nsw.gov.au/archives/docs%5Cpetertylerseminar.pdf, accessed 18 February 2007.

69 Griffiths 'Racism' pp. 168-168.

70 Griffiths 'Racism' pp. 162-166.

century, the dominant discourse of Australian nationalism constituted Australians not only as white but also as British. National/racial unity was also unity with the Empire or at least with its white components. But whiteness was already used to justify friendly though essentially casual relations with the United States from the late 19th century. The visit of the 'Great White Fleet' of the US Navy in 1908 was cause for the greatest public celebrations since Federation in all the Australian ports it visited. After World War II, the US alliance was formalised and eventually became the cornerstone of Australian 'defence' policy.

Racism can also fulfil a red herring function not only for particular politicians and parties, but also for the capitalist class as a whole. For example, employers benefited from the Coalition's diversion of public attention from its new industrial relations legislation to the alleged threat of Muslim terrorism in November 2005. This was also the case with racist 'penal populism'⁷¹—blaming oppressed racial groups rather than poverty for crime and promising to 'get tough'—that was a feature of NSW politics for over a decade from the 1990s, as governments cut public services. More generally, if racial issues are occupying headlines then there is less space for articles that have greater potential to raise doubts about the wonders of capitalism, like unemployment, wages and conditions, profit rates, executive salaries, or the profits versus the wages share of national income.

A policy or stance that benefits the ruling class does not, however, automatically come into existence (the functionalist fallacy). Nor is the pursuit of capitalist class interests by governments often the consequence of conspiracy. We have to identify the mechanisms that bring such policies about.⁷²

Sometimes, the capitalist class mobilises directly in its own interests. Ultimately, when united, it can veto or at least dramatically undermine policies or governments that it regards as damaging to its vital interests. In the 1940s, for example, a 'ruling class offensive', triggered by its attempts to nationalise the banks, brought down the Chifley Labor Government.⁷³ As the recession of the mid 1970s scuttled the Whitlam Government's policy agenda and sense of direction, there was a similarly successful ruling class mobilisation. The mainstream media and Coalition mounted a political campaign while the wider capitalist class engaged in an investment strike, prompted by its pessimism about profitability under Labor, otherwise known as 'a collapse in business confidence'.⁷⁴

71 Poynting *Bin Laden* pp. 250, 253-254.

72 Alex Callinicos *Making history: agency, structure and change in social theory* Polity, Cambridge 1987 p. 82.

73 R. W. Connell and T. H. Irving 'Yes, Virginia, there is a ruling class' in Henry Mayer and Helen Nelson *Australian politics: a third reader* Cheshire, Melbourne 1973 p. 38.

74 Tom O'Lincoln *Years of rage: social conflicts in the Fraser era* Bookmarks Australia, Melbourne 1993, pp. 32-50; Sam Pietsch 'To have and to hold on to: wealth, power and the capitalist class' in Kuhn *Class and struggle in Australia*, pp. 29-31.

On other occasions, a section of the class acts to shift public policy in a way that particularly serves its own interests, and the rest goes passively along with its initiative. That has been an aspect of the increase in anti-Aboriginal racism, sponsored by a mining industry worried about land rights. Hugh Morgan helped make anti-Aboriginal racism respectable in the mid 1980s. The Mining Industry Council mounted campaigns against land rights legislation in 1983-84 and over the 1992 Mabo decision of the High Court which expanded Indigenous land rights.⁷⁵ ‘Thirty of Australia’s most respected business leaders’, including the president of the Business Council signed a statement supporting the Government’s 1997 legislation that restricted the impact of the High Court’s 1996 Wik ruling that pastoral leases did not extinguish native title.⁷⁶

Politicians and senior public officials who manage the state are influenced by the structure of the capitalist mode of production: the reliance they share with private capitalists on economic prosperity and profitability, common ideas and roles as managers of large hierarchical institutions. They have, however, specific interests of their own. So do private capitalists with distinct concerns related, for example, to the sector of the economy in which they operate. A passive response by private capitalists to a public policy indicates they are either happy with it or don’t care. But if capital or sections of the capitalist class don’t like what the state is doing, they are not shy about letting parties and governments know. Far from being counterposed, there is overlap between explanations of the relationship between the state and capitalist production that emphasise social structures and those that focus on the selfish decisions of individuals and groups. The two mechanisms reinforce each other, as the capitalist class works out and pursues its own interests.⁷⁷

The revival of racism in Australia and its anti-Muslim inflection were mediated by the specific interests of sections of the capitalist class. As Poynting et al. pointed out, private media proprietors gain audiences through sensationalist racist headlines or at least through enthusiastic reporting of government policy. Top management of the state owned Australian Broadcasting Corporation is less preoccupied with ratings than with appearing to maintain a ‘balance’, whose pivot is the conservative point between Coalition and Labor, and the desire to avoid pissing off the government which funds it. Politicians use racism to mobilise support around issues that advantage their own parties or capitulate to it in order to neutralise issues which they think will damage them. Those at the top of the police, armed forces and judiciary who are sensitive to politicians and the media use similar language and take complementary actions.⁷⁸ We can extend this argument: by playing up racist threats, the senior officers of various police forces and military units

75 Markus *Race* pp. 54-55; Frank Brennan ‘Undermining Mabo’ *Age* 4 October 1993, p. 13.

76 Lenore Taylor ‘Business unity on Wik’ *Australian financial review* 25 November 1997, p. 1.

77 For classic expressions of the ‘structuralist’ and ‘instrumentalist’ arguments, see, for example, Nicos Poulantzas’s and Ralph Miliband’s contributions in Robin Blackburn (ed.) *Ideology in social science*, Fontana, London 1972.

78 Poynting *Bin Laden* pp. 177-178, 237-238.

justify their existence, the expansion of their organisations and the extension of their own power.

The wider capitalist class did not initiate the shift toward anti-Arab and anti-Muslim racism but it was a major beneficiary. This racist campaign and its predecessors helped maintain the popularity and electoral viability of a government that acted in capitalist interests by privatising, restricting Aboriginal land rights, narrowing welfare eligibility, introducing the Goods and Services Tax and attacking trade unionism. The campaign against Arabs and Muslims was reinforced by and added to the legitimacy of Australian participation in the invasions of Afghanistan and Iraq, which in turn consolidated the alliance with the United States that served the interests of Australian capital.⁷⁹

If sections of the Australian capitalist class have actively promoted certain forms of racism and the class as a whole has passively accepted others, in recent decades capitalists have also actively reshaped racism in Australia through initiatives against forms of prejudice they regarded as a threat to their interests. These were, however, very modest in comparison with the offensives against the Chifley and Whitlam governments.

When John Howard started to do the dance of the seven veils around anti-Asian racism in 1988, it seemed that the capitalist class might find it enticing. In early 1988, the Business Council of Australia called for a fifty per cent increase in immigration, to 180,000 settlers a year. However, the Council made concessions to Blainey's views, affirming that 'The migration program has not been "open door" and control of the mix of migrants has so far been relatively successful. That balance must be maintained. If we increase the immigration program we must be sure that we are able to cope with the influx and that our program of cultural diversity does not become one of cultural division.'⁸⁰

The Liberal Party was internally divided over Howard's criticism of migration from Asia. While hostile to multiculturalism, other sections of the right in Australia regarded immigration as important for economic development, were favourably disposed to Vietnamese immigrants⁸¹ (presumed to be an anti-communist constituency), and worried about antagonising important trade partners.

Howard's statements about immigration in August were opposed by 'wets' in the Liberal Party, and important sections of the capitalist class; not only individuals in private but also the Confederation of Australian Industry, publicly. Economists, professionally concerned

79 Tom O'Lincoln 'The neighbour from hell: Australian imperialism' in Kuhn *Class and struggle in Australia*, pp. 181-185.

80 'The Australian immigration program—a business view' *Business Council bulletin* 40, February 1988, p. 17.

81 Castles *Mistaken identity* p. 132 and 134.

about the health of Australian capitalism, rebutted Blainey's and Howard's approach to immigration policy at the Australian Economists Association conference.⁸²

Howard retreated quickly. The episode counted against him in his ongoing tussle with Andrew Peacock over the Party leadership. Key Liberal parliamentary, extra-parliamentary and business leaders (notably Party President and CEO of Elders IXL John Elliott, Party Treasurer and big businessman Ron Walker, and Hugh Morgan of Western Mining Corporation) engineered Peacock's successful leadership challenge in May 1989.⁸³ Howard subsequently distanced himself even further from his earlier position and particularly from anti-Asian racism.

In the context of slow growth in 1992, the Labor Government and the ACTU proposed cuts in the level of immigration and the conservative opposition outbid them. The Business Council responded by stressing the economic benefits of a stable, long-term migration program, rather than using immigration 'as a short term, counter cyclical, economic policy instrument'. The Council asserted that '[t]here should be no racial bias in Australia's immigration policy'. While favouring greater emphasis on selecting migrants who could contribute to the economy, the Council opposed putting more weight on English language skills.⁸⁴

The Business Council continued to make a case for expanded immigration, particularly from Asia, in the lead-up to the 1996 election. After taking office in March, however, the new conservative Government in July cut back the inflow of migrants. John Howard said 'you do have to understand the legitimate concerns' of those fearful about immigration. When there were further cuts the following year, the Australian Chamber of Commerce and Industry (the peak business body) was very critical. By February 1998 the Business Council was again, very publicly, calling for a higher intake, especially of skilled workers. In 1999, the Government started to expand the overall immigration program and the intake more than doubled from 70,200 in 1999-2000 to 142,933 in 2005-2006.⁸⁵

82 Glenn Milne 'Bosses spell it out to Howard' *Sydney morning herald* 31 August 1988, p. 1; Brad Norington 'Employers denounce racist policies' *Sydney morning herald* 3 September 1988, p. 4; Michael Stutchbury 'Asian immigration would grow with a greater emphasis on skills' *Australian financial review* 14 September 1988, p. 14; Mike Seccombe 'Elliott: Asian debate "stupid"' *Sydney morning herald* 22 September 1988, p. 4.

83 On the mechanics of the coup against Howard see Kelly *The end of certainty* pp. 467-486, especially 476. Also see Geoff Kitney and Robert Reid 'Howard faces renewed leadership pressure' *Australian financial review* 16 August 1988, p. 1.

84 Greg Earl 'Business now real muscle in push to boost Asia ties' *Australian financial review* 2 March 1992, p. 7; 'Immigration update' *Business Council bulletin* 86, May 1992 pp. 20. The Council sought to shape the entire economic policy debate by means of a campaign around Paul Anderson (ed.) *Australia 2010: creating the future Australia* Business Council of Australia, Melbourne 1993, which was also issued in an 'Education edition' in 1995. The document supported a substantial immigration program but was ambiguous about excluding racial criteria, p. 143.

85 Ian Salmon 'Immigration works' *Age* 8 January 1996, p. 11; Michael Millett 'PM denies bowing to Hanson on migrant cuts' *Sydney morning herald* 23 May 1997, p. 1; Gabrielle Chan 'We are not racist

When Pauline Hanson vilified Aborigines and Asian immigrants John Howard let her rip, defending her right to attack them. In response, the president of the Business Council 'warned that continued misconceptions among regional neighbours concerning Australia's commitment to Asia would reflect poorly on the Prime Minister'.⁸⁶ This was code for 'Howard's implicit endorsement of anti-Asian racism will undermine profitable economic relations with Asia, in the form of trade, investment, immigration and tourism: he should bloody stop it'.

Hanson's One Nation Party won a quarter of the votes in the June 1998 elections in Queensland. In the run up to the October 1998 federal elections, concerned about rising support for One Nation's anti-Asian policies, important sections of the capitalist class intervened. The Business Council joined the ACTU, the Council of Social Services and Christian and Jewish religious leaders to attack One Nation over the issue of Asian immigration. Although Hanson and her Party were at least as venomous about Aborigines, Indigenous Australians were not mentioned in the joint statement.⁸⁷ Berri also paid for television commercials that attacked racism while promoting its fruit juice. At the time the company was also trying to open up new markets in Asia.⁸⁸

While a few individual business people have sometimes spoken out, we have seen no such mobilisations by capital or its organisations against further targeting of Aborigines or the promotion of racism against refugees, Muslims and Arabs.⁸⁹ When the conservative foreign editor of the *Australian* took exception to the Coalition's racist campaign for the 2001 elections, he could quote former public servants, former senior Liberal MPs and academics, but no business people. Members of the private capitalist class were similarly absent from the *Sydney morning herald's* list of prominent critics of the Government's and opposition's refugee policies.⁹⁰ Not only Governments and sections of the mass media but the capitalist class as a whole, although sensitive about the economic implications of anti-

or bigots, says PM' *Australian* 25 October 1996 p. 1; Lincoln Wright 'Govt may boost Asian migration' *Canberra times* 28 February 1998, p. 1; Tom Skotnicki and Damon Johnston 'Migration to rise' *Herald-Sun* 30 April 1999, p. 12; Department of Immigration and Citizenship 'Fact Sheet: 2. Key Facts in Immigration' www.immi.gov.au/media/fact-sheets/02key.htm#b, accessed 24 January 2007.

- 86 Michael Dwyer 'Tourist operators fear backlash' *Australian financial review* 4 November 1996, p. 2.
- 87 Michael Raper et al. 'The perils of straying from reality' *Australian* 27 August 1998, p. 11. For criticisms of the Liberal Party by former business donors with migrant backgrounds see Margot Saville 'Migrant backing lost by Howard's wavering' *Sydney morning herald* 10 August 1998, p. 3.
- 88 Phillip Hudson 'Berri puts squeeze on racism' *Age* 17 August 1998, p. 2.
- 89 Mining millionaire Joe Gutnick was an exception in his criticisms of the Government's 1997 land rights legislation, Barry FitzGerald 'Gutnick refuses to join Wik push' *Age* 26 November 1997, p. 3. Stan Wallis, president of the Business Council, was critical of Howard's tactic of threatening a double dissolution election if the Senate did not pass his new land rights legislation. But the Business Council did not actually oppose the legislation and asserted that it was *not* racist, Lenore Taylor 'Wallis calls for calm on Wik' *Australian financial review* 12 November 1997, p. 4.
- 90 Greg Sheridan 'The stain of shame spreads' *Australian* 8 November 2001, p. 11; Marian Wilkinson and David Marr 'Howard, Beazley lashed over race' *Sydney morning herald* 8 November 2001, p. 1.

Asian xenophobia, benefited from and was complicit in the campaigns against refugees, Arabs and Muslims.

Resisting racism

Years of campaigning by imprisoned refugees and the sustained solidarity movement on the outside eventually led to very widespread opposition to the Government's policies of locking up 'asylum seekers'.⁹¹ The Howard Government had to water down its own policies.⁹²

A week after the Cronulla riot, between one and two thousand people protested 'United against racism' in Sydney. During August 2006, demonstrations of up to 50,000 people protested against Israel's invasion of Lebanon and the Howard government's support for it. These effective mobilisations and Hezbollah's defeat of the Israeli army helped rebuild the self-confidence of Australian Muslims and Arabs.⁹³

In January 2007, 56 per cent 'opposed the Government's treatment' of Australian Muslim convert David Hicks, captured in Afghanistan with Taliban forces in 2001 and held, with the agreement of the Australian Government, in the US prison at Guantanamo Bay.⁹⁴ This was not a spontaneous shift in public opinion, from majority support for Hicks' incarceration. It was the result of a campaign from below. Given the link to Australian foreign policy and overseas developments, scepticism about Australian participation in the occupations of Afghanistan and Iraq raised questions about the plausibility of anti-Muslim racism. A majority of people in Australia and the largest demonstrations in the country's history had opposed the invasion of Iraq in 2003. While support for the Government grew during the invasion, Iraqi and Afghan resistance to the occupations meant that by July 2007 64 per cent of those surveyed opposed Australian involvement in Iraq. Sixty two per cent opposed US involvement there. Australian involvement in Afghanistan was opposed by 51 per cent and US involvement by 50 per cent. The Labor Party was critical of

91 Margot O'Neill *Blind conscience* New South, Sydney 2008.

92 Maley 'PM suddenly finds a heart'.

93 Wendy Frew 'Out in force to foster harmony' *Sydney morning herald* 19 December 2005 p. 4; Diane Fieldes personal communication, press estimates of Sydney rallies were lower e.g. 15,000 Alyssa Braithwaite 'Marchers around world plead for peace to be given a chance' *Sydney morning herald* 24 July 2006, p. 9; although the *Canberra times* called one 'massive', 'Fury as Israel steps up war in Lebanon' 23 July 2006, p. 6.

94 Matthew Franklin 'Public loses heart for Howard's war' *Australian* 23 January 2007, p. 4, for details, see Newspoll and *Australian* www.newspoll.com.au/image_uploads/0103%20Hicks%20and%20Iraq.pdf, accessed 9 February 2007. A poll in December 2006 found that 71 per cent of people thought Hicks should be brought home Jonathan Pearlman and AAP 'Most want Hicks to return—poll', *Sydney morning herald* 14 December 2006, p. 4.

Australian participation in the occupation of Iraq, but supported Australia's role in the war in Afghanistan.⁹⁵

A decline in the appeal of xenophobic racism in Australia was an important element in the outcome of the November 2007 federal election.

As we have seen, the Government had been forced, in 2005, to back away from its harsh treatment of refugees arriving by boat. In the run up to the 2007 elections, efforts to revive fear of terrorism and Muslims were relatively unsuccessful. Australian security forces and the Government targeted Mohamed Haneef, an Indian doctor working in Australia, because he was the cousin of one of the people involved in the terrorist attacks in the UK at the end of June. His arrest was used to whip up paranoia and to justify the introduction of legislation to expand police powers. When a magistrate released Haneef on bail, Immigration Minister Andrews prevented him from leaving the country by revoking his visa on 'character grounds' and throwing him into immigration detention, until his court hearing. This move was supported by the Labor Party. It subsequently emerged that false information had been used to justify the prosecution of Haneef and the charges were dropped.⁹⁶

The Haneef debacle did not prevent Andrews from dealing another racist card, this time from the anti-black rather than anti-Muslim suit. On 1 October, he cut the intake of Sudanese refugees because 'some groups don't seem to be settling and adjusting into the Australian way of life.' This revelation came in the course of an interview prompted by the racist murder of a Sudanese refugee in Melbourne. Andrews added that the Sudanese came from 'a vastly different culture' and formed 'race based' African gangs.⁹⁷

During the 2007 election campaign, a member of the NSW State Executive of the Liberal Party and the husbands of the retiring Liberal member and the new Liberal candidate for the marginal Sydney seat of Lindsay were discovered distributing a fake leaflet. It was

95 United States Study Centre, University of Sydney 'Australian attitudes towards the United States: foreign policy, security, economics and trade, 2007 United States Studies Centre National Survey Results, Part 1, presentation by Professor Murray Goot' 3 October 2007 <http://sydney.edu.au/us-studies/docs/Survey%20Presentation-3%20Oct%2007-Part%201.pdf>, accessed 19 January 2008.

96 Alexandra Symonds and John Kerin 'Haneef visa revoked after bail shock' *Australian financial review* 17 July 2007, pp. 1, 4; David Marr 'Just an ordinary life' *Sydney morning herald* 21-22 July 2007 pp. 28, 28; John Kerin 'Haneef freed as case collapses' *Australian financial review* 28-29 July 2007, p. 5; Tom Allard 'New secret search powers' *Sydney morning herald* 1 August 2007 p. 1. John Clarke, who conducted an inquiry for the Rudd Government into the affair drew attention to the political motives behind the cancellation of Haneef's visa in understated language: 'although I found no evidence of conspiracy or an improper purpose, I do find the cancellation—and particularly its timing—mystifying', M. J. Clarke *Report of the inquiry into the case of Dr Mohamed Haneef*, Volume One Commonwealth of Australia, Canberra 2008, p. viii.

97 Farah Farouque, Andrea Petrie and Daniella Miletic 'Minister speaks on Africans' *Age* 2 October 2007, p. 2; Kevin Andrews 'Refugee and Humanitarian Intake 2007-08', 4 October 2007 media release <http://www.minister.immi.gov.au/media/media-releases/2007/ka07104.htm>, accessed 5 October 2007.

supposedly issued by a (non-existent) Muslim organization and endorsed the Labor Party because it supposedly forgave the Islamist bombers who killed many Australians visiting Bali in 2003 and supported the construction of a new mosque.⁹⁸ The outgoing MP tried to dismiss the leaflet as a joke. But the joke was on Howard: race was far less important to voters than recent rises in interest rates and the class question of industrial relations, around which unions had mobilised.⁹⁹ Labor won in a landslide while John Howard lost his own seat.

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98 Phillip Coorey 'Lib shame over fake pamphlet' *Sydney morning herald* 22 November 2007 fourth edition p. 1. Michelle Grattan 'A stupid act, even for such an airhead' *Age* 23 November 2007 p. 10.

99 Kathie Muir *Worth fighting for: inside the 'Your rights at work' campaign* UNSW Press, Sydney 2008.

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Whose liberty? Australian imperialism and the Pacific war

Tom O'Lincoln

Australia presents its Pacific War effort as a fight for liberation. This article challenges that view. The Allied forces were fighting to re-impose their own imperialist control, and this includes Australia. The war is best understood as part of a long term pattern of imperialist contention. The wartime intervention in East Timor, the battle to sustain control of Papua New Guinea, the restoration of Dutch rule in eastern Indonesia and Canberra's determination to play a role in the occupation of Japan, all illustrate this theme.

After Pearl Harbor John Curtin declared 'we are at war with Japan ... because our vital interests are imperiled and because the rights of free people in the whole Pacific are assailed.'¹ It has proved an enduring explanation. In a book published last year, War Memorial historian Peter Stanley cites this as the essential rationale for Australia's Pacific War.²

But how many Asians were free?

'We have ruled here for 300 years with the whip and the club', said the Dutch Governor of Java, Bonifacius de Jonge in 1935. In Indonesia, the Dutch had long maintained the brutal 'culture system', ruthlessly extracting agricultural surpluses from the peasantry at the cost of repeated famines. Outside Java, forced labour remained common until 1942, so that the Japanese forced labour system called *romusha* was built on Dutch colonial traditions. Political activists languished at Holland's 'green hell' prison colony Tanah Merah, again

1 Kristin Williamson *The last bastion* Lansdowne, Sydney, 1984, p 125.

2 Peter Stanley *Invading Australia: Japan and the Battle for Australia, 1942* Viking, Melbourne, p. 188.

foreshadowing Japanese occupation methods. Working class struggles were brutally crushed.³

In Indochina rebellion also met severe repression. During 1930 peasants staged hunger marches and seized control of landed estates, electing *Xo-Viets* (councils—a name clearly derived from Russian *soviets*) to run them. Their French rulers hit back with air and ground attacks causing 10,000 casualties.⁴ The story of the Vietnamese left in the following decade was one of constant repression, and the life of workers and peasants a continual misery. According to one observer of the massive 1937 strike movement against French capital:

The underlying cause of the social ferment is the poverty of the masses ... all too often ignored by employers whose decisions are taken far from the colonies and dictated by a cold concern for the reduction of 'general costs of production'.⁵

In the Philippines, the United States hi-jacked a local independence struggle, sending troops in 1898-99 to wrest the islands from Spain. The Filipinos still demanded their rights and a cruel war ensued. By 1902 the death toll had surpassed 200,000 from fighting, starvation, exposure, torture and disease. A U.S. Congressman's first-hand report said the Americans 'took no prisoners' but 'simply swept the country, and wherever or however they could get hold of a Filipino, they killed him.'⁶ Humorist and anti-imperialist campaigner Mark Twain savagely proposed that America create a new version of its flag, with the white stripes coloured black and a skull and crossbones to replace the stars.⁷ Once American control was secure, unequal trading arrangements ensured open American access to Philippine markets and Filipino dependency on the US economy.⁸

US Senator George Frisbie Hoar's description of the American conquest of the Philippines—'devastation of provinces, the shooting of captives, the torture of prisoners and of unarmed peaceful citizens'—applies to much western warfare in Asia. Rather than singling out the Japanese power grab for special condemnation, it makes better sense to see

3 John Keay *Last post: The end of empire in the far east* John Murray, London, 1997, p. 16. Hadiz, Vedi *Workers and the state in New Order Indonesia* Routledge, London, 1997, pp. 44-45. Lingard, Jan *Refugees and rebels: Indonesian exiles in wartime Australia*, Australian Scholarly Publishing, Melbourne, 2008, p 64ff.

4 Keay *Last post*, p. 87.

5 Quoted in Ngo Van *Revolutionaries they could not break: the fight for the Fourth International in Indochina 1930-1945* Index Books, London, 1995, p. 47.

6 Stanley Karnow *In our image: America's empire in the Philippines* Random House, New York, 1989, p. 188.

7 Karnow *In our image*, p 192.

8 Keay *Last post*, p. 117.

it as part of a wider imperialist pattern, beginning with earlier western conquests and continuing through to the brutalities of America's Vietnam war.⁹

This history includes Australia with its genocidal onslaught against indigenous people, and its colonies in the Pacific. Consider Australian rule in Papua and New Guinea before the war. Under the Native Regulations and Ordinances in Papua, according to former district commissioner David Marsh

A native wasn't allowed to drink. He couldn't go into a picture show with Europeans. When walking along the footpath the native was expected to move aside. We had the White Women's Protection Ordinance which more or less said that if you smiled at a white woman it was rape ... They also had a Native Women's Protection Ordinance which seemed to say something quite different, and didn't mean much anyway.¹⁰

In 1929, twelve years before the war for 'freedom', black workers in Rabaul struck for higher pay. Astonished to find themselves without breakfast, white *mastas* were outraged. 'My coon's not here' complained one; another grumbled that there was 'no response from the slave ... the Government ... is disgustingly lenient with the natives ... why, the only thing a native understands is a beating.' White police put the strike leaders on trial; and a white magistrate jailed them.¹¹

After the war, Australian rule remained dictatorial. In his 1992 Kokoda speech Paul Keating proclaimed that the diggers had fought and died there for the 'liberty of Australia'. They certainly hadn't fought for the liberty of the local people.¹²

Is it any surprise most Asian peoples lacked enthusiasm for the Allied war effort? For many the war was simply a nightmare brought from outside by rival thugs. In Malaya one British observer wrote: 'The Malays were not taking any great interest, and can you blame them? It was their country that was being rolled over by two vast overseas giants, who were fighting their disgusting battles in Malaya's own garden, smashing and destroying everything.'¹³ When the conflict broke out in Europe, the British Governors of India and Burma automatically proclaimed war, about which Jawarlal Nehru later remarked: 'One man, and he a foreigner, plunged four hundred millions of human beings into war without the slightest reference to them.'¹⁴ This helps us understand why, after the fall of Singapore,

9 Richard Welch, 'American atrocities in the Philippines: the indictment and the response' *Pacific Historical Review* 43, 1974, p. 233.

10 Quoted in John Waiko *A short history of Papua New Guinea* Oxford University Press, Melbourne, 1993, p 77.

11 Waiko *A short history*, pp. 100-101.

12 Quoted in James Curran *The power of speech: Australian prime ministers defining the national image* Melbourne University Press, Melbourne, 2004, p 220.

13 Quoted in Keay *Last post*, p. 177.

14 John Latimer *Burma: the forgotten war* John Murray, London, 2004, p.17.

40,000 Indian troops defected to the Japanese, stunning the Indian military authorities. Their mood wasn't improved by news of British planes strafing angry crowds after nationalists demanded Britain 'Quit India'.¹⁵ Burmese leader Aung San (father of Aung San Su Kyi) added his own pointed comment:

We declared to the British Government ... that it would be consistent and proper for us to join the war for democratic freedom, only if we would likewise be assured that democratic freedom [applied] in theory as well as in practice. So we asked that beginning with the declaration of war, principles of democratic freedom should be applied in our case too ... But our voice went unheeded. To us then the war in Europe was plainly a war between two sets of imperialists... We therefore finally resorted to an anti-imperialist, anti-war campaign.¹⁶

Responses to Japanese conquest

Across much of Asia, colonised peoples tended to welcome the Japanese advances. They had shown it was possible to defeat the whites. This humiliation of European arrogance had a profound impact. A Sikh guard told a western internee in Hong Kong: 'The day of the British is over. I am ya boss.'¹⁷

On hearing the Japanese had landed in northern Malaya, Governor Shenton Thomas is said to have blathered, 'I trust you'll chase the little men off'. But as the Japanese advanced, whites got a shock: Chinese traders would no longer accept their credit, but rather 'insisted on cash down from the *tuans* [masters]. This abrupt ending of a system of credit notes which gave the word "chit" to the English language and was one of the most fundamental obeissances to the white presence, was a kind of death knell when sounded by a people so shrewd and intelligent.'¹⁸

The Asian peoples of Singapore were contemptuous of the way whites evacuated their own families and servants, while leaving most locals to face the invaders. But evacuation didn't always work either. Women shipping out of Singapore were attacked at sea, and were lucky to make it to Banka Island off Sumatra, where Japanese soldiers killed some and interned others. A sympathetic book about their experiences nevertheless shows how persistent was the white arrogance. Mrs Brown had left her bag with valuables on the raft:

15 Lawrence James *Raj: the making and unmaking of British India* Little, Brown & Co, London, 1997, pp. 545, 548, 564-566.

16 Aung San 'The resistance movement' Rangoon 1945, www.aungsan.com/Res_Movement.htm, accessed June 2007.

17 Christina Twomey *Australia's forgotten prisoners: Australian civilians interned by the Japanese in World War II* Cambridge University Press, Melbourne, 2007, p. 47.

18 Lavinia Warner and John Sandilands *Women beyond the wire* Arrow Books, London, 1982, p 27, 38-39.

Responding to a lifetime's habit, she attracted the attention of the most readily available Asiatic, a Japanese soldier in this case, and indicated that she would like it fetched. The Asiatic trotted away, as obediently as ever ... and brought it back. Now, however, he opened it, examined the contents, then put it under his arm and walked off down the beach: a clear indication of the New Order in Asia.¹⁹

And even becoming captives of the New Order together didn't end bigotry towards Eurasians among white internees. According to one writer, a 'significant tension initially was race, which not even a shared antipathy towards the Japanese could entirely eradicate. The complex distinctions which had set those of mixed blood apart in the society of the colonies could not be disregarded immediately ...'²⁰ Another says that in China, 'The injuries of class and race clearly continued to be felt within the camp walls.'²¹

Even sharp critics of the Japanese saw a positive side to their successes. 'Under the Japanese', wrote Malay leader Dato Onn bin Ja'afar, 'I learned that an Asian is just as good as a European. [The Japanese] were brutal, true, but they inspired us with a new idea of what Asia might become.' Filipinos generally disliked the Japanese, but when MacArthur fled the Philippines he also acknowledged a mood of 'violent resentment against the United States'.²² Even Chiang Kai-shek, theoretically the leader of Chinese resistance to Japan, had trained at a Japanese military college in 1909 and served in the Japanese 13th Artillery Regiment.²³

Some Asians saw things pragmatically. If Japanese victory could dislodge western imperialism that was good; later if the return of the allies could drive out the Japanese that was good too, as long as the westerners came back sufficiently weakened to make independence a realistic prospect. In Burma, Aung San's tiny forces initially lined up with Japan. By 1945 they were helping the allies, but with their eyes on independence. Siam declared war on the west in the early stages, but a pro-western 'resistance government' assumed power when the Allies got the upper hand. Alan Powell quotes a man called Emboge, near Popondetta in New Guinea, who tried collaborating with the Japanese but then moved to attempting to build an independent struggle.

The *kiawa* [white men] treated us badly before the war and they deserted the people when the Japanese landed at Buna. We tried the Japanese but we did not like them at all. So all we could do is organise ourselves and

19 Warner and Sandilands *Women beyond the wire*, p. 66.

20 Warner and Sandilands *Women beyond the wire*, p. 114.

21 Twomey *Australia's forgotten prisoners*, p. 73; on the complex interplay of race issues during the Japanese advance, see chapter 2.

22 Keay *Last Post*, pp. 230, 192.

23 Latimer *Burma*, p. 31

settle our own differences before we can hope to fight the external enemies.²⁴

Ethnic Fijians signed up to fight out of a desire to prove their worth to the empire, whereas Indo-Fijians didn't because they disliked the empire and resented being paid less than whites.²⁵ In still other cases, local people simply lined up with whoever seemed to be winning in their area, or whoever conscripted them. As an inhabitant of the Huon Peninsula (eastern Papua) told Australians: 'We thought the Japanese could beat you when you left these places, so we went their way. Afterwards when you bombed and bombed we were doubtful so we made up our mind to sit in the middle, but when you hunt them from these places we will know you are the stronger.'²⁶ Thus the patchwork of allegiances was very complex:

Not only did New Guineans fight New Guineans at various stages of the war, but Fijians fought Bougainvilleans and Pohnpei people fought New Guineans serving with the Australians ... Ninety-six men and one woman suspected of collaboration with the Australians were massacred at the Iatmul village of Timbunke by people from other Sepik villages acting under Japanese orders.²⁷

That brings us to the Papuan carriers, condescendingly known as 'Fuzzy Wuzzy Angels'. The Australians 'recruited' these unfortunates to virtual forced labour. No one told them what the war was really about, but they soon learned how vile it was. Many were paid nothing. According to Peter Ryan: 'Recruitment in some villages was 100% of male adults ... The villages suffered severely, without men to clear gardens, hunt, maintain houses and canoes etc. Diet was deficient, disease mounted ... there was in some places near starvation and very high infant mortality...'²⁸

Doctor Geoffrey Vernon recalled that during fighting on the Kokoda Trail:

...many carriers were without a single blanket, rice was practically the only food issue, meat was withheld for two or three weeks and tobacco scarce: the regulation governing the reduction of loads to 40 lbs was

24 Alan Powell *The third force: ANGAU's New Guinea war, 1942-46* Oxford University Press, Melbourne 2003, p. 208.

25 Robert Lowry *Fortress Fiji: holding the line in the Pacific war 1939-45*, self-published, Sutton NSW, 2006, pp. 73-74.

26 Powell *The third force*, p. 216.

27 Geoffrey White and Lamont Lindstrom *The Pacific theater: island representations of World War II* Melbourne University Press, Melbourne 1990, p. 23.

28 Quoted in Waiko *A short history*, p. 114.

often ignored, and excessive weights and distances imposed on the carriers as if they were merely pack animals.²⁹

T. A. G. Hungerford's novel *The ridge and the river* portrayed rebellious carriers. The leading white character used violence to keep them working, then reflected bitterly:

The kanakas didn't know what it was all about—it wasn't their war, but he had to rag them and work them to a standstill carrying a bully who had never done anything but ill-treat them and abuse them—and if rumours were true, even worse.³⁰

In the late 1960s, former carriers told PNG University's Ulli Beier that about two-thirds of them had tried to escape. Reasons for wanting to abscond included bad food, sore shoulders from carrying, beatings, cold, and bombs. But whenever some did escape, the Australians conscripted their sons, so that fathers were forced back to face ghastly penalties. 'The most terrifying punishments were the so-called drum beatings in Kerema ... A fire was lit in a 44-gallon drum and when it was hot the unlucky carriers were put cross the drum and beaten.'³¹ A song still current among villagers in the 1970s ended:

The white man has brought his war to be fought on this land
His King and Queen have said so
We are forced against our wishes to help him.³²

They certainly had no reason to respect the whites, judging by Captain F.P. Brewer's description of the troops at Port Moresby when it was bombed and people thought an invasion was near.

Crowds of soldiers looted homes and shops ... Captain Fitch of the Steamship Trading Company caught an officer walking off with his golf clubs from the shipping company's offices. They took refrigerators and wireless sets. Damage was done by men throwing silks, etc about and breaking bottles. The bulk store of liquor was looted and taken into the bush. There was no wild revelry in town; it took place out in the bush ... Officials just sat around waiting.³³

The ridge and the river's protagonist muses that the locals 'had seen the plantation owners, the little tin gods, chased out by the Japanese, escaping, if they were lucky, with their lives

29 Quoted in Peter Brune *Those ragged bloody heroes: from the Kokoda Trail to Gona beach 1942*, Allen & Unwin, Sydney 1991, p. 52.

30 TAG Hungerford, *The ridge and the river* Penguin, Melbourne 2003, p. 151.

31 Humphrey McQueen *Social sketches of Australia 1888-2001* University of Queensland Press, St Lucia 2004, p. 176.

32 Humphrey McQueen *Social sketches*, p. 176.

33 Quoted in Paul Hasluck *The government and the people. Volume 2, 1942-1945*, Australian War Memorial, Canberra, 1970, p. 702.

... There might be a lot of very surprised planters when they tried to get labour at the old rates after the war—and there might be something more ugly.³⁴

At the time, the Government claimed Papua and New Guinea were ‘Australian’ territory, but Curtin himself was quite cynical about this in private, telling journalists that ‘New Guinea wasn’t Australia, it was only a piece of military strategy.’³⁵

As a general rule, populations that initially welcomed the Japanese eventually grew to loathe them, but it would be misleading to attribute that entirely to Japanese brutality. Certainly we should not understate that brutality, which ranged from face-slapping to grisly killings and rapes.

But more significant overall was the fact that the Japanese were badly over-extended. Japan had tried to seize a quarter of the globe. As the armies of the empire strained every sinew to hold the line against western counter-attack, they were desperately short of resources. Given malnutrition was common in Japan itself, it was hardly surprising that people went hungry all over the Greater East Asia Co-Prosperity Sphere. Considering the resources pressures, it’s likewise not surprising that the Japanese conscripted and mistreated labourers on a bigger scale than did the Australians in New Guinea, or that the Burmese said ‘the British sucked blood but the Japanese went to the bone marrow’.³⁶ Nor that Australian POWs experienced such appalling treatment.³⁷

We are apt to judge the Japanese by how they governed at the height of the war, when their own conditions were becoming desperate. But consider how some islanders in mandated territories related to them before Pearl Harbor:

In the Japanese territories of Micronesia, the need for fighters and skilled labour elevated the role of Islanders in the empire ... Already in 1937 Islanders from Rota, Saipan and Pohnpei had petitioned to be allowed to participate as Japanese in the war with China. In World War II, when Palauan recruits were organised into a military unit, a member of the corps composed a patriotic song with the verse, ‘On our shoulders rests

34 Hungerford, *The ridge and the river* p. 152. The book also mentions (p. 9) locals collaborating with the Japanese. Likewise Osmar White describes villagers guiding Japanese patrols; see: Osmar White *Green armour* Penguin, Ringwood 1992, p. 165.

35 Clem Lloyd and Richard Hall *Backroom briefings: John Curtin’s war* National Library of Australia, Canberra 1997, p. 98.

36 Latimer *Burma* p. 124.

37 I discuss POWs in a forthcoming book, arguing that the undoubted horrors they suffered are best explained by material and social factors rather than the supposed evils of the Japanese people. For now, readers are referred to Humphrey McQueen, *Japan to the rescue: Australian security around the Indonesian archipelago during the American century*, Heinemann, Melbourne, ch 19. Another nuanced picture of Japanese prisoner guards etc is available in Christina Twomey *Australia’s forgotten prisoners: civilians interned by the Japanese in World War Two* Cambridge University Press, Melbourne 2007, for example, p. 51.

the name of Palau; the opportunity for us to devote ourselves to the Emperor's country, Japan, has come.'³⁸

Manipulated and naïve? Of course, but no less than many pro-western sentiments.

Australia invades East Timor

During the campaigns for East Timor's independence after 1975, Australians made much of the supposedly warm relations enjoyed by Australian 'Sparrow Force' guerrilla fighters in that country during World War II. But there is another, much darker side, a story of contention between outside aggressors. It began before the war, as Australians and Japanese jockeyed for oil concessions in the late 1930s. Qantas even initiated regular flights to the capital Dili, which would hardly have been profitable, to increase Australian leverage with the local administrators.

We hear endless condemnation of the Axis powers for invading neutral countries, but few people know that Australian and Dutch troops invaded East Timor in violation of Portuguese neutrality. The Portuguese Governor called it 'aggression, absolutely contrary to the principles of law'.³⁹ Archie Campbell, one of the invaders, later wrote that it seemed 'our single claim to fame and glory is that we shall go down in history as the first troops of Great Britain or Australia to violate another country's neutrality in the war'.⁴⁰

The blatant aggression is clear even from Lionel Wigmore's official war history. Once the invading forces had mobilised, their commanders went to the Portuguese governor and demanded he 'invite' them in. The outraged governor said 'his instructions were definitely to ask for help only after Portuguese Timor was attacked [by Japan]. He was told that this was too late; the [Dutch and Australian] troops were on their way and must land.'⁴¹

Not that we should concern ourselves too much with the diplomatic rights of the Portuguese colonialists. What matters is that the Japanese, for reasons mainly to do with keeping Portugal out of the war in Europe, were keen to keep East Timor out of the war as well. Neither Macao nor East Timor was on the list of war objectives in the first stage of Japan's war plans because the general staff feared that taking Portuguese Timor would drive Portugal into the arms of the Allies.⁴² *So it was Australian and Dutch imperialists who brought the horrors of war to this colony.* James Dunn would later write that

38 White and Lindstrom *The Pacific theater*, p. 21.

39 Christopher Wray *Timor 1942: Australian commandos at war with the Japanese*, Hutchinson Australia, Melbourne 1987, p. 29.

40 Archie Campbell *The double reds of Timor* John Burrige Military Antiques, Swanbourne 1995, p. 22. He adds that Australian headquarters was prepared for resistance from either Portuguese or 'natives', p. 23.

41 Lionel Wigmore *The Japanese thrust* Australian War Memorial, Canberra 1957, p. 469-70.

42 Henry Frei 'Japan's reluctant decision to occupy Portuguese Timor, 1 January 1942-20 February 1942', *Australian Historical Studies*. 27 (107) October 1996, p. 281, 287. Frei also shows that both the

As a consequence of the Allied intrusion in December 1941, and the subsequent military operations in the territory, East Timor was one of the great catastrophes of World War II in terms of relative loss of life.⁴³

Did the Timorese support Australia? Only sometimes, and then often cynically. Christopher Wray quotes an account saying ‘at first the natives were suspicious’ of the diggers. Only when they were alienated by Japanese behaviour did they start helping them.⁴⁴ In August 1942 the Australians were attacked by a group of people apparently from Dutch Timor and allied with the Japanese. At one point these Timorese had shown signs of wanting to use captured Australian Corporal Hodgson for ‘spear practice’.⁴⁵

August was when the Japanese took the offensive. Once that happened the Australians faced increasing hostility from the Timorese. Those in frontier areas were pro-Japanese, or more accurately anti-European. Elsewhere the locals were ‘no longer as ready to support the Australians as they had been before when the 2/2 Independent Company had had the run of Portuguese Timor’. Moreover ‘screens of pro-Japanese natives made it hard to strike at vital parts of enemy columns’ and by 23 August, despite a Japanese retreat, unrest among the Timorese was beginning to seriously concern the Australians.⁴⁶

Sparrow Force led raids on villages that didn’t support them. ‘During the raids a number of villages were burned out, about 150 huts being destroyed’, says Wray, whose book contains a photo of Australians burning the village of Mindelo.⁴⁷

Wray tells us that some of the local people who helped the Australians did so in the mistaken belief the Australians would eventually help them overthrow the Portuguese.⁴⁸ But for all the wartime talk of liberation, there was no chance of this. On the contrary, the Australians wanted Portuguese officials to stay in their posts to maintain order. And an ugly order it was.

In late August local people at Maubisse rebelled and killed a Portuguese official. After that a Portuguese-led reprisal force attacked Maubisse, ‘burning villages and crops, carrying off women, children and animals and killing everyone else in their wake.’⁴⁹ A diary kept by Australian troops recorded their laid-back attitude to such events: ‘The private local war, Portuguese versus native, still goes on in its bloodthirsty way, and provides some

emperor and Japanese Prime Minister Tojo resisted sending troops to East Timor even after the Australians went in, for example, p. 290.

43 James Dunn, *Timor: a people betrayed*, Jacaranda Press, Brisbane 1983, p. 26.

44 Wray *Timor 1942*, pp.107, 101.

45 Wray *Timor 1942*, pp. 119-120.

46 Wray *Timor 1942*, pp. 124-126.

47 Wray *Timor 1942*, pp. 148-149. See also Neil McDonad., *War cameraman: the story of Damien Parer* Lothian, Melbourne 1994, p. 176.

48 Wray *Timor 1942*, p. 131.

49 Wray *Timor 1942*, p. 131,132.

humour for sub units. One of our patrols near Mape, out hunting the Jap, encountered a Portuguese patrol out hunting some natives, they exchanged compliments and went their various ways.⁵⁰

Ultimately Sparrow Force's position became untenable as the Japanese mounted a strong offensive, while villagers became unfriendly and even hostile. A participant recalls:

Our whole method of operation was collapsing; we could not rely on the natives; under the effects of the bombings and the propaganda of the Japanese, the villagers amongst whom we had lived were becoming sullen and even actively hostile.⁵¹

As in so many places around the Asia-Pacific, it appears most villagers were friendly when the Australians had the upper hand in fighting, but became unfriendly when the Japanese looked like winning. Which makes sense: why would you be serious mates with the Australians when some of them acted like this:

Many times a native would pull into an Aussie camp, proudly produce a surat [letter of IOU used to secure provisions] on which someone had written: 'Give the bastard a kick in the arse and send the useless bugger on his way.' It added to the general enjoyment of the hard dull work of the day's patrolling.⁵²

Australian soldier Jim Landman remembers that 'when they misbehaved we killed them, and when we wanted a girl we bought one', and according to Alfredo Pires, son of a Portuguese official and a Timorese mother:

There was a saying in that war, that for punishment the Japanese were bad, very cruel, but for justice the Australians were worse. The Japanese may torture, punish, try to get you to tell, but it is not certain you will die, but if the Australians suspect you, you're dead.⁵³

The cruellest hearts were in the higher command. Archie Campbell and his comrades were haunted by the likely fate awaiting their remaining Timorese allies when the Australians pulled out.

... we are now their only source of protection. If only we could take them with us when we go, but Australian HQ has vetoed the idea ... Our poor

50 Wray *Timor 1942*, p. 132.

51 B.J. Callinan 'The August show on Timor' in Norman Bartlett (ed) *Australia at arms* Australian War Memorial, Canberra 1955, p. 209.

52 Wray *Timor 1942*, p. 87-88.

53 Landman and Pires interviewed in Michelle Turner, *Telling: East Timor: personal testimonies 1942-1992*, UNSW Press, Sydney 1992, p. 36, 38.

Timor criados look so bewildered ... our hearts are weighed down by a persistent and terrible ache.⁵⁴

Restoring white rule

By 1944 the allies knew they would win the Pacific War. Their objective now, as Anthony Eden had once put it, was to re-impose 'white-man authority'.⁵⁵

The war effort stank of racism. In setting out war aims in early 1942, the Government had emphasized the 'principle of a White Australia.'⁵⁶ Having built a nation by dispossessing others, it was hardly surprising white Australians should worry that someone might do the same to them; and in promoting the war effort against Japan, the Prime Minister built on just such fears:

From the day that Captain Arthur Phillip landed here, until this hour, this land has been governed by men and women of our race. We do not intend that that tradition shall be destroyed merely because an aggressor marches against us ... Australians, you are the sons and daughters of Britishers.⁵⁷

I quote Curtin himself because it's so common to blame racism on the Australian working class. In World War II the racist agitation came *right from the top*. General MacArthur declared that the Japanese soldier was 'only one degree removed from a savage,'⁵⁸ while that fine drink-sodden Australian specimen General Blamey called the Japanese fighting man 'a subhuman beast', and the Japanese nation 'a cross between the human being and the ape'.⁵⁹

From these august levels, hatred was promoted down through the ranks. Destroying the enemy, remarked the commander of the 7th Infantry Brigade at Milne Bay, was 'a most effective way of demonstrating the superiority of the white race' while the second in command of the 2/14th Battalion described enemy forces on the Kokoda Trail as 'cocksure hordes [out] to glut their lust and savagery in the blood of a conquered white nation'. Not to be outdone, officers lecturing Ninth Division soldiers explained that their Japanese adversary was 'merely an educated animal'.⁶⁰

54 Campbell *The double reds*, p. 132,134.

55 Richard Overy with Andrew Wheatcroft *The road to war* Macmillan, London 1989, p. 302.

56 Peter Dennis et al, *The Oxford companion to Australian military history* Oxford University Press, Melbourne 1995, p. 323.

57 'Total mobilisation ordered: we made Australia' *Sydney Morning Herald*, 18 February 1942, p. 9.

58 Quoted in Williamson *The last bastion*, p. 184.

59 Mark Johnston *Fighting the enemy: Australian soldiers and their adversaries in World War II*, Cambridge University Press, Melbourne 2000, p. 86.

60 Johnston *Fighting the enemy*, p. 86, 85, 87.

Critics have asked whether Australian Commander in Chief Blamey's offensives in the islands were necessary, since they cost lives without making Japan's surrender any faster. This is to mistake their purpose. In addition to restoring colonial rule, they were important for Canberra's negotiating position. Blamey told the government:

Were we to wait until Japan was finally crushed, it would be said that the Americans, who had previously liberated the Philippines, were responsible for the final liberation of the natives in Australian territories, with the inevitable result that our prestige both abroad and in the eyes of the natives would suffer much harm.⁶¹

More young men had to die because to wait for Japan's surrender might make the 'natives', and rival Pacific powers, think Australia was on the skids.

Australia's role in the post-war occupation of Japan likewise reflected Canberra's imperialist ambitions. The US Ambassador in Canberra, for example, had advice from one or more cabinet ministers that Foreign Minister Evatt wanted 'sovereignty over all Solomons, Hebrides, and Fiji groups', and planned to 'bargain for Australian ownership or domination up to the equator.'⁶² Canberra cabled the British proposing to take responsibility for 'policing' East Timor, New Guinea and the Solomons and 'share in policing' large sections of Indonesia as well as the New Hebrides.⁶³ Evatt was, as John Curtin put it, trying to secure 'the future of the white man in the Pacific'.⁶⁴

But to bargain effectively you had to be at the table. In his official war history Paul Hasluck notes that in mid-1943 there arose 'the new idea that the war effort was an admission ticket to a peace conference.'⁶⁵ By 1945 getting a ticket had become a consuming passion. Chifley reiterated in July that the underlying political objective of the Australian government in the postwar period was to gain a place and a voice in the peace settlement.⁶⁶ How to achieve this when the Aussies had been relegated to a bit part in the closing stages of the war, mopping up areas the Americans had left behind in their island-hopping strategy?

The Advisory War Council reported 'criticism that the liquidation of bypassed areas was not by itself a worthy effort for Australian forces', but there was more than pride at stake: 'from the aspect of prestige and participation in the peace settlement and control

61 David Horner, 'Strategic policy-making, 1943-45', in Michael McKernan and M. Browne, *Australia: two centuries of war and peace* Australian War Memorial, Canberra 1988, p. 293.

62 Roger Bell 'Australian-American discord: negotiations for post-war bases and security arrangements in the Pacific 1944-46' *Australian Outlook* 27(1), April 1973 pp. 15-16, 19-20.

63 James Wood *The forgotten force: The Australian military contribution to the occupation of Japan* Allen & Unwin, Sydney 1998, p. 6.

64 David Day *Reluctant nation: Australia and the allied defeat of Japan* Oxford University Press, Melbourne, 1992, p. 183.

65 Hasluck *The government and the people*, p. 302.

66 Wood *The forgotten force*, p. 11.

machinery it would be of great importance to be associated with the drive to defeat Japan.⁶⁷ The trouble was that Australia's front-line role was minimal. Meanwhile Britain and Portugal maddeningly brushed aside Canberra's ambitions in Indonesia and East Timor.

All the more important, then, that Australia share in occupying Japan. This would get Canberra to the table with the big players, and at the same time help ensure a wretched fate for the hated yellow-skinned rivals. 'Australia's very life', Evatt insisted, 'depends on a just and *severe* settlement with Japan'. It would be severe all right. The Labor Party had grown up as the quintessential party of Australian nationalism, which in turn was inseparable from White Australia and from paranoia about the Yellow Peril. It was now very determined to crush Japanese aspirations, even at the cost of a long and costly occupation.⁶⁸

Canberra wanted to send a specifically Australian occupation force, but after arguments with London it grudgingly settled for Australian leadership of the British Commonwealth Occupation Force (BCOF). This included British, New Zealand and Indian troops, which took control of southern Honshu and an adjoining section of Shikoku. Aussies were to administer Hiroshima, a fact greeted by an army publication with the heading: 'Australia Takes the Ashes'.⁶⁹ Oh so clever; and such Australian attitudes reflected official policy. General Blamey bluntly informed 126,000 Japanese troops in September 1945, 'In receiving your surrender I do not recognise you as an honourable and gallant foe'.⁷⁰

Canberra's envoy McMahon Ball was 'often told in Tokyo ... that Australians seemed more bitter and revengeful towards the Japanese people', and he was described in the American press as the 'leader of the revenge school'. He explained this by the need to keep the Japanese from becoming a rival again.⁷¹

The *Sydney morning herald* reported that the 'advance guards of the Australian occupation force seem to the Japanese to be frigid and unfriendly in comparison with the withdrawing Americans'; and BCOF censors, who read people's mail as part of inculcating democracy, later reported the locals had found Americans 'more kind and attractive than Australians'.⁷²

67 Wood *The forgotten force*, p. 9-10.

68 Peter Bates *Japan and the British Commonwealth Occupation Force 1946-52*, Brassey's, London 1993, p. 111 for the quotation, my emphasis); Christopher Waters *The Empire fractures: Anglo-Australian conflict in the 1940s* Australian Scholarly Publishing, Melbourne 1995, p. 37-38.

69 Neville Meaney *Towards a new vision: Australian and Japan through 100 years* Kangaroo Press, Sydney 1999, p. 106.

70 Allan Clifton *Time of fallen blossoms* Cassell, Sydney 1950, p. xiii; David Horner, *Crisis of command*, Australian National University Press, Canberra 1998, p. 555.

71 W. McMahon Ball *Japan: enemy or ally?* Cassell, Melbourne, 1948, p. 11-12.

72 Bates *Japan and the British Commonwealth Occupation Force*, p. 115, 112.

The accompanying racism was unvarnished. The Defence Minister in Canberra told BCOF troops 'to illustrate to and impress on the Japanese people the Democratic way and purpose of life.' They did this by restricting contact with the locals. All over the country, a range of stores, hotels, trains, buildings, land areas and recreational facilities were off limits to Japanese, while officials of the occupying forces requisitioned houses from them. The Australian authorities were more rigid about this segregation policy than the Americans.⁷³ Needless to say this included sexual relations; a senior officer lectured soldier John Coffman's battalion on the dangers of 'mixing our good English blood with the blood of inferior races'.⁷⁴ It even went as far as banning Japanese from Australian church services.

Fortunately rank and file Australian soldiers often greeted this policy with 'ribald disbelief' and ignored or found ways around it, engaging in romantic liaisons and issuing invitations to church.⁷⁵ As they got to know ordinary Japanese people the wartime hatreds declined, despite the best efforts of their officers and of the Australian government:

A journalist who visited the country in January 1952, just as the occupation was being wound up, wrote in the *Sydney Morning Herald* that people 'must be prepared for some shocks' as the BCOF men returned home [owing to] 'the degree of liking for the Japanese developed by Australians who have lived among them for any length of time'. The very headline was intended to shock: 'Our soldiers like the Japanese'.⁷⁶

Colonialism and neo-colonialism

In restoring 'white-man' authority the allies didn't scruple over methods. After the Americans recaptured Guam and the Marianas, they put islanders into concentration camps.⁷⁷ To be sure, some people in Asia and the Pacific had different expectations. A man from Wewak in New Guinea told an Australian:

Yes, we have helped you in this war, now we are like cousins, like brothers. We too have won the war. Now whatever knowledge, whatever ideas you have, you can give them to us. Before all the things we did, you gaoled us, and you fined us, all the time. But now. What now?⁷⁸

73 Wood *The forgotten force* p. 115 for the quote; John Dower, *Embracing defeat: Japan in the wake of World War II*, WW Norton, New York 1999, p. 207; Bates *Japan and the British Commonwealth Occupation Force*, p. 112.

74 Wood *The forgotten force*, p. 98.

75 George Davies *The occupation of Japan: the rhetoric and the reality of Anglo-Australasian relations 1939-1952*, University of Queensland Press, St Lucia 2001, p. 177.

76 Robin Gerster 'The Forgotten Veterans of World War II' *The age*, 25 April 2006.

77 White & Lindstrom *The Pacific theater*, p. 25.

78 Waiko *A short history*, p.124.

Some people in PNG expected whites to compensate them for past plunder, and that was the starting point for many of the social movements called cargo cults in the postwar period.⁷⁹ Instead colonial plunder resumed. People throughout the islands had the bitter experience that whites confiscated gifts from soldiers, or money received for carvings, on the grounds that it must be stolen.⁸⁰ For this, Australian officers had convenient rationalisations, and Major-General B.M. Morris came up with a classic:

The native mind is one which responds most readily to an outward and visible mark of distinction. The reward of such services by payment of money or trade goods has much less value to the native than would the presentation in the name of the King and in circumstances of some ceremony, of a medal.⁸¹

The 1945 general armistice didn't disarm Japanese troops; on the contrary, the Allies instructed them to *keep* their arms and maintain law and order. In practice, European colonialists often returned to power with the help of Japanese bayonets, against the aspirations of the local people. In Vietnam, the British South East Asia Command's One Division, led by Major-General Douglas Gracey, did the job for the French.

Encouraged by the allies' democratic rhetoric, the Viet Minh national independence movement went to the airport to welcome the General, but he ignored them. He would later remark disparagingly: 'I was welcomed on arrival by Viet Minh. I promptly kicked them out.'⁸² Gracey's force handed over to the French all the arms collected from the Japanese and much of their own equipment including transport, aircraft and artillery, which would be promptly used to crush a mass uprising in Saigon against the restoration of French rule.⁸³

In Burma and India, the returning colonial troops 'were greater vandals than the Japanese had been.'⁸⁴

In Indonesia, where the Dutch had few forces at the start, British and Japanese units fought together against Sukarno's republican forces around Bandung. The greatest atrocity, however, fell to the British alone: the merciless shelling of Surabaya in November 1945. The intrepid expatriate K'tut Tantri (Vaneen Walker) who was there, recorded: 'The streets ran with blood, women and children lay dead in the gutters. Kampung [neighbourhoods] were in flames ... but the Indonesians did not surrender.'⁸⁵

79 Waiko *A short history*, p. 127.

80 McQueen *Social sketches* p. 176; White & Lindstrom *The Pacific theater* p. 28.

81 Jeffrey Grey *The Australian army: a history*, Oxford University Press, Melbourne 2001, p. 148.

82 Quoted in Ngo Van *Revolutionaries*, p.103.

83 Keay *Last Post* p. 280; Ngo Van *Revolutionaries*, p. 112ff.

84 Latimer *Burma*, p. 431.

85 Quoted in Keay *Last Post*, p. 257. For another good summary of the British role see John Newsinger *The blood never dried: a people's history of the British Empire*, Bookmarks, London 2006, p. 201 ff.

Further east, Australian troops restored Dutch control. Not all of the soldiers liked doing this. George Bliss of the 7th Division recalled:

About six weeks after the war ended we were told we were going into the Celebes [Sulawesi] 'to supervise the rounding up of the Japanese'. We realised later that it was to prevent the locals organising against the return of the Dutch. We went by ship to Makasar. The feeling among the troops was mostly against the Dutch. On arrival we were lined up on the wharf, fully equipped in battle order, and marched through the town out to the Dutch barracks about three miles out. That was the first act of intimidation.

Later in Pare Pare, Bliss found the independence movement was stronger. 'All along the road the Indonesian flag was flying and people wore the red and white colours of the flag. The top brass gave orders forbidding fraternisation. Most ignored that order.'⁸⁶ Gavin Long reports that in Balikpapan: 'On the morning of 14th November between 6,000 and 8,000 Indonesians assembled ... raised banners and displayed emblems. From 10 to 15 Australian soldiers were reported to have been present inciting these Indonesians...'⁸⁷

Such public appearances weren't the norm; but anti-colonial sentiment was widespread in the ranks. Forty-five Australian servicemen on Balikpapan wrote to Chifley supporting the proclamation of an Indonesian republic and deploring the use of Japanese forces to put down the independence movement.⁸⁸ Much of the credit belongs to the Communist Party of Australia, which had mobilised in support of the Indonesian Communists (PKI). PKI leaders, transferred to Australia as prisoners from the Dutch prison camp at Boven Digul, built an Australia-wide movement with CPA support, culminating in rebellions by Indonesian seafarers and Australian union bans on Dutch ships. They managed this despite quite severe repression by Dutch representatives, whom the Labor Government allowed to arrest and even deport activists.⁸⁹

The Indonesian people, who often displayed hostility to the Australian military, were enthusiastic about solidarity from Australian trade unionists. News bulletins posted in some cities referred to Australian waterside workers' support for Indonesian strikers, the key passages prominently outlined in red.⁹⁰

Australian leaders were determined to complete their colonial mission. Peter Stanley praises the Australian military's 'valiant service in ending the brutal Japanese occupation

86 George Bliss 'Australian army coms in Indonesia' *Tribune* Sydney, 30 July 1980, p. 11.

87 Gavin Long *The final campaigns* Australian War Memorial, Canberra, 1963, p. 569. The idea of a handful of Australians 'inciting' thousands of Indonesians is, of course, patronising racism.

88 David Day *Chifley* Harper Collins, Sydney 2001, p. 423.

89 Rupert Lockwood, *Black armada*, Australasian Book Society, Sydney, 1975; Lingard *Refugees* passim.

90 'Australians in favour' *The Age* 1 October 1945, p. 1.

of Indonesia's outer islands',⁹¹ but is silent on what followed the diggers' arrival. In Sumbawa after clashes between Indonesian nationalists and Japanese forces, the latter were 'ordered to instruct the Sultan that attacks must cease and that the Australian army had instructed the Japanese to shoot to kill...'⁹² And so whatever their personal sentiments, the Australian troops helped restore Dutch power, with terrible consequences. Their intervention in Sulawesi paved the way for Dutch captain Paul Westerling, who

pioneered new methods in counter-insurgency. Whole villages were held responsible for Republican atrocities in their areas, their inhabitants being lined up and shot one after another until an informant spoke out. Westerling's reign of terror is reliably estimated to have cost as many lives as the battle of Surabaya.

Emboldened by the success these methods brought, the Dutch ramped up the use of repressive tactics in Java.⁹³

The United States was soon to trumpet a new anti-colonialism, but Anti-colonial didn't mean anti-imperialist. The US reckoned that where independence movements pushed out the old colonial powers, American capital might find it easier to move in. Washington also thought that a less direct type of imperialist control, later dubbed 'neo-colonialism', was a smarter strategy, given the way nationalist movements were growing. So the Philippines became a nominally independent state, but under American tutelage. The old rigged trade arrangements quickly returned and, moreover,

Manila agreed to the exclusive use by US personnel of twenty-two military bases in the Philippines. Some, like Clark Field and Subic Bay, were of vast extent and embraced adjacent townships which were transformed into leisure-dromes of fast food, cheap sex and duty free liquor. Within these concessions, even Filipinos were subject to US law.⁹⁴

The same extra-territoriality that had so angered China and Japan was visited on the Philippines. To protect business interests and crush left wing opposition, the American leaders embraced Japan's former Filipino puppets—and they attacked the anti-Japanese liberation fighters known as the Huks, who had led peasants in land reform campaigns:

[MacArthur] pressed the Filipino collaborationist police into the service of the United States, and the United States military authorities held the two major Huk leaders for seven months as security risks. During 1945 MacArthur increasingly used United States troops to break up Huk

91 Stanley *Invading Australia*, p. 235.

92 Long *The final campaigns*, p. 572.

93 Key *Last Post*, p. 266. On Westerling see also Merle Ricklefs *A history of modern Indonesia since c. 200*, Stanford University Press, Stanford 2001, p. 275.

94 Key *Last Post*, p. 196-7.

meetings and the landlords successfully agitated for the legal recognition of their former holdings ... As successor to [deceased president] Osmeña, MacArthur singled out Manuel Roxas, whom the [US intelligence service] OSS most generously described as being 'in the peculiar position of an exonerated collaboratorist'.⁹⁵

In Indochina, the Americans initially backed French colonialism because Communists were leading the national movement; but even there, the US would ultimately endorse a formally independent puppet regime in the south. In Indonesia, Sukarno's crushing of the 1948 Communist uprising at Madiun convinced Washington and Canberra that the new republic was a reasonably safe bet for the time being.

Canberra tended to embrace the new tactics of neo-colonialism, but unevenly. There was no way Papua or New Guinea would get self-government in a hurry. As for European colonies,

In the immediate aftermath of the war, the Chifley government decided it was in Australia's vital interests for the European colonial powers to retain control of their colonies to provide both security for the region and the necessary material and political assistance for the colonial peoples to prepare them for eventual independence.⁹⁶

From September 1945 the Curtin Government made gestures in support of Indonesian independence, but at crucial junctures it lined up with the Dutch. This included providing eight navy corvettes and help in transferring Dutch currency to Batavia.⁹⁷ Evatt was frank enough about the government's attitude: 'Australia has become a base from which the Dutch colonies will finally be regained...As in the case of New Caledonia, we visualise the restoration of the former sovereignty.'⁹⁸

If Canberra later attempted to play a role as intermediary in the conflict, it was first and foremost because the independence forces had proved their strength and the Government was afraid other intermediaries would step in first and carve Australia out.⁹⁹ To be sure,

95 Gabriel Kolko, *The politics of war: allied diplomacy and the world crisis of 1943-45* Weidenfeld and Nicolson, London 1968, p. 607. Roxas may have received special treatment because he knew about (indeed was signatory to) a bizarre \$500,000 payment from the Philippines Treasury to MacArthur in 1942, see Carol Petrillo, 'Douglas MacArthur and Manuel Quezon: a note on an imperial bond' *Pacific Historical Review*, 48 (1), 1979, p. 110.

96 Christopher Waters 'Creating a tradition: the foreign policy of the Curtin and Chifley Labor governments' in David Lee and Christopher Waters *Evatt to Evans: the Labor tradition in Australian foreign policy*, Allen & Unwin, Sydney 1997, p. 42.

97 Lockwood *Black Armada*, p. 105ff, 181ff.

98 *Commonwealth Parliamentary Debates* 176, 14 October 1943, p. 574.

99 See Philip Dorling (ed.), *Diplomasi: Australia and Indonesia's independence, documents 1947* AGPS, Canberra 1994. For example, Evatt stated in document 246 that 'Unless Australia is included in some tangible way in the Indonesian arbitration or mediation the net result would be that instead of open

Chifley and Evatt also recognised that de-colonisation in Asia was a reality which Australia, given its location, had to take seriously. It might even have a positive side; they had seen how resentment about colonial rule made Asian peoples turn to Japan early in World War II. Maybe independent nations in a neo-colonial framework would be less likely to line up with the enemy in the next war.¹⁰⁰

But a colonial racist mentality was still close to the surface on both sides of politics, exemplified by the aspiring Liberal Prime Minister Menzies, who said in 1949:

We cannot sensibly expect to maintain our own territorial integrity and our own national, racial and economic policies...if we take sides against European nations as though they were, of necessity, interlopers in countries where they have long been colonists, administrators, and educators.¹⁰¹

What a fine basis for Australia's international relations in the post-war Asia-Pacific.

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100 See Waters *The empire fractures*, p. 31.

101 *Commonwealth Parliamentary Debates* vol. 201, 15 February 1949, p. 269.

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Louis Project debates Mick Armstrong on revolutionary organisation

On Mick Armstrong's *From little things big things grow*

Louis Project

One of the more rapidly growing groups on the left is Socialist Alternative. Unfortunately it would appear from a book by Mick Armstrong that they remain wedded to party-building conceptions that will inhibit future growth. It is understandable why such self-styled Leninist formations would cling to counter-productive methodologies since the dead hand of tradition weighs heavily on any group seeking to establish itself as the avatar of Marx, Engels, Lenin, and Trotsky. Perhaps a better approach would be to start with a fresh sheet of paper, an approach virtually ruled out for small propaganda groups obsessed with 'revolutionary continuity.'

Mick Armstrong's party-building ideas are contained in *From little things big things grow: strategies for building revolutionary socialist organizations*.¹ Apparently, the title of Armstrong's book was inspired by a left wing song by Paul Kelly that deals with Aboriginal and labour struggles in Australia. Perhaps I am reading too much into the title, but I am afraid that it reminds me of the 'nucleus' analogy from chemistry or physics that is used so often in would-be Leninist circles. Basically, a mass revolutionary party starts with a nucleus of Marxists steeled with a correct program, which more often than not revolves around a correct interpretation of the 'Russian questions'. If you don't have the correct position on 1917 or some other ostensible benchmark date, you will not progress toward the final goal of seizing power. Thus, a 'program' and the initial cadre assembled around that program are like the nucleus of an element like carbon or uranium. What is misunderstood unfortunately by those who think in these terms is that a chemical nucleus rests on materialist foundations while a 'program' is simply a set of ideas.

1 Mick Armstrong *From little things big things grow: strategies for building revolutionary socialist organizations* Socialist Alternative, Melbourne 2008, also www.sa.org.au/index.php?option=com_content&task=category§ionid=16&id=171&Itemid=124, accessed 14 January 2009.

Armstrong lays out a schema that distinguishes between 3 types of socialist groups after the fashion of a political scientist or a sociologist:

In the Marxist tradition there are three main types of organisation: discussion circles, propaganda groups and parties. These categories are not arbitrary, but are used to describe qualitatively different types of organisation. Discussion circles are tiny groups attempting to establish a Marxist tradition. Their main orientation is theoretical clarification. Political activity such as selling a magazine or intervening in strikes is a low priority. Propaganda groups are involved in a broader range of activity, but because they are small and lack influence in the working class, they recruit on the basis of ideas. Socialists make a distinction between two kinds of propaganda: general (sometimes called abstract) and concrete.

Looming over the discussion circle and the propaganda group is the mass party, which is the final destination of any self-avowed revolutionary organization just as the World Cup is in soccer. To get to that goal, you have to play your cards right:

By recruiting people to a propaganda group today, Socialist Alternative is laying the basis for a mass revolutionary party that can lead future workers' struggles. But recruitment by itself is useless if the people recruited aren't educated in Marxism, if they aren't trained in revolutionary activity, and if they aren't politically integrated into the organisation. What's more, to build from a small revolutionary group into a mass party is no simple linear process, whereby the group grows by 20 per cent each year until it has tens of thousands of members.

For Armstrong, the key to success is building 'cadre', a term that comes out of the military. The cadre is like professional officers who can be called upon to provide leadership to the masses when a pre-Revolutionary situation emerges. Here's Armstrong describing the cadre-building process:

This cadre, this 'solid core', is just as important in times of retreat, when workers suffer setbacks. In order to hold a revolutionary organisation together in times of defeat theory is even more paramount. When the going is tough a much higher level of theoretical agreement is necessary to hold a propaganda group together because a small group without roots in the working class is inherently more unstable than a mass party. You can't survive on the basis of a few slogans, you need a more sophisticated analysis. The cadre has to be steeled.

You will note the need for 'sophisticated analysis'. This is in keeping with the generally ideological dynamic of the party-building conceptions found in Armstrong's article. The presumption is that a kind of soldier/priesthood that has been properly inculcated into the doctrines of the group is necessary to withstand bourgeois pressures that might open the 'program' up to alien influences.

As it turns out, Marx and Engels had the proper amount of iron nuclei to assure their steely composition. Never for a minute did they lose track of the goal to move from a propaganda group to the next step up on the ladder—a mass party.

There followed a prolonged lull in the class struggle from 1851-1864. The Communist League was wound up following a split, and Marx and Engels concentrated on research. This is the period that is used as evidence of Marx's abandonment of active party politics. But it is not true. The prime focus of Marx's 'swotting', as he termed it, was to strengthen the Communist forces—'the Marx party'. Throughout this period Marx and Engels maintained a nucleus of experienced comrades so they would be able to take advantage of any revival of the movement. This is why 'the Marx party' was able to quickly win the leadership of the next phase of struggle. They had clarified a program around which they cohered a group of supporters.

I am afraid that Mick Armstrong is guilty of projecting backwards into the political careers of Marx and Engels his own experiences, an error common among the 'Leninist' left today. It turns them into 'party builders' of the sort that proliferate the extreme left everywhere. Whatever else one might say about Marx and Engels, there is little evidence that they were interested in the kind of ideological litmus tests that we find today. The very fact that they were open to being in the same party as anarchists (just as Lenin was open to the same kind of relationship with the Industrial Workers of the World) should tell you that they had a completely different conception of what it meant to build a party. Perhaps it might be useful to remind ourselves what they said in the *Communist Manifesto*:

The Communists do not form a separate party opposed to the other working-class parties.

They have no interests separate and apart from those of the proletariat as a whole.

They do not set up any sectarian principles of their own, by which to shape and mould the proletarian movement.

The final chapter of Armstrong's book is the most interesting since it engages with some of the more recent efforts to break from the sectarian party-building model that he is so desperate to retain. Right off the bat he writes:

The argument that small groups of socialists need to start by first building a socialist propaganda group if they are to have any hope of laying secure foundations for a mass revolutionary party is by no means widely accepted by socialists today. Socialist Alternative's approach is condemned as narrow, rigid and sectarian or is dismissed as at best utopian.

Taking aim at Murray Smith, the European Trotskyist who has been fighting mechanical understandings of 'democratic centralism', Armstrong warns that broad left initiatives like

the Scottish Socialist Party that lack the proper iron nucleus to support adequate steeliness will cause millions to die in a new world war:

The idea of building ‘broad’ socialist parties which combine revolutionaries and reformists is simply a reversion to the approach of the Second Socialist International. It ended in disaster. Under the test of war the reformists abandoned any commitment to the defence of the most basic democratic rights and sent workers off to die in their millions in the trenches of World War I. When the revolutionaries objected, their reformist ‘comrades’ combined with the extreme right to arrest or murder them.

Betraying his ideological orientation to politics and party-building, Armstrong’s warning once again misses the materialist roots of why Socialist parliamentarians voted for war. It was not because revolutionary ideas were tainted by reformism. It was because the top layers of the Second International had become embourgeoisified during the long imperialist expansion prior to WWI. Trade union leaders and parliamentarians had begun to think like the ruling class through a process of social and economic cooptation. This of course has nothing to do with the efforts of some socialists today to try to create an organizational framework that is far more flexible than the one that supposedly has the proper Leninist pedigree.

Armstrong next takes aim at Hal Draper’s ‘Toward a new beginning—on another road the alternative to the micro-sect’,² an essay written in 1971 that made the same kind of attempt made by Murray Smith and others to break with sectarian party-building ideas. Along with Bert Cochran, another veteran of the Trotskyist movement who developed similar anti-sectarian ideas in the early 1950s that eventually expressed themselves through the magazine *American Socialist*,³ Draper rejected commonly understood notions about how to build a Leninist party. Armstrong does cite Draper but not his most trenchant observation that seems to address Mick Armstrong’s notions about properly steeled cadre head-on, especially in military terms:

The sect establishes itself on a HIGH level (far above that of the working class) and on a thin base which is ideologically selective (usually necessarily outside working class). Its working-class character is claimed on the basis of its aspiration and orientation, not its composition or its life. It then sets out to haul the working class up to its level, or calls on the working class to climb up the grade. From behind its organizational walls, it sends out scouting parties to contact the working class, and missionaries to convert two here and three there. It sees itself becoming,

2 Hal Draper ‘Toward a new beginning—on another road the alternative to the micro-sect’ 1971, www.marxists.org/archive/draper/1971/alt/index.htm, accessed 27 December 2008.

3 See Bert Cochran selected articles from *American socialist* 1954-1959, www.marx.org/history/etol/newspape/amersocialist/american_socialist.htm, accessed 28 December 2008.

one day, a mass revolutionary party by a process of accretion; or by eventual unity with two or three other sects; or perhaps by some process of entry.

Fortunately for the left, the tide is turning against the kinds of misunderstandings incorporated in Mick Armstrong's article. Partly, this is the result of scholarship about Lenin's party that reveals how little it was a departure from party-building conceptions found everywhere in the Second International, a point made convincingly by Lars Lih in his recent *Lenin rediscovered*.⁴

I agree completely with Lih, drawing my own conclusions long ago from a re-reading of Lenin under the advice of Peter Camejo in the early 1980s. After Camejo had witnessed the implosion of the Socialist Workers Party, he decided to read Lenin without the kinds of preconceptions he had inherited from decades in the party. Like Bert Cochran, Hal Draper and Murray Smith, Camejo became convinced that a more open political culture was required.

My own research into the matter has convinced me that groups such as Socialist Alternative are basing themselves much more on Zinoviev's party-building ideas than Lenin's. In 1923 Grigory Zinoviev wrote *History of the Bolshevik Party*,⁵ a work that despite its obscurity today helped to shape the thinking of the first generation of Marxist-Leninists. Despite their disagreement over the 'Russian questions', Stalin and Trotsky shared ideas about 'democratic centralism' that could be found in Zinoviev's history. Without going into too much detail, Zinoviev hoped to create a cookie cutter version of Lenin's party that could be applied everywhere.

If it was simply a matter of people reading and becoming inspired by his book, there probably would have been less damage done. Instead, using the power and authority of the Third International, Zinoviev imposed his views during the 'Bolshevisation' congress of the Comintern of 1924. After the disaster in Germany, Communists everywhere—particularly in Germany—were less willing to accept the mandates of the Kremlin. Instead of promoting a wide-ranging discussion of what had happened, Zinoviev and Stalin sought to tighten control. Sensing the danger that the Kremlin might eventually become something like the Vatican as was Zinoviev's clear aim, Lenin urged that the Comintern headquarters be moved from Soviet Russia in 1921.

After 1924, Communist Parties everywhere got into the habit of promoting strict rules about party membership under the guise of 'democratic centralism' that had little to do with the free-wheeling atmosphere of Lenin's Party. In the United States, the CP passed its own 'Bolshevisation' resolution that sought to tighten the party and make a scapegoat out of Ludwig Lore, a dissident who had become troubled by Zinoviev's ambitions. The resolution stated that '... the task of Bolshevisation presents itself concretely to our Party

4 Lars T. Lih *Lenin rediscovered: What is to be done? in context* Brill, Leiden 2006.

5 Grigorii Zinoviev *History of the Bolshevik Party: a popular outline* New Park, London 1973 (1925).

as the task of completely overwhelming the organizational and ideological remnants of our social-democratic inheritance, of eradicating Loreism, of making out of the Party a functioning organism of revolutionary proletarian leadership.’

It should be pointed out that Ludwig Lore was the main supporter of Leon Trotsky in the U.S., a year at least prior to James P. Cannon’s recruitment to Trotsky’s faction. Ironically, both Cannon and Vincent Ray Dunne, who would also become a Trotskyist, voted for Lore’s expulsion. In Cannon’s *First ten years of American Communism*,⁶ he describes Lore as someone who never ‘felt really at home in the Comintern’ and who never became an ‘all-out communist in the sense that the rest of us did.’ We should honour Lore’s memory for having been an early critic of mechanical Bolshevism.

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6 James P. Cannon *The first ten years of American communism: report of a participant* Pathfinder, New York 1973 (1962).

A response to Louis Project

Mick Armstrong

With the deepening economic crisis opening greater possibilities for the socialist movement internationally than we have seen for decades, rigorous analysis and debate about the way forward are essential. But that debate needs to go beyond timeless generalities to a concrete assessment of the various strategies socialists have experimented with over the last few decades, if it is to be of genuine value. Unfortunately, Louis Project has not met this challenge in his critique of my short book, *From little things big things grow: strategies for building revolutionary socialist organisations*.

Project opposes building clear cut revolutionary socialist organisations and is a supporter of the 'broad party' model for building the left today. But he offers no concrete argument, rooted in recent experience, for this approach. Instead he offers us platitudes about 'a more open political culture', the need to be 'flexible' and start 'with a fresh sheet of paper'. Project provides no balance sheet of the performance of broad left parties. The experience has hardly been an inspiring one. Communist Refoundation in Italy, long held up by broad party supporters as *the* model to aspire to, ended in a complete disaster. After a jag to the left around the time of the anti-globalisation protests in the early 2000s, the reformist leadership of Refoundation around Fausto Bertinotti moved to an accommodation with neo-liberal forces and joined the centre-left government. It proceeded to endorse attacks on workers' rights and the sending of Italian troops to Afghanistan and Lebanon. Understandably this led to working class disillusionment with Refoundation, disarray in its ranks and a collapse of the party's vote at the most recent elections. What is Project's balance sheet of this disastrous test of his favoured model? Not a word.

Other broad left party projects have hardly been more successful in advancing working class interests. In Brazil, the Workers Party has in government proved to be a loyal servant of the Brazilian bourgeoisie. The Scottish Socialist Party after toying with Scottish nationalism tore itself apart in an unseemly split. The Australian Socialist Alliance never seriously got off the ground and survives today as a pathetic rump propped up by the Democratic Socialist Perspective. The Socialist Alliance in Britain went nowhere, while the 'broad' Respect also in Britain spectacularly blew itself apart in a bitter dispute between the supporters of former Labour MP George Galloway and the Socialist Workers Party (SWP). But even at its height the 'broad' Respect had fewer members than the 'narrow' Marxist SWP. It is too early as yet to draw a definite balance sheet on the German Left Party. However, any idea that the Left Party, which started out being well to the right of Communist Refoundation, will simply transform the fortunes of socialists in Germany is dangerous wishful thinking.

None of this is to argue that given our current small forces revolutionary socialists should not participate in parties with a significant working class following that break to the left from mainstream social democracy. But that is not the same as championing 'broad

parties' as a *substitute* for a revolutionary party or to argue for revolutionaries to dissolve their organisations into these essentially reformist parties. Marxists should have worked inside Communist Refoundation to argue both for the defence of immediate working class interests and against the embrace of neo-liberal policies by its leadership and for an alternative vision for transforming society. But to have any hope of being effective in that task the revolutionaries needed not only to make arguments as individuals but to cohere around them all those who opposed the reformist orientation of the leadership. That in turn necessitated that the revolutionaries, no matter how few in number, had their own organisation.

The bulk of *From little things big things grow*, deals with the question of how the small groups of revolutionary socialists that exist today can expand their forces and contribute positively to the building of a mass revolutionary socialist party in the future. This is a pressing question as, for the last thirty years in the advanced capitalist countries, unfavourable objective conditions have meant that revolutionary socialists have been confined to the fringes of the working class movement.

My basic argument is that when small groups of revolutionaries are starting out, their first task is to clarify their own ideas and then go on to cohere supporters around them on the basis of those ideas – in other words to form propaganda circles or groups. In one version or another this is the way most successful revolutionary socialist organisations and parties have developed over the last 170 years. So there is nothing particularly pathbreaking about my approach. Yet this basic initial building work has often been done on an extremely pragmatic basis without too much theoretical reflection on how the organisation established its initial roots. My book, successfully or otherwise, is an attempt to theorise this early stage of development and generalise some basic lessons. I believe this task is even more pressing today than in the past.

One reason the lessons of how to begin to lay the basis for a mass party have not been discussed in any great depth is that, in marked contrast to the experience of the last 30 years, most successful propaganda groups had only a very brief existence. For example in China the initial Communist discussion circles formed in 1920 gave birth to a Communist Party of 53 members (i.e. a propaganda group) in July 1921. The party grew rapidly out of the revolutionary upheavals of the mid-1920s to well over 50,000 members. The most important exception to this pattern is Georgii Plekhanov's Emancipation of Labour Group, the first Russian Marxist organisation, which was founded in Geneva in 1883. Plekhanov's group initially had only three members. They had to withstand over a decade of extreme isolation before the political climate began to change inside Russia. Nonetheless Plekhanov and his co-thinkers with their polemics against the dominant populist tradition played a critical role in establishing the Marxist movement in Russia.

Precisely because the Emancipation of Labour Group had a longer continuous existence than most successful propaganda groups it in many ways served as an inspiration for *From little things big things grow*. In some ways, however, the basic orientation had been laid down by Marx and Engels in their activity in the Communist Correspondence Committees of the 1840s. This is spelt out in some detail in my book so Proyect is mistaken in arguing that my approach is based 'on Zinoviev's party-building ideas'. The Russian Bolshevik

Grigory Zinoviev was *born* in 1883 the year Plekhanov founded the Emancipation of Labour Group. So unless Zinoviev was extremely precocious it is doubtful that he had any great influence on the approach of Plekhanov's circle. Neither is it the case that Zinoviev wrote anything substantial on the Emancipation of Labour Group or on the Communist Correspondence Committees or indeed on any of the other major examples I use in my book. In fact Zinoviev had virtually nothing to say about propaganda groups.

This is not to deny the baleful influence Zinoviev had as head of the Comintern when he imposed 'Bolshevisation' on the Communist movement in the mid-1920s. His approach deprived the CPs of their more thoughtful and independent leaders and helped prepare the ground for the Stalinisation of the movement. It is undoubtedly also the case that the corruption of the Communist movement by Zinoviev and then by Stalin had a deleterious impact not just on the official CPs but also on their Trotskyist opponents. But Proyect misses the mark when he goes on to argue that Socialist Alternative adheres to some Zinovievist version of 'democratic centralism'. We have made our view on this question clear in a number of places.⁷ Unlike many on the Trotskyist left we believe that revolutionary organisations of just a few hundred members should not attempt to operate as miniature versions of the Bolshevik party. Grandiose talk about 'democratic centralism' is both overblown and destructive.

There is a final point worth making about Zinoviev. Proyect tries to paint all revolutionary opponents of his 'broad party' approach as being Zinovievists. But actually the shoe is on the other foot. At the height of his 'Bolshevisation' drive in the mid-1920s Zinoviev was a backer of the 'broad party' model that Proyect supports. This approach was reflected in the American CP's embrace of the Federated Farmer Labor Party adventure and other opportunistic short-cuts such as the Comintern's backing of the Croatian Peasant Party and the Peasant International. In the case of Britain Zinoviev discounted the small CPGB in favour of currying support from the top bureaucrats of the Trades Union Congress. As Trotsky put it in a comment that is applicable to many supporters of the 'broad party' model today,

Zinoviev gave us to understand that he counted on the revolution finding an entrance, not through the narrow gateway of the British Communist Party, but through the broad portals of the trade unions. The struggle to win the masses organised in the trade unions by the Communist Party

7 *Socialist Alternative and the ISO: perspectives for socialists*, originally published by Socialist Alternative, September 2002, www.sa.org.au/index.php?option=com_content&task=view&id=1677&Itemid=152, accessed 1 January 2009; Mick Armstrong *On democratic centralism*, originally published in *Revolutionary organisation today*, Socialist Alternative, Melbourne 2000, pp. 25-35, www.sa.org.au/index.php?option=com_content&task=view&id=74&Itemid=124, accessed 1 January 2009.

was replaced by the hope of the swiftest possible utilisation of the ready made apparatus of the trade unions...⁸

Proyekt argues that attempting to build a socialist propaganda group to help lay the basis for a revolutionary workers party has nothing in common with the approach of Marx and Engels. August Nimitz has clearly documented how, in the 1840s, Marx and Engels worked in the Communist Correspondence Committees to propagandise for their ideas, debate rival socialists such as Wilhelm Weitling and Karl Grun and cohere a core of supporters around them.⁹ These efforts led to the formation of the Communist League in June 1847 which in the 'Circular of the First Congress of the Communist League to the League Members' specifically described itself as 'our propagandist League'. As for Marx not splitting with other socialist currents, the founding congress of the Communist League 'resolved unanimously to remove the Paris Weitlingians from the League'.¹⁰ Then there is Proyekt's claim that Marx and Engels were not interested in 'ideological litmus tests' – whatever they are. The long list of ideological polemics from the Marx/Engels stable—*The poverty of philosophy* directed against Proudhon, *Anti-Duhring*, *The critique of the Gotha Program* and *The Bakuninists at work*—to name just a few, points to the importance Marx/Engels attached to ideological clarity.

When it comes to offering an alternative approach for rebuilding the socialist movement or even a few modest concrete proposals to take things forward, Proyekt has precious little to offer. He can no more see the wood for the trees than the worst of the 'Leninist' sects he is at pains to deride for their undoubted sectarianism. Anti-Zinovievism has become his own sectarian shibboleth. I welcome serious debate and criticism of the limitations of *From little things big things grow*; Socialist Alternative is far from claiming that we have mapped out the road for taking the socialist movement forward. However, to be productive that debate needs to be rooted in more accurate concrete assessments of the socialist experience than Proyekt offers.

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8 Leon Trotsky *The Third International after Lenin*, part 2, originally published New York 1929, www.marxists.org/archive/trotsky/1928/3rd/ti05.htm, accessed 1 January 2009.

9 August H. Nimitz Jr *Marx and Engels, their contribution to the democratic breakthrough*, SUNY Press, Albany 2000 pp. 29-55.

10 Nimitz *Marx and Engels*, p. 46.

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Jeff Goldhar's socialist legacy

Janey Stone

**on behalf of Jeff Goldhar Project trustees:
Janey Stone, Tom O'Lincoln, Liz Ross**

When life-long socialist Jeff Goldhar died in 1997, he left a bequest. Set up at the end of 1998, the Jeff Goldhar Project is now celebrating 10 years of activities.

Jeff became politically active in the 1960s, attending demonstrations against the Vietnam War and as an active member of the Labour Club at Melbourne University. While in the UK in the early 1970s he joined the International Socialists (now Socialist Workers Party), and on his return to Melbourne, became a member of the fledgling Australian organisation, Socialist Workers Action Group.

Jeff was diagnosed with a terminal illness in the mid-1990s. He wanted to leave a bequest to 'allow us to bring our history and ideas to those receptive to them'.



'When I was told that there was nothing that could be done for me, that there were no proven remedies left in the medicine cabinet, the future—well, there was none—no dreams, no plans, just live for today—even hour by hour

'I would think about the past and how our history was disappearing. We have a proud history ... I'd like our history to be remembered. I'd like our ideas to be available.'

Jeff hoped that his bequest would contribute to this by producing an income to help with cost of research and publication: 'Well, it's a bit of a dream, but it could work.

Jeff's dream has been realised. In 10 years we have published seven books and three other publications, provided funding for four Australian and eight international speakers and an anti-militarism conference, and assisted with several activities promoting activism in Indonesia.

The first activity of the Project in 1998 was to publish *Rebel women*, which has sold steadily over 10 years and been reprinted twice. Focusing on women as militants, activists in their own right, the book covers a range of times and places, from Broken Hill, to women's struggles during the Depression, through World War I, equal pay in the 1970s to the famous 1986 Victorian nurses' strike.

This book was very much in the spirit of the purpose of Jeff's bequest. Labour history tends to emphasise official structures of the unions and the ALP. On the other hand, feminist histories tend to focus on the divisions between men and women. *Rebel women* provides an inspirational account of action from below.

'They called us brazen hussies ... it was unheard of ... the coalfields women didn't take long to cotton on ... basically they were fighters.'

The Project has also published books on the Builders Labourers Federation, Iraq, class struggle in colonial Australia and the Eureka rebellion.

Socialism is internationalist by nature, so international solidarity has been an important part of our work. At the time the Project began operating, an important struggle was nearing its peak, as the Indonesian people set about overthrowing the Suharto dictatorship. In the aftermath, many new people were drawn to left-wing ideas. The Project supported the translation of basic socialist materials into Indonesian, involvement in a left-wing conference near Jakarta, and some modest computer facilities to help left activists get their ideas out to a wider audience.

Given Australia's geographical isolation, visits by international speakers are also crucial. Speakers came from many countries, including Thailand, Korea, South Africa, the US, Italy and France. For me personally, hearing Hanan Aruri, a Palestinian woman activist in 2007, was a highlight.

Because many of the books have sold well, the Project has been able to continue for longer than originally anticipated. Several new publication projects are under consideration, including a history of gay liberation in Australia, World War II and the upturn of the 1960s. Jeff's dream of helping our history be remembered continues.