

ESSAYS IN
THE POLITICAL ECONOMY OF AUSTRALIAN CAPITALISM

VOLUME 2

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OF AUSTRALIAN CAPITALISM

VOLUME 2

Edited by
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Much work and many volumes will be needed if we are to understand the relationship of the state to economic development . . . When the state leads the process of social change it does so because there are men with the will and the power to refine existing institutions, or to build new ones. They may represent rising new groups and new sources of power, or sophisticated men from extant structures. When the state lags it is because change is taking place away from the centers of power, as new men arise on the periphery. In such circumstances, if the issues become great, the new men may be crushed, or they may triumph, and occupy the halls of state . . .

Douglas F. Dowd, *The State, Power, and the Industrial Revolution*, (U.R.P.E. Occasional Paper No. 4, University of Michigan, 1971), pp.36-7.

INTRODUCTION

E. L. WHEELWRIGHT

IN THE INTRODUCTION to Volume One of this series it was stated that these essays were intended to provide the bricks and straw for an eventual 'History of the Political Economy of Australian Capitalism from the Earliest Times to the Present Day', which would be best attempted from a basic Marxist standpoint. It was asserted that very little had so far been written about Australian capitalism from this point of view, despite the tremendous revival of interest in Marxist thought which has occurred in recent times in Western Europe, Britain, and both North and South America.

A number of questions which needed to be tackled were suggested. These included: In what respects has capitalism in Australia differed from capitalism elsewhere? What were the crucial stages of its growth, e.g. what period saw the foundations of industrial capitalism, and what were its characteristics? What was (and is) the relation of Australian nationalism to capitalism? What has been (and is) the impact of imperialism and international capitalism on the economic and social structure of Australia? And in all cases how has the alignment of class forces been affected?

The response to Volume One has been excellent in two senses: it created a demand for further volumes, and a supply of excellent essays, some of which are included here, and the remainder are in the forthcoming third volume. Further volumes are anticipated, and intending contributors are invited to contact either of the editors.

The essays are not intended to hang together (although on a future occasion it is hoped to follow one reviewer's suggestion of producing a volume centered round a common theme), but there are variations on a theme in some cases. Catley and Foster are as much concerned with the relation of contemporary Australian capitalism to American imperialism, as McQueen is with the relation of the Australian capitalism of 1918-21 to the British Empire, Hopkins is concerned with contradictions in the ruling class, and fractions therein, as are Lewis and McQueen. And both Encel and Bell are concerned with what may be called a new dialectic of urban capitalism, and the part played in this by the rapidly growing and upwardly mobile classes of contemporary Australian capitalism. Reading their essays reinforces the view that Marx was right when he said: 'The country that is more developed industrially only shows, to the less developed, the image of its own future'.¹ It also prompts the reflection

that the time is ripe for political economists and sociologists in Australia to re-read C. Wright Mills' now classic *White Collar*. First published in 1951, its conclusions are very relevant to Australia now:

The political question of the new middle classes is, Of what bloc or movement will they be most likely to stay at the tail? And the answer is, The bloc or movement that most obviously seems to be winning . . . In the shorter run, they will follow the panicky ways of prestige; in the longer run, they will follow the ways of power, for, in the end, prestige is determined by power. In the meantime, on the political market-place of American society, the new middle classes are up for sale; whoever seems respectable enough, strong enough, can probably have them. So far, nobody has made a serious bid.²

The first essay in this volume, by Bob Catley, deals with the end of the Age of Growth,³ and the concomitant efforts of the Whitlam social democrat government to change Australian society. The Age of Growth lasted from 1945-71, a period in which the living standards of most of the populations of the advanced capitalist countries rose steadily, welfare benefits were expanded, and the insecurity of social life diminished. International co-operation under American tutelage ensured the growth of world trade, international investment and labour flows, and currency stability. Cold War military strategy protected the world capitalist market.

Australia accepted U.S. orchestration of the management and defence of the capitalist world more eagerly than most other advanced capitalist states. Along with them, Australia experienced a long boom, which was the product of foreign capital inflow, the immigration of cheap labour, a steady growth in world trade providing ready markets for primary industry, both agricultural and mineral, and the rapid development of the industrial sector under protected conditions.

By the time the A.L.P. came into office in December 1972 this system had suffered severe shocks, and the Age of Growth had come to an end, although this was not clear at the time—the short-lived boom of 1973 prevented general recognition of the fact until 1974. But already, in 1971-2, American leadership was eroded, international competition had intensified, price and currency stability was ended, and, in the then deeper global post-war recession the profitability of investment was in question, whilst the Third World was beginning to challenge the structure of the international market.

Catley's thesis is that the programme on which the A.L.P. was elected assumed a continuation of the long boom. It was essentially a programme of welfare services expansion designed to ameliorate the seamier results of the long boom, coupled with a moderate nationalism in economic and foreign affairs, both aimed at the swinging voters in the fastest growing section of the population—the urban middle class. Growth did not continue after the 1974 election, and the planning machinery which was supposed to ensure it never materialised; in fact the opposite happened, for, seeking a return to 'market forces', the economic rationalists were

allowed to dismantle the myriad of devices accumulated over the previous two decades, which had provided effective subsidies to the private sector, allowing it to operate profitably. This was the basic fallacy of the economic rationalists, which compounded the situation—the belief that the Australian economy could and should operate according to the dictates of world market forces. Most sectors have only been able to survive and prosper because of protection from world market forces, natural or contrived, and that is why, as Glen Lewis shows in his perceptive essay on Queensland in this volume, Australia developed its own version of state or neo-capitalism very early in its economic development.

Catley gives the most detailed Marxist analysis of the economic policies of the Whitlam government which has yet been presented. The real problem which seems to emerge from this is that social democrat governments, and their economic rationalist advisers do not understand the *modus operandi* of contemporary world capitalism, especially its relation to social classes and state power, and its historical development. Catley's conclusion is that the lesson of 1972-5 was not that Labor cannot run a capitalist society, nor that it moved too fast, nor that revolution is the logical alternative, but that welfarism depends on production, which follows its own laws whilst left exclusively in private hands. Aggregate demand management provides no adequate substitute for the public control of production. Private control of production will be protected by the capitalist state, which is one of its functions, as Humphrey McQueen emphasises in the last essay in this volume. Catley points out in a percipient footnote that 1974-5 was, in a sense, a re-run of 1930-1. Viewers and readers of Frank Hardy's classic *Power without Glory* are invited to compare the last months of the Whitlam government with those of the Scullin and Lang governments. Points of comparison are: the Cabinet's division on basic Labor policy versus staying in office (Cairns, Anstey); the reflationary plan accommodating capital (Connor, Cairns, Irvine, Theodore); redefining Australia's relation to foreign capital (Lang, Connor); the international support for deflation (the Bank of England and the Premier's Plan, Friedman and the monetarists); scandal and the Parliamentary Left (Cairns, Theodore); and the removal from office and electoral defeat (Game, Kerr), followed by depression.

The latter part of the essay is taken up with an analysis of the strategy of the Fraser coalition government. Its central plank was deflation, and its component parts included reductions in real wages and in the social wage provided by public welfare services; maintenance and expansion of the unemployment pool to facilitate the disciplining of the work force; a redistribution of national income towards profits; a reduction in the central government's role in economic management; and a shake out of domestic industry to the advantage of larger firms and those less dependent on government support. All these had been begun by the Whitlam government, once its left wing had been eliminated.

The 1976 budget, Catley concludes, marked an important step in the restructuring of Australian society; the full employment pledge of 1945,

which was the cornerstone of public policy for thirty years, was postponed by the Whitlam government in 1975, and finally abandoned by the Fraser government in August 1976. The Age of Growth was truly over; the South Australian Premier, Don Dunstan, remarked that 'Australian workers were facing the gravest assaults on their living standards since the late 1920s'.

Since the essay was written, a further devaluation has occurred, unemployment has increased, wage indexation has been virtually abandoned, and anti-union legislation has been brought in. Dunstan was clearly referring to the activities of the Bruce-Page government in 1927, when it introduced a bill providing severe penalties for striking union leaders, secret union ballots, and requiring the Arbitration Court to correlate its awards with 'economic realities'.⁴ Now, fifty years on in the golden jubilee year of the A.C.T.U., history seems about to repeat itself, and the stage is being set for the sharpest series of class struggles in a generation.

Darryl Foster's short essay is in the nature of an appendix to Catley's dissertation. It is a useful account of the bizarre 'Loans Affair', and contends that although the purposes for which the loans were to be used could be justified, the same could not be said of the methods used. It has never been explained why the Labor Ministers used intermediaries in their loan raising efforts when government-to-government negotiations were clearly possible, and had in fact been successfully concluded by the United Kingdom, France, Japan, Italy and Denmark, in 1974, involving \$6.3 billion. It is just possible that Rex Connor was ahead of his time; in any case the history of Australian entanglements with the world capitalist money market would make a good doctoral thesis in political economy. One fascinating episode—to which this one bears only a superficial resemblance—is the case of Theodore in Queensland, recounted by Glen Lewis in a later essay; he describes it as one of the most blatant instances of the blackmail of an Australian Labor government by financial interests. In 1920, a delegation of pastoralists and financiers led by Robert Philp went to London to persuade City investors not to take up the Queensland Labor government's loan. As a result Theodore, then Treasurer and Premier of Queensland, was forced to negotiate a loan on what was at that time the costly and unfamiliar American market. The *London Times* commented that 'flirtations with foreign financial markets will not add to the confidence that is felt by Queensland's friends in her affairs'. The *Manchester Dispatch* called him the 'Socialist Premier' of Queensland who had revised pastoral leases in a manner unfavourable to investors, and the *Daily Herald* admitted that Theodore was a moderate but then went on in the same breath to mention 'Bolsheviks, confiscators and red revolutionaries'.⁵

In his essay, *Anti-trust and the Bourgeoisie*, Andrew Hopkins draws our attention to interesting developments in the sociology of law, viz, the recognition that law, rather than expressing general social values, represents particular interests, frequently at the expense of other interests. The question then arises, in whose interests are particular pieces of

legislation passed? The purpose of his essay is to explore the reasons for the anti-trust legislation enacted in Australia in 1906 and 1965. The issue that dominated the early years of federal parliament was protection versus free trade, and the 1906 Act was an expression of protectionist philosophy, as its name implied—the Australian Industries Preservation Act. Hopkins shows that its object was to protect Australian manufacturers against foreign ones, and that in effect it was another kind of 'Harvester case'. H.V. McKay and Company were manufacturers of 'Sunshine' harvesters, having the largest factory in Victoria (which is one reason why Mr Justice Higgins selected them as a test case on which to base his famous 'Harvester judgement' of 1907, delineating the first 'minimum' or 'living' wage, later called the 'basic wage').

There had been a price fixing agreement in the industry, to which McKay was a party, as well as the large American International Harvester Trust, and the Canadian Massey-Harris combine. In 1905 the price fixing agreement broke down and International Harvester was intent on capturing the Australian market. Hopkins quotes a representative of the International Harvester company as saying: 'We'll beat McKay. We have unlimited money behind us and even if we worked at a loss for three years we are bound to beat him . . . We are going to close him up'. In the modern sophisticated literature on transnational corporations, this concept is known as 'breathing time'.

Hopkins shows clearly that the 1906 Act originated over this issue, and was primarily designed to prevent overseas business interests from engaging in unfair competition with the intention of destroying Australian industries, and was concerned only in a very marginal way with preserving competition within Australia. None of the parties were committed to the principles of competition which found their way into the Act, and neither was the judiciary. The anti-trust legislation was imported into Australia from the U.S.A. for a purpose for which it was not originally intended, the preservation of local industries against foreign competition. Once it was found that this could be achieved by other means, the Act became a dead letter.

The first part of Hopkins' essay is an excellent starting point for a Marxist analysis of the free trade versus protection antagonisms in Australia which are still very much with us to-day. Such a study could begin with quotations from a little known speech of Karl Marx, in 1848, *On the Question of Free Trade*:

Thus, of two things one: either we must reject all political economy based upon the assumptions of free trade, or we must admit that under this free trade the whole severity of the economic laws will fall upon the workers. To sum up, what is free trade under the present condition of society? It is freedom of capital. When you have overthrown the few national barriers which still restrict the progress of capital, you will merely have given it complete freedom of action . . . Do not allow yourselves to be deluded by the abstract word *freedom*. Whose freedom? It is not the freedom of one individual in relation to another, but the freedom of capital to crush

the worker . . .

. . . To call cosmopolitan exploitation universal brotherhood is an idea that could only be engendered in the brain of the bourgeoisie. All the destructive phenomena which unlimited competition gives rise to within one country are reproduced in more gigantic proportions on the world market . . . If the free-traders cannot understand how one nation can grow rich at the expense of another, we need not wonder, since these same gentlemen also refuse to understand how within one country one class can enrich itself at the expense of another . . .

. . . Do not imagine gentlemen, that in criticising freedom of trade we have the least intention of defending the system of protection . . . the protectionist system is nothing but a system of establishing large-scale industry in any given country, that is to say of making it dependent upon the world market . . . (it) helps to develop free competition within a country . . . protective duties . . . serve the bourgeoisie as weapons against feudalism and absolute government, as a means for the concentration of its own powers and for the realisation of free trade within the same country.

But, in general, the protective system of our day is conservative, while the free trade system is destructive. It breaks up old nationalities and pushes the antagonism of the proletariat and the bourgeoisie to the extreme point. In a word, the free trade system hastens the social revolution. It is in this revolutionary sense alone, gentlemen, that I vote in favour of free trade.⁶

The second part of Hopkins' essay, dealing with the 1965 Trade Practices Act is an application of the Marxist theory of the state, which has been developed further quite recently by Miliband and Poulantzas, among others. The state is seen not simply as the tool of the ruling capitalist class; it has autonomy from sectional capitalist interests. This is vital to the survival of the bourgeoisie as the dominant class, for it is not a united group, but consists of what Poulantzas calls 'fractions'—financiers, traders, industrialists, pastoralists—whose interests are frequently in conflict. The capitalist state hence takes charge of the general class interests of the bourgeoisie as a whole. Under social democrat or Labor governments the state still continues to function in the interests of the bourgeoisie; although social democrat governments are inadvertent protectors, conservative governments are deliberate ones. Parker's work on Australia is cited in confirmation of these points, especially his emphasis that the effectiveness of Australian conservative parties in representing the long term interests of capital had depended on their freedom from financial dependence on any particular interest group. The failure of the United Australia Party before 1945 is held to be due to too obvious and too close dependence on vested interests. (This prompts the suggestion that the present Liberal-Country Party coalition may be approaching this situation.)

Within this framework, Hopkins aims to show that the 1965 Act served the long-term interests of capitalism, that a variety of interests were concerned, and that the government acted autonomously in relation to them. Business was divided and unable to speak with a single voice

on the issue. The main beneficiaries seem to have been new businesses, the newcomer obstructed by 'orderly marketing' arrangements which prevented his entry into the market. Many of these are small, hence the (mistaken) presumption that the legislation favoured small business. On the contrary, as Galbraith has pointed out clearly, small business needs some forms of collusion to survive against big business, and anti-trust legislation aimed equally at both favours big business.⁷ As Marx observed: 'To treat unequals equally is to give privilege to the strong'.

The conclusion is that the over-riding function of the Act was to protect the Australian system of private enterprise, and restrain sections of the bourgeoisie from activities which were damaging the bourgeoisie as a whole. To clinch his point, Hopkins cites Snedden, attorney-general at the time of the legislation's enactment:

. . . it has become crystal clear that untrammelled liberty cannot be allowed to disadvantage the majority . . . Laissez-faire will be replaced either by socialism or control within reason . . . The surrender of absolute freedom in the commercial field, which restrictive trade practice legislation involves, is no more than control within reason . . . The alternative is socialism . . .

It would appear that the bourgeoisie was putting into practice the Marxist slogan that 'freedom is the recognition of necessity'.

Glen Lewis considers that contemporary Marxist studies have failed to deal adequately with the modern nationalist movement; certainly his penetrating essay is the first to deal with this deficiency in Australia at length. His thesis is that some of the most salient issues concerning the relation of nationalism and capitalism in Australia emerge from a study of the history of the political economy of Queensland, and that the result illuminates both the national question and the particular role of Queensland in the development of Australian capitalism. Lewis concludes that Queensland was and is a conservative state in which there have been sporadic outbreaks of radicalism; this is a reflection of the political economy of that state. The dominant motif in the analysis is the Marxist 'law of uneven development', i.e. that a characteristic of the capitalist system is uneven development between countries, within countries, within regions, between sectors and between industries of the same region and country. Under this rubric, Lewis uses the concept of regionalism, in various aspects, to include the relationship of Queensland to the rest of Australia in respect of geography, defence, immigration policies, and economic dependence; and within the state, the uneven pattern of urban and regional development.

Probably because of its geographical location, Queensland as a whole was a late developer—Central Queensland was not linked to the south by trunk railway line until 1903, and Cairns not until 1923. By the time the railway network had been completed—1930—road transport had emerged as a threat, so the railway system never had the chance to become remotely economic. Although, in the 19th century, Queensland had the

largest per capita assisted programme in the continent, it failed. Many immigrants moved to the South, there was no inter-marriage with Aborigines, Chinese or Kanakas, and the Italian enclave in the north kept to itself. These 'immigration' patterns made for a xenophobic social climate, and probably produced a class of local poor whites, as in the southern states of the U.S.A., which may have formed one social basis of Queensland's conservatism. The economic dependence of the state would have re-inforced this, i.e. to the extent that wealth was being siphoned off to absentee owners of the state's natural resources in other states or overseas. The latest figures show that 85% of Queensland's mineral resources are controlled overseas.⁸

Ideologically the most decisive force was agrarianism, strongly rooted in the sugar, dairying and forestry industries. This fostered agricultural small-holdings and petit-bourgeois conservatism, reflected in the characters of Dad and Dave created by Steele Rudd, in his *On Our Selection* stories. Queensland agrarianism was a form of populism which could be expressed through the Queensland Labor Party—itsself a kind of country party dependent on a country trade union. One result was anti-intellectualism, another neglect of urban problems and industrial development, and concentration on primary production.

The state has been used in a corporatist manner primarily because of the monopolistic nature of private enterprise; the weakness of local entrepreneurship contrasted starkly with the dominance of big companies in the state. One effect has been the slow growth of manufacturing, another the concept of the state as a development agency for business, not a competitor, a third the weakness of the Liberal party.

Lewis confirms Hopkins' analysis of the forces behind the 1906 Australian Industries Preservation Act; Queensland businessmen were not strong supporters of free competition; they believed in what they called fair competition, by which they meant controlled or collusive competition. Lewis calls it 'collective competition' and regards the desire for it as a reflection of their weakness in the community, and the dependence of the Queensland economy. A new, successful, and confident locally-based middle class has only developed in the last twenty years, and this is the *nouveau-riche* class that Bjelke-Petersen represents and which, Lewis contends, is now leading the way to an Australian variety of facism. Clearly there are parallels here with California, and some of the southern states of the U.S.A., but on a much smaller scale in terms of population.

The conclusion is that some of the contradictions of Australian capitalism stand out with great clarity in Queensland. Queensland's history, like that of Australia, is a story of conservatism challenged sporadically by radicalism. The main ideological link between capitalism as an economic system, and nationalism as a social ideal has been the goal of 'collective competition', which was the economic expression of the Australian mateship ideal. Other ideals were agrarianism and co-operative self-help, state paternalism and egalitarianism. Queensland capitalism was viable because it made a workable fusion of the main

national ideals. Australia developed the techniques of corporate neo-capitalism very early in its history; a regulated or controlled capitalism was the form of business civilisation most acceptable to Australians—a fusion of American and British methods, with a style of its own, which worked of course to the benefit of the ruling élite. In short, in the past, national capitalism in Australia could only exist as a variety of state or neo-capitalism; in the present and future it can only exist as a variety of comprador capitalism, in which the local bourgeoisie are agents of international capitalism. Unfortunately the economic rationalists who continue to advise governments have not yet grasped these fundamental truths.

Unlike most economists, sociologists are well aware of these problems, and Encel's essay examines the structural features of neo-capitalism, the development of class relations therein, and the interaction between state and economy. He distinguishes ten features of neo-capitalism, shows how class relationships are affected by them, and how these relationships provide the link between the economic structures and the political behaviour of electorates in the affluent industrial countries. This is an essay in the classical Marxist manner, of trying to delineate the relationship between a changing economic base and the political superstructure.

A major feature has been the rapid expansion of the middle classes, which have more than doubled as a proportion of the work force over the last thirty years. The rate of social mobility has been amongst the highest in the world—higher even than in the U.S.A. The new class structure is a result of the fragmented labour market; in this the professional and technical occupations possess the most marketable technical knowledge. There is an argument, put forward by the French Marxist, Touraine, to the effect that classes in 'post-industrial' society should be defined by their relationships to change, and the power to manage change. The dominant classes dispose of knowledge and control information; the dominated classes are alienated rather than exploited. This condition is described as 'dependent participation'.

Other elements of fragmentation include an 'underclass' of imported immigrant workers, which may be transient, as in Europe, or not, as in Australia. This class also includes women recruited at the lower levels of the labour market.* The prognosis in the late 1950s of the erosion of social-democratic parties and the 'end of ideology' as a result of class fragmentation within the affluent society of neo-capitalism was not fulfilled in the 1960s. A new voting coalition of working-class and middle-class elements led to a new and precarious relationship between parties and voters. As Bob Catley notes in the first essay of this volume, the political objectives of this voting coalition were limited to redressing the distributive aspects of the neo-capitalist economy. Poulantzas regards this as a new equilibrium of class relationships; the political ground for

*Both these topics are dealt with in detail for Australia in essays to be published in Volume Three of this series.

social-democratic party activity has shifted into territory where the influence of middle-class rather than proletarian radicalism becomes increasingly important. Middle-class radicalism may also be seen as a direct reaction to the growth of corporatism, noted by Lewis in the previous essay, as an attribute of Australian neo-capitalism. At the same time differences *within* the middle classes have increased, especially between the lower and upper-middle strata. 'Ockerism' is seen as the surface froth of important social changes in Australia, and has been described elsewhere as a symptom of 'affluence coupled with ignorance', at least as related to bourgeois culture. 'Ockerism' is seen by Encel as some kind of backlash to these changes, which include the expansion of higher education, the growth of feminism, the movement towards cultural pluralism, the increase of sexual permissiveness, and the greater role of intellectuals in politics.

Social-democratic governments have, however, failed in achieving their objectives in most countries where they have developed and certainly the electorate has rejected most of them in recent years. Support was lost from both segments of the voting coalition—especially in Australia, from the working-class section, which was most affected by unemployment. The evidence also seems to suggest that social programmes do more to assist the professionals of the middle classes, who run them, rather than the people for whom they are intended. Encel concludes that the internal contradictions of neo-capitalism are such that no government, conservative or social democratic, can resolve them.

Capitalism ends up in the city.⁹ Most people live in the cities, and so the problems of industrial and post-industrial capitalism are seen as urban problems. This is especially true of Australia which has been one of the most highly urbanised countries in the world for almost a hundred years. Colin Bell's essay, *Towards a Political Economy of Housing*, reminds us of these important truths and draws our attention to the work of urban sociologists who have emphasised that the processes of collective consumption which are essential in the city, give rise to new social contradictions. One of the most influential is the French Marxist, Manuel Castells, who, Bell believes, is laying the foundations of a genuinely comparative urban political economy. These foundations rest on the following propositions: advanced capitalism is increasingly concerned with the realisation of surplus value, hence processes of consumption are of key importance. More goods and services, such as housing, education and health services, are collectively consumed and the provision of such collective consumption increasingly determines where people live and work in the cities, and hence their 'life chances'; the production and distribution of the goods and services which constitute this collective consumption is increasingly managed by public authorities (i.e. the state), hence urban conflicts over the allocation of these resources become politicised, and involve social strata such as the middle class which have not previously been engaged in such struggles; hence urban conflicts over resource allocation in the cities become one of the axes of social

change in advanced capitalist societies.)

Bell's essay therefore complements Encel's essay on *Capitalism, the Middle Classes and the Welfare State*; both are concerned with a new dialectic of modern capitalism. As capitalism concentrates itself in cities this increases the social costs of the system, forces the state to meet these costs and provide services which can only be collectively consumed, thus politicising the allocation of vital resources which are essential for success in the system. The rapidly growing and upwardly mobile middle classes are the first to realise this; the market can no longer serve as mystifier and obfuscator of political power, veiling the class struggle. So begins the political economy of urban capitalism, which was foreshadowed by Engels in his little known, *The Housing Question*, published over a hundred years ago, and which, as Bell shows, still has some important lessons for contemporary capitalism.

Humphrey McQueen's *Shoot the Bolshevik! Hang the Profiteer!* could be the basis for the script of an Australian television series to rival the British *Days of Hope*. It is set in the same period, the aftermath of the first world war, and the theme is roughly the same—how the ruling class made the country safe for capitalism. In 1919 there were more days of strikes than in any other year until the 1970s; there was unemployment and falling real wages affecting those who had remained in the work force, and there were some 300,000 returned soldiers to be fitted back into the system. The struggle over conscription had split the Labor Party—and Australia; rebellion in Ireland and revolution in Russia had enhanced the political consciousness of Australian workers and put fear in the hearts of the bourgeoisie. The Prime Minister remarked, in October 1919: 'The burning blasts of war have shrivelled, blackened, and destroyed the world we once knew'.

There is justification in McQueen's claim that modern Australia was spawned in this period which saw the origins of the Country Party, the R.S.L., The Communist Party, and the Greene tariffs. Certainly there are important lessons for to-day's struggles to be learned from 'the attempts to put Australian capitalism back together again'. Preparations for counter-revolution had been made during the war by the introduction of the War Precautions Regulations; offences included exhibiting the red flag, and exhibiting disloyalty or hostility to the British Empire. A leading industrialist organised the Australian Defensive League and paid agents to infiltrate trade unions in Melbourne, and police spies were planted in the executive of the red-flag marchers and the One Big Union movement in Queensland. The top brass in the army and the police met to consider the Bolshevik threat; *Smith's Weekly* led the way with appeals to organise the middle-class; an anti-Bolshevik Society was launched at a mass meeting of ex-soldiers in March 1919 in Brisbane; and returned soldiers were 'mobilised' by some of their former generals in Melbourne and in Perth.

On the ideological front, Bolsheviks were portrayed in the press as dehumanised, disloyal, destructive, and a threat to property and family

life. 'They are out to expropriate, to win, to destroy every man who owns a cottage or "uses a tooth brush"'. The *Bulletin* thought that Australian workers possessed too many household Gods to go Bolshevik, and atheistic communists were linked with Papists because of their common disloyalty to the Empire. The laws on industrial relations were changed in 1920 to limit the workers' room for legal manoeuvre, the laws on immigration were changed to permit the exclusion or deportation of anarchists, revolutionaries and other trouble-making strike leaders who had not been born in Australia. There was a Royal Commission into the Basic Wage, at which the employers argued against wage indexation, even though the cost of living was rising at 15% annually, despite an 11% unemployment rate. The industrialist Baillieu called for consultative councils of employers and workers; and Mr Justice Higgins was rendered ineffective in the Arbitration Court in a similar fashion to Mr Justice Staples in our day.¹⁰ Attempts were even made to abolish the Arbitration Court for a period. As noted previously, these kinds of attacks on the working class were repeated in 1927; they occurred again in the depression of the 1930s and are recurring again in our day. It is difficult to resist the conclusion that whenever capitalism is in trouble its first reaction is to blame the workers.

There was great public concern at the rising cost of living. Anti-profiteering legislation was enacted in each of the mainland states, and it was the central argument advanced for the alteration of the Constitution to give the Commonwealth government temporary power over prices. The Inter-State Commission had prepared twelve reports on war-time price-fixing and profiteering; the Victorian Royal Commission on the subject prepared five reports in 1919; Hughes wanted to set up a Commonwealth Royal Commission in the same year; and Frank Tudor, the leader of the Federal Parliamentary Labour Party, said that profiteering was the 'most vital question' of the 1919 election.

McQueen argues that profiteers were presented as the root cause of Bolshevism, and sees the campaign against the profiteer as an ideological defence of the rate of exploitation, by segregating capitalism from profiteers, i.e. profiteering was presented as a very special category of economic activity which did not refer to the normal practice of making a profit, and was something external to normal capitalism. 'Anti-profiteering' could become the official ideology of the capitalist state because the manufacturing fraction was then dominant; the commercial fraction, which was the most exposed, opposed it. In 1920, 'a Profiteering Court has been created in Victoria, which will go into the retail price of sardines, but leave gas, meat, oil, and all the big things of life severely alone . . . Similar sentiments have been expressed about the contemporary Trade Practices Commission.¹¹

In conclusion, it is argued that to appreciate fully the class repression of the period, it is important to recognise that war and imperialism are linked together with class struggle; that political, industrial and ideological repression increased because of the changed nature of the capita-

list system; and that, by 1914, political and industrial working class organisations had recovered from the debacle of the 1890s. They were, during and immediately after the war, beginning to challenge the system. But as McQueen notes: 'Capitalism does not have a party, it has the state'—a fact which was brought home to the Australian working class again on 11 November 1975.

It is clear that the one common theme running through these essays is the role of the state, which was suggested in the introduction to Volume One to be the most obvious difference between a transplanted colonial capitalism and the system which gave it birth. Perhaps this overlooked the point that in the colonial microcosm we see the operation of metropolitan capitalism writ large. In any case, the conclusion of Douglas F. Dowd on the subject is pertinent to the history of Australian capitalism from the earliest times to the present day:

Much work and many volumes will be needed if we are to understand the relationship of the state to economic development, but at least one thing should be clear: the heuristic convenience of the abstract term 'state' should not mislead us into believing that there is some entity of that name with an existence separate and independent from the society of which it is a part, or with a meaning adequately inferred from laws, statutes, regulations and publicised actions . . .

. . . the 'state' moves as the changing power complex in society requires, allows, or directs it to move . . . When the state leads the process of social change it does so because there are men with the will and the power to refine existing institutions, or to build new ones. They may represent rising new groups and new sources of power, or sophisticated men from extant structures. When the state lags it is because change is taking place away from the centers of power, as new men arise on the periphery. In such circumstances, if the issues become great, the new men may be crushed, or they may triumph, and occupy the halls of state . . .

The problem of relating the state to economic development thus becomes part of the much larger problem of understanding the process of social change . . . The potential risks in that process do not seem greater than the established dangers of studies that achieve sterile exactitudes.¹²

Sydney
May 1977

NOTES

- 1 Karl Marx, *Capital* (International Publishers, New York, 1967), Vol.I, p.9.
- 2 C. Wright Mills, *White Collar* (Oxford University Press, New York, 1956), pp.353-4.
- 3 'The Age of Growth' is the title of a paper delivered by Joan Robinson in Canada in May 1976, and privately communicated to the author.
- 4 F.K. Crowley, *Modern Australia in Documents, 1901-39, Vol.I* (Wren Publishing Pty Ltd, Melbourne, 1973) pp.435-6.
- 5 Irwin Young, *Theodore, His Life and Times* (Alpha Books, Sydney, 1971), pp.38-9.
- 6 Karl Marx, *The Poverty of Philosophy* (Progress Publishers, Moscow, 1973), pp.192-5.
- 7 J.K. Galbraith, *Economics and the Public Purpose* (Andre Deutsch, London, 1974), p.256.

- 8 See *Foreign Ownership and Control of the Mining Industry 1973-4 and 1974-5* (A.B.S. Canberra, 1976), p.12; the figure is for value added; foreign ownership was 71% of value added.
- 9 J.K. Galbraith, *The Age of Uncertainty* (B.B.C. and Andre Deutsch, London, 1977), p.303.
- 10 See the *Sydney Morning Herald*, 10 May 1977: 'In October 1975 Sir John Moore removed Mr Justice Staples from responsibility for arbitrating on maritime industry matters, leaving him with responsibility in certain other industrial fields. Legal authorities said the action was unprecedented Last February it was announced that Mr Justice Staples had not been allotted any arbitration duties under a reshuffle of Commission members'.
- 11 See Commissioner Venturini's Note in Appendix 5 of the *Second Annual Report of the Trade Practices Commission, Year ended 30 June, 1976* (A.G.P.S. Canberra, 1976): ' . . . my overview of the administration of the Trade Practices Act during the last twelve months: an expression of velleity in an atmosphere of bureaucratic secretiveness'.
- 12 Douglas F. Dowd, *The State, Power and the Industrial Revolution 1750-1914* (The Union for Radical Political Economics, Occasional Paper No. 4, The University of Michigan, May 1971), pp.36-37.