

**Australia**

**Under**

**Orders**

**WHY OUR WAGES ARE BEING  
ATTACKED**



Published by  
The Workers' Intelligence Bureau,  
Melbourne.

## FOREWORD

"Australia Under Orders" appeared in the October, 1930, issue of the "Labour Monthly," London.

Because it deals with the present crisis in Australia in a well-informed way, and—what is of great importance—from a world-wide standpoint, the article is here produced in full. It has, also, an added interest for us in Australia, as an expression of English working-class opinion.

At present much is written, and more said, of the causes of the "depression," and, in working-class circles in particular, those who have become obsessed with the idea that the evil spirit of the hour is the financier, are emphatic that the cause of this depression is either solely or mainly due to the financial organisation and institutions of capitalism, and, with complete assurance, prescribe ill-considered remedies at a time when the "axe must go to the root."

Mr. Rathbone clearly shows that the causes are both wider and deeper than merely in the financial superstructure. Indeed, the very fact that the financial machine is out of gear points to its secondary importance. The most that can be charged against the policy of the financial institutions is that they have sharpened and brought to a head a previously existing situation, have made it felt generally, and have given to it certain peculiarities of a financial character.

The Workers' Intelligence Bureau proposes to publish pamphlets designed to give a balanced view of the world in which we live; to place in their true perspective all phases of capitalism. The aim is to give information rather than to do propaganda. If we may be permitted in an age of slogans to propose one more, we would say: "Be Well Informed."

Melbourne,  
27th November, 1930.

## AUSTRALIA UNDER ORDERS

By HUGO RATHBONE.

THE "free" Dominion of Australia, where, according to reformist propaganda, the Socialist millennium was being achieved in a strictly constitutional manner, has just been plunged into the maelstrom of acute crisis by the Bank of England. British finance capital, through its agent, Sir Otto Niemeyer, has exposed in one fell swoop the reality of Dominion Home Rule, White Australia and the socialism of Australian Labour Governments.

As the "Observer" curtly remarked:—

There seem to have been a decision by the British money market, to put it bluntly, that Australia must be taught a lesson. (August 24, 1930.)

How comes it that the free and independent Dominion of Australia, one of those countries which at the Imperial Conference now just beginning will be described as an equal partner with the other Dominions and Great Britain in the great British Commonwealth—the British Empire—how comes it that this great nation must be taught a lesson? How comes it that this free and independent Dominion can be dictated to by the Bank of England?

Now Australia, like New Zealand, Canada and South Africa, the other Dominions of the British Empire, was conquered and settled mainly by British peoples. Excluding the question of the suppression or partial or almost entire extermination of the native populations, these countries have been developed under a capitalist system of society. They are in fact extensions, as it were, of British capitalism.

But they have at least two distinguishing features. In the first place the capital for their development has been almost entirely supplied by the metropolis, Great Britain. This means that the interest and dividends on this capital has to be exported from these Dominions and becomes a tribute levied by British capitalism on these its extensions, the Dominions. Secondly, a capitalist system is developed in a country where, whatever system of society

already existed, was so primitive as to be altogether overwhelmed, as in Australia and Canada, or more or less subordinated, as in New Zealand or South Africa, by the relatively highly developed invading system of capitalism. Therefore, in contrast to Great Britain, capitalism has not had to share its surplus value in the form of rent, etc., with any feudal survivals. But there is a second consequence of this: for just because there are no relics of feudalism to take their toll, there are no relatively inexhaustible supplies of proletarianised peasantry and artisans as there were in Britain as a consequence of the destruction of the feudal order. Practically all the labour necessary for this capitalist development of the Dominions has had to be imported (here again we exclude the question of the coloured native populations.) Taking only Australia this has resulted in a peculiar development.

Owing to the fact that the labour supply has been dependent on immigration there has been a continual shortage of labour. In the early days of settlement, part of which was made by convict labour, Acts were passed imposing a relatively high minimum price for vacant land to ensure that existing settlers could count on a certain supply of farm labourers. For, otherwise, the newly arrived workers, after a few months of working for the existing farmers, were able to save enough to buy land of their own. This state of affairs lasted practically down to the present day; relatively to the older capitalist countries there continued to persist a very pronounced shortage of labour.

This has meant, first of all, that the workers could command a wage higher than could be done in the older capitalist countries. There was another factor, however, which contributed towards raising the status and standard of living of the workers to a higher level than in the old capitalist countries. This factor is described by a writer on Australia in the "Cambridge Modern History," as follows:—

In societies which had no hereditary aristocracy, no established church, no large leisured or learned class, no wealthy manufacturers, the material for a Conservative Party was wanting. Thus everywhere groups rather than stable parties were formed, with the consequence that the life of administrations was usually very short and the political situation continually changing. Payment of members produced a professional class of politicians and gave the elector-

ate more control over their representatives. Power passed into the hands of the wage-earning and trading classes who used it to promote new ideals. (E. A. Benians, Vol. XII., Ch. XX., pp. 627-8.)

Thus, not only did the possibility of obtaining a relatively high standard of living, but the whole social structure of Australia and particularly the absence of the relics of feudalism—"a large and leisured class"—contributed towards labour being able successfully to claim a share in the government of the country.

There was, however, still a further factor. In a country like Australia, state subsidies, state management of capitalist enterprise, not only assisted capitalist development but was made possible by the fact that there was no opposing system such as feudalism. Capitalism organised into state capitalist trusts in a country free from the relics of any previous system where a kind of pure capitalism should be able to develop—such seemed to be the possibilities in a virgin country as Australia, such indeed were the requirements—the state was necessary for the development of capitalist exploitation. Consequently, labour, owing to the other conditions we have described, participating in the government of the country, by the very conditions of development was able to start trying out its theories of state socialism.

Now, in spite of the tribute levied on the exported capital by British capitalism at home, the absence of the necessity to share out the surplus value with the feudal survivals enabled capitalism in Australia to expand and yet allow the workers to obtain a relatively rising standard of living. This is not to say that the workers had not to fight for this rising standard, but the fact that they not only obtained it but retained it shows that capitalism was able to afford this and yet continue to expand.

These various contributory factors towards the participation of labour in the state and federal governments of Australia determined the character of that participation. For it was and is essentially a participation in a capitalist administration. Owing to the peculiar conditions of Australian development the "ideal" referred to by the writer in the "Cambridge Modern History," quoted above, was not only permissible but actually assisted the development of capitalist exploitation.

This can be demonstrated if we examine the effect of this policy on the relations with British finance capital.

For it has meant a relatively increasing quantity of imports and consequently encouraged the export of capital from Great Britain. But it is exactly this tendency which, though it has been of the utmost importance to British capitalism, Australia absorbing as it has done some £500,000,000 of capital and still taking some 7 per cent. of British exports, has led to the present crisis.

How has this contradictory process developed? The high purchasing power of the workers in a developing capitalist country like Australia itself encourages large imports. Loans are contracted to pay for these imports. Still further loans are necessary to pay the interest on the previous loans. At the same time in order at once to help to pay the interest on these loans and to build up industries and so lessen the necessity to import, higher and higher tariffs were imposed. But the fact that Labour Party policies were accepted factors in Australian capitalist development meant that every rise in prices, which the tariff increases may have effected in Australia, was counterbalanced by a rise in wages, thus again encouraging further imports. Payment for these imports had to be made as has already been said not only by exports but by the raising of fresh loans.

This process could continue provided that the source of fresh loans did not dry up and the proceeds from exports was not reduced. But both these things threatened to occur. It became more and more obvious that loans were being raised in order to pay interest on previous loans. In spite of wool pools and wheat pools the price of these two principal articles of export threatened to fall.

Already at the 1926 Imperial Conference these signs and portents were visible on the horizon. Accordingly the Australian Government was compelled to accept a mission of British capitalist experts as advisers on her condition. This mission did not, however, report till the beginning of 1929. The chief question was not, as was at first widely advertised, to examine the possibilities of setting up factories, etc., of British firms in Australia, but first and primarily to indicate how to cut "the vicious circle" as it was described by the "Economist" in paraphrasing a speech of the chairman of the English, Scottish and Australian Bank as follows:—

There is, as he says, at the present time a sort of vicious circle. The greater the foreign loans the larger the imports. The larger the imports, the higher the tariff barrier demanded by domestic pro-

ducers. The higher the tariffs the higher is the cost of living; and the higher the cost of living—wages being fixed by Award Boards to meet an arbitrarily fixed standard of living—the greater is Government expenditure. The greater the Government expenditure the larger the borrowing abroad. (December 15, 1928.)

The method of cutting this vicious circle recommended by this mission consisted in an attack on the costs of production, that is to say, on the system of Arbitration Acts whereby wages, etc., were raised in accordance with the cost of living—"the most vexed and most important of all Australian questions," as the Economic Mission called it (p. 19. of the English Edition, "Dominion White Paper," No. 2, 1929).

While Australia was a free and self-governing Dominion they could not demand the repeal of these Acts and let the traff operate in its "normal" way by increasing the cost of living and thus lowering the real wages of the workers. But they clearly showed that they were speaking for British finance capital when they recommended that all loans in London should first be submitted to the Bank of England for approval well in advance of their issue (p. 14). As the "Economist" (June 1, 1929) remarked, they made no bones about adopting "an admonitory tone" in their report.

But it was not until the repercussions of the world economic crisis had had a catastrophic effect on Australian conditions and thus directly threatened the interest and dividends of British finance capital that this "admonitory tone" became an edict.

In April of this year the "Economist" (April 26) pointed out some of the effects of this crisis. It showed how the prices of its two chief export commodities, wool and wheat, had suffered enormous declines. Thus in the case of wool the price of "Queensland scoured super-combing" had fallen from 48d. in December, 1927, to 25d. Moreover, while wool production in Australia had been increased by about 35 per cent. since 1924-25, South Africa and South America had increased their products by over 50 per cent. Thus Australian wool exports not only were confronted with a falling market but were faced with increased competition in that market. The same was true of wheat. Consequently to try and meet the heavy deficit in the value of exports, gold reserves were being used; thus, for instance, net gold exports in the seven months

ending January, 1930, was £9½ millions compared to £1¼ millions in the previous corresponding period; further, since January the "Economist," in this same April article, states that £20 millions of gold had been consigned to London.

But in spite of these signs of crisis the "Economist" pointed out that the voice in Australia in favour of cutting the vicious circle (attacking wages) was still "not strong enough to prevail." For the reply of the Australian Government was merely to clap on further tariffs which, as this same journal pointed out, "may prove a temporary palliative, but it is merely equivalent to taking a still stronger dose of the drug which originally produced the symptoms."

In July the "Economist" (July 26) returned to the attack. It calculated that owing to the practical cessation of foreign borrowing—apparently the Bank of England had withheld its approval—and the drop in prices of wool, wheat, &c., the national income of Australia must have dropped by 20 per cent., or £150 millions on a total of £650 millions, that the export price level was only about two-thirds of the internal price level, that the increased tariffs were already contributing towards further raising the number of unemployed, that the situation could have been temporarily saved by the borrowing of a considerable sum abroad, but that as this was impossible a reduction in internal costs of production was inevitable.

It was left to Sir Otto Niemeyer, as the personal representative of the Bank of England, to put in force the "British money market's" decision that "Australia must be taught a lesson," as we quoted from the "Observer" at the beginning of this article.

Quoting from the summary of his report, given in "The Times," of August 22, we select the following: "Owing to accidental (!) high prices for exports Australia had so far been able to remain aside from the general trend of world conditions and maintain standard costs, which the rest of the world had long since found impossible . . . while values in the export market have steadily fallen . . . values in Australia have fallen very little. This fact, itself intensifies the difficulties of achieving even a trade balance, much less the trade surplus which you need to meet your foreign payments. . . . A larger quantity of Australian goods has now to be given for the same volume of Australian purchases, and there is little prospect of a move in Australia's favour again for some time to come."

. . . Australia's standard of living has reached a point economically beyond its capacity to bear without a considerable reduction in costs. . . Australia will then be able to turn to the question of gradually liquidating her outstanding obligations in London, which in any circumstances is not likely to be an easy operation. . . ."

If Sir Otto Niemeyer was blunt in his dictator's edicts, "The Times" in its welcoming leading article was candid in its praise of the decision of Mr. Scullin, the Prime Minister of the Federal Labour Government of Australia, to capitulate to the Bank of England. Referring to the decisions of the Conference of Federal and State Ministers to carry out the dictates of Sir Otto it said that Mr. Scullin:—

has, moreover, in spite of his ill-health, made an important personal contribution to the success of the Conference by courageously repudiating his own election pledges (given before the present crisis matured) not to reduce the salaries and wages of public servants. ("The Times," August 22).

But not content with drawing the lesson for Australia, "The Times" in the same leading article adds one further testament to the importance to capitalism of the Labour Government here in England also. It says:—

The reduction of an artificial standard of living is certainly a disagreeable task, especially for a Labour Government, but it is one which will have to be faced not merely in Australia, but also in this country. Indeed, the Australian situation presents some instructive parallels which the mother country can ill afford to neglect. Increasing unemployment brought about by excessive costs of production and aggravated by Government extravagance is a symptom common to both countries. **It is perhaps fortunate, too, that in both countries it is a Labour Government which has been forced to contend with the economic crisis.** (Our emphasis.—H.R.)

It only remains briefly to mention the reaction in the Labour movement in Australia as well as in this country. In Australia, where capitalism openly declares that it is quite prepared not only for splits in the Labour Parties but for considerable resistance on the part of the workers, the reaction has been immediate but characteristic. For in spite of large talk about complete repudiation of foreign

debts the main controversy has settled down on the type of sacrifice that capital can also be called upon to make; a tax on interest, lower interest rates or what not.

Here the reaction has also been characteristic—practically complete silence. The Glasgow "Forward" alone has broken the silence. Now it should be explained that the Glasgow "Forward" has always been the principal advocate of Australian state socialism, pointing to the "successes" of nationalised enterprises under Labour Government administration in Australia. But in recent years it has been more and more silent on these so-called benefits. No comment at all was made on the Economic Mission's report, and only twice have these "benefits" been held up to the admiring gaze of its readers in the last eight months.

When finally it broke its silence (September 20) on the Niemeyer report it revealed the whole bankruptcy and emptiness of its previous propaganda. It first starts by helping its readers quite a lot: "How far," it says, "it would be possible for Australia [that land of the Socialist millennium, remember] to hold out against a world capitalist blockade (which is the most likely thing that would happen if the capitalists' sacred rate of interest were interfered with) it is difficult to say."

Then follows the following characteristically reformist advice to the occupants of the land of a Socialist millennium:—

But the Australian trade unions are certainly right in maintaining that if sacrifices are to be made to save the economic situation, there should be sacrifices all round, and that the person who has made the most should sacrifice the most.

So disappears into oblivion this last camp of reformism on a note characteristically in harmony with the similar series of all-round sacrifices heralded by Mr. J. H. Thomas' 2½ per cent. cut for the railwaymen.

Be Well Informed!

## The Victorian Labor College

(Controlled by Affiliated Unions)



CONDUCTS CLASSES at the TRADES HALL.

Students are invited to attend **Economic and Industrial History** Classes held weekly.

**Speakers' Classes** are in charge of Mr. Maurice Blackburn, M.L.A., and Mr. W. J. Duggan.

No charge for admission.

Apply Secretary, Box 39,  
Trades Hall, Melbourne.

**Y**OU can obtain ANY BOOK  
or PUBLICATION on   
 Working Class subjects, where-  
ever published, from . . .

### The Labor College Bookstall

Box 39,

TRADES HALL,

Melbourne, C.I.

52 Swanston Street 52

Melbourne

is the

NEW ADDRESS

of

Will Andrade

Send for ANY BOOK you want

We also Stock Everything for  
all ENTERTAINMENTS  
and SOCIAL functions

PLAYS of all types  
are our Specialty



SYDNEY address: 173 Pitt St.