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CAPITALISM, THE MIDDLE  
CLASSES AND THE  
WELFARE STATE

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THE EVENTS OF November-December 1975 are still seen by most people as a constitutional cataclysm in which the major issue was the personal role of the Governor-General. In another and perhaps more important aspect, Labor's election debacle which followed should be looked at as the local reflection of a world wide pattern of defeat or retreat by social-democratic parties in the face of intractable economic problems and social tensions.

In 1969, Ralph Miliband noted the 'profoundly destabilising forces' affecting capitalist society, and wondered how long the needs and purposes of advanced capitalism would remain compatible with a bourgeois-democratic political framework.<sup>1</sup> Radical thinkers have asked the same question off and on since the *Communist Manifesto* first appeared in 1848, and their answers have varied depending on temperament and on external circumstances. Miliband's answer was pessimistic. He did not see any strong likelihood of resolving the contradiction between the promise of human liberation implied in vast increases of material well-being and the inability of social institutions to fulfil that promise. Although politicians were conscious of the public discontent generated by this contradiction, they were unable to do much about it. Basic reform of the system was required to resolve the contradiction, and basic reform was impossible within the limits imposed by property rights and inequality of economic power, defended as they are by the institutions of capitalist democracy. The political alternatives were failure masked by repression under conservative governments, or failure accompanied by right-wing reaction under social-democratic governments. 'For the foreseeable future', he concluded gloomily, 'no formation of the Left will be in a position seriously to place the question of socialism on the agenda of most advanced capitalist countries'.<sup>2</sup>

Miliband's use of the term 'capitalist society' is significant. Giddens has recently argued that what distinguishes 'neo-capitalism' from the

system described by Marx is precisely the development of capitalist society beyond the confines of a set of economic relationships.<sup>3</sup> The political vicissitudes of capitalist society can only be elucidated by recognizing the crucial role of the state in regulating economic and social relationships, and its fluctuating success in doing so—fluctuations manifested in the ups and downs of employment, inflation, taxation, industrial conflict, social policy, and the occasional war. For the purpose of this essay, capitalist society will be looked at under three overlapping but distinguishable aspects: the structural features of neo-capitalism, the development of class relationships, and the interaction between state and economy.

## Some Structural Features of Neo-Capitalism

The portmanteau term 'neo-capitalism' has been used during the past fifteen years, especially by Marxists, to denote an economic situation dominated by giant corporations which have close links with government. Wheelwright defines it as 'a system where the classical market has been replaced by monopolistic and oligopolistic structures, with a complex apparatus of controlled, interlocking functions, in which the state assumes co-ordinating and command functions'.<sup>4</sup> This is a shorthand definition, which needs to be expanded to indicate the nature of the structures and relationships implied. For this purpose, ten particular features of the neo-capitalist economy may be briefly enumerated.

1. Reliance on advanced technology, which requires large-scale capital investment, a skilled labour force, research and development, and programs of retraining and redeployment, all of which involve state action. As Galbraith points out, technological advance involves continuing increases in capital outlay, and innovation becomes progressively riskier and more expensive of resources and organization. 'More even than machinery, massive and complex business organizations are the tangible manifestation of advanced technology'.<sup>5</sup> Dickson also emphasizes that technological change increases the 'external' costs of economic activity in the form of pollution, noise, obsolescence of plant and skills, and the provision of services which are paid for by the community rather than the entrepreneur. Because of its dependence on large-scale capital investment, it benefits those who are already in a strong position; and because its benefits are usually distributed unequally, it is a source of greater social inequality.<sup>6</sup> Amara notes that technology concentrates wealth both within and between countries because of economies of scale, the division of labour, and the growth of cartels. The growth of big industry also stimulates the growth of big government, precisely at a time when increasing social complexity demands decentralization and participation rather than centralization and concentration of power.<sup>7</sup>

2. Advanced technology is closely related to the massive use of energy, which has been doubling every ten to fifteen years in most of the advanced industrial countries. Energy use per head is closely related to G.N.P.

per head, partly because of industrial growth and partly because of high levels of consumption.<sup>8</sup> A notable example arises from the shift of metal production from ferrous to non-ferrous metals which characterizes the consumer economy; aluminium, the modern metal *par excellence*, requires fifteen times as much energy to produce as iron. The production of energy (especially in the form of electrical power) is a major responsibility of government in most countries, not excluding the U.S.A.

3. Large-scale exploitation of natural resources, including minerals, timber, petroleum, edible oils and fats, fibres, and rubber. This provides a major playground for multi-national corporations, and is the basis for the neo-colonialism which goes along with neo-capitalism.

4. Predominance of service industries, including transport, communication, education, welfare and administration. The growth of the 'information industry', for instance, is the major piece of evidence used to support the contention that we are moving from an industrial to a post-industrial society.

In the U.S.A., it is estimated that about 40 per cent of the work force is involved in the information industry; in Australia, D.M. Lamberton has calculated that the Australian figure in 1971 was 27.5 per cent (compared with 17 per cent in 1947). The role of the automobile industry, which accounts directly or indirectly for one-seventh of employment in the affluent industrial countries, is even more significant. Sweezy and Magdoff have pointed out that economic expansion in the U.S.A. has twice been sustained through 'automobilization', once before 1929, and again since 1945.<sup>9</sup> The development of the automobile, Sweezy has written elsewhere, is a classic illustration of the laws of capitalist accumulation. Of the fifty largest corporations in the U.S.A., twenty-two derive their main income from motor vehicles or road transport. (This of course includes the oil industry.) The 'automobile-industrial complex' also helps to set the pace for the rest of the economy by its demand for materials, its emphasis on capital-intensive production methods, and its development of advanced technologies which have revolutionized production in other sectors.<sup>10</sup>

In Australia, the motor vehicle has played a similar role as one of the main contributors to postwar economic expansion. Between 1945 and 1973, more than \$1000 millions was invested in the industry. In 1973, employment totalled more than 82,000 (6.5 per cent of all employment in manufacturing) and turnover was 7.9 per cent of all manufacturing turnover.

5. The social role of the motor car is closely related to the massive urbanization which is one of the most typical features of the 20th century. In 1900, there were only a dozen cities throughout the world with populations exceeding one million; now, there are almost 200. More than one-quarter of the world's population lives in 2000 cities with more than 100,000 inhabitants. In 1971, 83 per cent of the Australian population

was classified as urban. This massive expansion would not have been possible without the motor car, which has enabled geographical expansion on a large scale, proportionately greater than the number of people involved. Enormous areas of land have been taken up for housing, and tied together by high speed roads connecting various functional sectors. Demand for transport grew much faster than mass transit, and private car usage was correspondingly stimulated. Urban planning and transport policy have increasingly been dominated by the provision of facilities for the private car and by the problems of coping with its destructive 'external' effects.

Over-dependence on the motor car creates a series of related and paradoxical problems for the capitalist economy and for public policy. Now that the cost of the motor car, in both economic and social terms, has risen to the point where a reduction in this dependence is imperative, it is virtually impossible to achieve. A cutback in car production means a sharp increase in unemployment, not only in the motor vehicle industry but in its related industries and services. The dispersed character of the modern city makes it very difficult to use public transport as a substitute for the private car, whose flexibility is vastly greater. Even if these difficulties were overcome, the expenditure involved would be enormous because of the long period over which public transport has run down. In Sydney, for instance, government buses in 1974-75 carried only 26 per cent of the passengers they carried in 1944-45, despite the growth of the urban population and the great increase in the number of trips per head. In the five mainland State capitals, public transport usage fell from 327 trips per head in 1954 to 152 in 1971, although the population of these cities increased by 50 per cent. Between 1964 and 1973, moreover, public transport fares rose by 100 per cent, the consumer price index by 47 per cent, and the cost of private motoring by 38 per cent.<sup>11</sup>

The transport problem is only one example of the impact of large-scale urbanization, which generates far-reaching demands for goods and services, pushes up the costs of land, housing, and administration, and puts great stresses on the resources of government.

6. Expansion of professional and specialized occupations, which has far-reaching effects on the class structure, stimulates the growth of wage and salary differentials, and generates a large demand for specialized training and higher education. Professional, technical and related occupations grew from 5 per cent of the Australian work force in 1947 to 12.4 per cent in 1976. Educational expenditure grew from 1.8 per cent of G.N.P. in 1946-47 to 6.2 per cent in 1974-75.

7. A high level of military expenditure, which helps to sustain a wide range of activities and accounts for a significant level of employment. Since military procurement is highly profitable and totally insulated against risk, its value to capitalist industry is great. Even in Australia, with its modest defence establishment, about one-sixth of Commonwealth employment comes under this heading, and defence procurement

is a profitable sideline for big metal manufacturing companies and others. In addition, the military budget of the United States is a major reason for the enormous international deficits which that country has accumulated, so contributing to world-wide inflation. Sweezy and Magdoff have described this as the 'National Debt Economy'.

8. A mobile labour market which relies on the recruitment of special groups into the lower levels of the occupational structure, notably immigrants, women, and irregularly employed or part-time workers. In Australian manufacturing industry, more than 40 per cent of workers are migrants, compared with 27 per cent in the work force as a whole, and in some manual occupations (e.g. building) the proportion is considerably higher. Women accounted for 23 per cent of the work force in 1954, compared with 35 per cent in 1976. Married women accounted for 64 per cent of the female work force in 1976, compared with 30.5 per cent in 1965, and 12.5 per cent in 1933. Like migrants, women are also clustered in lower-paid occupations (migrant women most of all).

The importance of immigrant labour in this situation demands a special mention. Migrant labour has been a universal factor in the expansion of the capitalist economies since 1945. The authors of a major recent study estimate that, in 1970, more than 5 per cent of the population of Western Europe was composed of migrant workers and their families—nearly 11 million people in all.<sup>12</sup> Immigrant workers had been a structural necessity for the economic growth of their host countries, and their labour had provided a highly profitable aspect of capitalist development. They formed the lowest structure of the work force because they were willing, or constrained, to accept the least desirable jobs deserted by the indigenous work force. Labour migration, the authors conclude sardonically, had turned out to be 'a form of development aid given by poor countries to rich countries'.<sup>13</sup>

Most of these generalizations apply to Australian industrial development since 1945. According to the recent Jackson report on manufacturing industry, in many large factories there are over twenty ethnic and language groups. Migrants, notes the report, are concentrated in those sectors of manufacturing with the worst physical conditions, the worst pay and the jobs which are physically hard and contain the most menial tasks. In the capital-intensive sectors, by contrast, where working conditions were much better, there was a very low migrant population.<sup>14</sup> The important exception is the car industry, where 65 per cent of employees in 1971 were foreign-born.<sup>15</sup>

The economic impact of immigration is the subject of controversies which reflect varying situations in different countries. Some economists have argued that immigration is inherently inflationary because it demands social investment in excess of the income generated by the immigrant workers. A more accurate view is that which distinguishes short-term from long-term effects, whose best-known exponent is Charles Kindleberger. In his study of migrant labour in Western Europe, published in 1967, Kindleberger argued that immigration has the effect of

lowering labour costs so long as economic growth continues at a high rate, but once the rate of growth slackens it is likely to become inflationary as wages rise, profits fall, and the need for capital investment increases.<sup>16</sup> This argument was picked up shortly afterwards in Australia, where controversy about the economic benefits of immigration was provoked by a pseudonymous article by the businessman Paul Sharp in 1969.<sup>17</sup> His contention was that immigration and its demographic effects generated pressure on the environment and on public services which outweighed the contribution made by immigration to economic growth.

This contention is supported by estimates which show that immigration accounted for 75 per cent of population growth in Sydney, and 80 per cent in Melbourne, between 1947 and 1971.<sup>18</sup> A report made to the Department of Urban and Regional Development in 1973 declared that the rate of growth of the principal urban areas was putting excessive strains on resources and that the immigration program should be re-examined in this light.<sup>19</sup>

9. The mobility and fragmentation of the labour market generate a high level of industrial conflict, and the dependence of modern industry on small groups of key workers generates numerous opportunities for bargaining with employers over pay, hours, conditions and fringe benefits. Hence, wage levels and labour costs are never stable. Not only does this provide a component of inflation, but it compels a high degree of government involvement in industrial relations and constant attempts to develop incomes policies.

10. All neo-capitalist economies have moved towards some form of corporatism, in which the representatives of capital, labour and government make deals which are beyond the reach of the general public or the legislature. The classic description of this situation was given by Galbraith almost twenty years ago in *The Affluent Society*, although the emergence of corporatism had been foreseen (and welcomed) by industrialists like the German, Walther Rathenau, fifty years earlier. Ivan Illich has also diagnosed the situation and attacked it eloquently. He sees industrial society as a cluster of industrial enterprises, each organized as a public utility and each defining its output as a basic necessity, leading to a fundamental imbalance between industrial development, social justice and personal freedom.<sup>20</sup>

### The Development of Class Relationships

Class relationships under neo-capitalism are related to the 'techno-economic' structures described above, and provide the essential link between these structures and the political behaviour of electorates in the affluent industrial countries.

The expansion of the middle classes has been a major feature of the affluent society. As already noted, professional, technical and related occupations have expanded rapidly, growing (in Australia) from 5 per cent of the work force in 1947 to 12.4 per cent in 1976. This expansion

is clearly linked with the growth of higher education. In 1939, there were 13,000 university students at six universities; in 1976, 150,000 at nineteen universities. This represents a growth in the participation rate of the 18-21 age group, from 2 per cent in the 1930s to 7.5 per cent in the 1970s. In 1962, 12 per cent of young people aged 17 were still at school, compares with 30 per cent in 1975. In addition, enrolment at colleges of advanced education rose from nil in 1965 to 123,000 in 1975 (although at least half of this should be discounted as simply a transfer of teachers' college students to another classification). It may be noted, finally, that expansion has gone a long way towards levelling out sex differences in education. In 1962, 15 per cent of males and 9 per cent of females completed secondary school; in 1976, the proportions were 31 per cent and 29 per cent respectively. The proportion of female university students, which was static at around 25 per cent since the beginning of the century, rose sharply in the 1960s and was 38 per cent in 1975.

These changes are, of course, parallel to trends throughout the affluent industrial countries. It is worth noting, however, that the rate of social mobility in Australia has been one of the highest in the world, higher even than the United States, especially if 'circulatory mobility' (i.e. changes of occupation from father to son) is measured.<sup>21</sup> Social mobility is reflected in shifts of class identification (and its *alter ego*, voting behaviour) between generations. Electoral surveys carried out in the 1960s illustrate the extent of cross-class voting. A Gallup poll in 1961 found that one-third of those who called themselves 'middle class' voted for the A.L.P., and one-third of those who called themselves 'working class' voted Liberal. With almost perfect symmetry, one-third of respondents in manual occupations described themselves as 'middle class' and one-third in non-manual occupations called themselves 'working class'. These relationships were further confused by such constellations as the manual worker-working class-Liberal voter and the non-manual-middle class-Labour voter. Similar results were found in more intensive surveys of single electorates.<sup>22</sup> A later national survey, in 1967, also found that one-quarter of the sample voted across class lines. The effect of social mobility was illustrated in the fact that while 61 per cent of the sample had working-class parents, only 46 per cent described themselves as working-class. This study also found, contrary to some other evidence, that the youngest generation of voters were the likeliest to move away from a parental working-class allegiance by voting Liberal.<sup>23</sup>

Giddens has suggested that the class structure under neo-capitalism is the result of a fragmented labour market, and he identifies two axes along which fragmentation takes place: market capacity and the division of labour. Market capacity depends on the possession of 'marketable technical knowledge', and is high among professional and technical occupations as well as skilled manual groups. Groups with similar market capacities may be distinguished, however, by the division of labour which characterizes their occupations. Professional occupations manifest both high market capacity and comparatively little division

of labour. Varying combinations between market capacity, division of labour, and opportunities for occupational advancement generate different attitudes towards unionism, incomes policies, and participation in management, which contribute to fragmentation among the working class and also within the labour force at large.<sup>24</sup>

Neo-Marxist writers like Touraine have taken a similar view in formulating their own version of the 'post-industrial society'. Daniel Bell, the leading American exponent of the concept, frames it largely in institutional terms with industrialism and bureaucratization as the central moving forces of neo-capitalism. Touraine argues that class relations remain central, but that their quality has changed because of the impact of science and technology, so that the 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, because they lack information and are unable to participate in decision-making. Touraine describes this condition as 'dependent participation', and maintains that it will provide a basis for new forms of social conflict, as the dependent groups try to assert their rights to participation and control, or simply to resist changes which they dislike.<sup>25</sup>

Giddens also notes the element of fragmentation introduced by the recruitment of particular groups at the lower levels of the labour market, especially women and ethnic minorities. Some American writers have developed the concept of an 'underclass' of manual workers who remain in low-paid jobs without prospects. In the United States, this consists mainly of blacks, Mexicans (Chicanos) and Puerto Ricans, whose rates of unemployment are much higher than the average.<sup>26</sup> In France the Algerians, and in Britain the Asians and West Indians, play somewhat similar roles; in other European countries, a more transient underclass is imported in the form of immigrant workers. Giddens argues that the growth of neo-capitalism, especially in the shape of the highly mechanized firm, demands a stable labour force of skilled workers plus a disposable pool of unskilled labour (i.e. a new form of Marx's industrial reserve army). He describes the latter as a secondary labour market, whose existence is acceptable to the working class if it is culturally distinctive.<sup>27</sup>

A similar viewpoint about the role of immigrants in the Australian class system is expressed by Birrell, who believes that the building up of a stratum of unskilled workers from culturally diverse ethnic minorities will increase class tensions because it exaggerates differences between working class and middle class.<sup>28</sup>

It was the combination of economic affluence with class fragmentation which led to the prognoses of an 'end of ideology' and the erosion of social-democratic parties that became common in the late 1950s. These prognoses were falsified by a general swing to the left which made itself felt in the mid-60s, and by the accumulating evidence that the economic boom was slowing down and that its social costs were be-

coming unacceptably high. But the electorate which gave its support to social-democratic parties between 1964 and 1972, in a variety of permutations and combinations, was now a complex mixture of working-class and middle-class elements whose nature led to a new and precarious relationship between parties and voters. The political objectives of this voting coalition were virtually limited to redressing the *distributive* aspects of the neo-capitalist economy, since its productive capacities were not seriously in doubt. Poulantzas has expressed the matter in terms of a changing equilibrium between class interests which is reflected in a shift of state activity. The welfare state, he argues, is simply a cloak for the social policy of neo-capitalism (he prefers to call it state monopoly capitalism), which finds it possible and expedient to make economic sacrifices for the benefit of certain dominated classes without threatening the political power of the dominant classes. He attacks the work of Galbraith and other institutional economists who regard neo-capitalism as a social mutation; in effect, neo-capitalism is still capitalism, but with a new equilibrium of class relationships.<sup>29</sup>

It is not necessary to go the whole way with Poulantzas to recognize the force of his argument. Miliband, in particular, has attacked him for indulging in 'structural super-determinism' which ignores the complexity of the relationships between the state and the economy and devalues the importance of political action, but he does not disagree with Poulantzas' view about the practical significance of social-democratic policies.<sup>30</sup> If we overlook the more doctrinaire aspects of Poulantzas' analysis, we can see that neo-capitalism has developed because of commitments to economic growth, full employment, and welfare policies which are the outcome of the 1930s. As this pattern became firmly established in the 1950s, the political ground for social-democratic party activity was bound to shift, and it shifted into territory where the influence of middle-class rather than proletarian radicalism became increasingly important. Moral indignation is the traditional style of middle-class political expression, as Ranulf pointed out many years ago.<sup>31</sup> Parkin, in a detailed analysis of the Campaign for Nuclear Disarmament, one of the earliest and most characteristic manifestations of this newly important phenomenon, also contends that the radicalism of the middle class is directed mainly to social reforms which are basically moral in content and aimed to benefit society at large, rather than specific interest groups. He calls this 'expressive' politics which is concerned with issues or ultimate ends rather than the conquest of power. Although the middle classes are closely integrated into society and its major institutions, the bureaucratization of contemporary society cuts them off from roles they feel able to play.<sup>32</sup> In particular, middle class radicalism may be seen as a direct reaction to the growth of the corporatism described in the previous section of this essay. Corporatism makes possible the massive commitment of resources to enterprises of highly dubious social value (like Concorde) or massive disasters (like thalidomide) for which individual culprits cannot be identified, and it breeds a general distrust

of established political institutions.

The policies supported by left-wing alliances of working-class and middle-class groups have ranged over a wide area. Some of them attracted joint support, including anti-poverty programs, the expansion of welfare services (notably health), and the anti-Vietnam peace movement. In Australia, the most spectacular coalition, and one which is distinctively Australian, is the 'green ban' movement. In 1971 the trade union movement, in the shape of the Builders' Labourers' Federation, joined with a middle-class resident action group in Sydney to resist the destruction of an area of natural bushland (Kelly's Bush) on the shore of the Parramatta River. Other bans rapidly followed, and by 1974, at the height of the movement, there were 41 in effect, involving projects worth a total of \$3,000 million.<sup>33</sup> The secretary of the B.L.F., Jack Munday, became an international figure and was invited to England by the Centre for Environmental Studies in London. Although the green ban movement is currently at a low level of activity because of economic recession and because of internal politics among the building unions, its potential has been demonstrated. The movement is related to other cross-class alliances which spring from two of the structural features of neo-capitalism described above, i.e. its emphasis on rapid technological change and on massive urbanisation. Similar alliances have demonstrated their strength in relation to the building of the Newport power station in Victoria, the mining and export of uranium, and the maintenance of public health care. The campaign to 'defend and extend Medibank' illustrates the coincidence of working-class and middle-class interests. Its range of appeal is remarkably wide because it reflects the material interests of middle-class professionals at one end and, at the other, the link between poverty and medical expenses which was highlighted by Professor Henderson's inquiries into poverty and living standards. Public transport is another issue where one of the structural characteristics of neo-capitalism—its dependence on the private motor car—is likely to call forth an increasingly strong response from a variety of adversely affected groups.

The sacking of the Whitlam government in November 1975 produced another remarkable demonstration of the confluence of interests across classes. Donald Horne, whose writings and speeches made him the only begetter of the Citizens for Democracy movement, argues that the constitutional crisis of 1975 has provided Australians with a significant political legend of their own which will breed key concepts about politics, and in particular that it provides a focus of struggle for a democratic political system. The attack on Sir John Kerr and his institutional position is, for Horne, an attack on the symbols of a discredited power system which is monarchical in principle, repressive in practice, and dishonest in its public expression. Horne's writing constantly emphasizes the dangers of respectable conformism and employs an antideferential rhetoric ('bunyip oligarchs') to dramatize his argument.<sup>34</sup> The activities of Citizens for Democracy have brought together a wide spectrum of

people, some with well-established political positions, some with no history of political involvement. The level of public response to its meetings and manifestoes suggests a significant shift in the 'equilibrium' between classes to which Poulantzas refers.

Changes in the class equilibrium are also reflected in the increased salience of political issues which are predominantly middle-class in character. They include education, the environmental movement, the women's movement, racial discrimination, sexual permissiveness, drug laws, and public support for the arts. One of the most interesting political phenomena of the last twenty years is the penetration of these topics into the platforms of the A.L.P. and then into the policies of Labour governments—first in South Australia, then in Canberra, and most recently in N.S.W. These changes of direction are related to increased middle-class participation in party affairs and the emergence of highly educated professionals as party leaders—Whitlam in Canberra, Dunstan in Adelaide, Holding in Melbourne and Wran in Sydney (all barristers). In the 1969-72 Federal parliament, the Labor caucus included six lawyers and five doctors. A parallel shift has been the decline of Catholic influence in the A.L.P., manifested most dramatically in Victoria since the split of 1955, and related in its turn to the impact of affluence, higher education, and the general decline in the authority of religious institutions on the social structure, and political affiliations of the Australian Catholic community.<sup>43</sup>

The relation between the A.L.P. and the intelligentsia is expressed in an address given by Gough Whitlam to the Australian Society of Authors in 1975. Commitment to the arts, he declared, was not an extravagant gesture but an integral part of A.L.P. policy, which aimed to give Australia an international reputation as a country where the arts flourish and are valued. Labor's attitude to the arts, in particular, was consistent with its attitude to education. The arts could not thrive without an educated community, 'steeped in appreciation of intellectual values, grounded in respect for the whole process of learning and mental cultivation'. As an illustration, the Literature Board of the Australia Council, established in 1973, had awarded 269 fellowships to writers, compared with a total of 207 given by the Commonwealth Literary Fund between 1939 and 1972.<sup>44</sup>

The increasing appeal of social-democratic governments to the intellectual and professional middle classes has had the effect of increasing differences within the middle classes themselves. Many years ago R.E.N. Twopeny noted that, within the middle classes, lower-middle and upper-middle strata were much less distinct in Australia than in England, and reflected rather patronizingly that this was excellent for the former but not so good for the latter.<sup>45</sup> The distinction is probably much stronger today, and manifests itself particularly in relation to higher education and to 'permissiveness'.

This kind of disaffection has been intensively studied in the United States, where it continues to be of recurrent importance since the

McCarthy era and the attack on 'eggheads'. Some right-wing intellectuals currently identify support for government intervention in economic and social life, with the material interests of the intelligentsia who can expect jobs as a result. Irving Kristol, one of the so-called 'C.I.A. liberals', recently described the anti-capitalist left as the 'new class' whose political unreality was demonstrated by such hollow successes as unseating Lyndon Johnson in 1968 or securing the presidential nomination of George McGovern in 1972. 'These are the people', he reflects bitterly, 'whom liberal capitalism had sent to college in order to help manage its affluent, highly technological, mildly paternalistic, "post-industrial" society'. Instead, they have engaged in a crusade against the corporations and poured scorn on the capitalist work ethic.<sup>46</sup> Daniel Bell alleges the same kind of 'cultural contradictions' between the permissive individualism of the younger generation, the technocratic society which has engendered them, and the political framework of capitalist democracy.<sup>47</sup>

In Britain and Australia, there has been a growth of middle-class protest groups with similar targets for their hostility. In Britain, a great deal of publicity was given in 1975 to the launching of an organization called the National Association for Freedom, which is taking the lead in the campaign for 'free enterprise' in collaboration with older groups such as the National Federation of the Self-Employed, British United Industrialists, and Aims for Freedom and Enterprise.<sup>48</sup> *Free Nation*, the journal of the N.A.F., specializes in stories about 'pornography in schools, scroungers in clover, Lefties in the unions and Russians at the gate'.<sup>49</sup> One of the most popular demands of these groups, expressed also by such 'respectable' Conservative spokesmen as Sir Keith Joseph, is for a Bill of Rights, especially such things as the right to private education and to private medical care. In the process, the whole ideology of a service society has come under attack, together with a feeling that there are too many service professionals and that the old bourgeois qualities of entrepreneurship, thrift and productive enterprise should be revived.<sup>50</sup>

The best-known Australian exponent of these views is the Workers' Party. Its propaganda describes governments as committing 'legalized robbery' in the form of taxation to support politicians and bureaucrats. Paper money is legalized counterfeiting and bank credit is legalized fraud. The problems of inflation, monopolies, cartels, price fixing, industrial unrest and shortages are all caused by government interference. The platform of the Workers' Party, as published in 1975, declares that its objective is 'to offer an intelligent and practical alternative to socialism as practised and preached by the Labor and Australia Parties and as practised by the Liberal and Country Parties'. It also declares that the fundamental principle of the party is non-interference, which means that 'no man or group of men has the right to initiate the use of force, fraud or coercion against another man or group of men'. The appeal of these sentiments to businessmen opposed to 'creeping socialism'

is obvious, and the business-oriented character of the party is reflected in its organization, whose executive members are called 'directors' and 'governing directors'. The directors comprise a 'board', which appears to be totally in control of the party's affairs, although the document refers to a federal conference to be held in 1978. Four governing directors are named in the platform: John Singleton, Duncan Yuille, John Whiting, Robert Howard. It is interesting that two of these men (Whiting and Yuille) are doctors who have been vocal opponents of a national health service, while John Singleton is one of the best-known advertising agents in the country, and is almost certainly responsible for the provocative name of the party. Not much has been heard of it since the Liberal election victory of 1975, but any return to 'creeping socialism' may well revitalize it.

One other aspect of the class situation, less serious but possibly indicative, is the widely publicized phenomenon of 'Ockerism'. The use of the word 'Ocker' to denote a vulgarian is of recent coinage (it does not appear in Sidney Baker's *The Australian Language*, whose latest edition was in 1966). The contention that Australia is being swept by a wave of 'Ockerism' is an invention of the mass media, to which we owe many other alleged social phenomena like the brain drain, the generation gap, the permissive society, and swinging London. It first came under notice because of the success of television advertising and variety programs which used the image of an uninhibitedly vulgar, vaguely working class, brash and expansive 'dinkum Aussie'. The one-time TV cigarette commercials of Paul Hogan were an important example of the genre, which was developed to its widest extent by the advertising agent John Singleton (whose attachment to brash individualism is also indicated by his leading role in the Workers' Party). The newspaper columnist Max Harris, one of the oldest trend-spotters in the business, was quick to pounce on this new phenomenon. While it undoubtedly exists, it is neither particularly novel nor particularly Australian. The big breweries have long used a similar style of advertising for beer. Ocker-type characters have been a staple of comic strips for many years. Paul Hogan's use of the image harks back to a long tradition of vaudeville. In Britain and the United States, there are well-established figures of a broadly similar type—Alf Garnett, Andy Capp, Archie Bunker and many others.

In a serious form, a similar development of anti-intellectual reaction among working-class 'hardhats' has received considerable attention in the United States. Seymour Lipset, a leading student of working-class political attitudes, points out the high level of white working-class support for the reactionary populism of ex-Alabama governor George Wallace, and sees it as a negative response to the 'intellectual, WASP and Jewish elite' who have moved away from the interests of the working class in favour of Communist-inspired anti-colonial movements, black civil rights, feminism and permissiveness.<sup>13</sup>

'Ockerism' is best interpreted as the surface froth of a real phenomenon

which parallels the American situation. There are important social changes taking place in Australia to which some kind of backlash can be expected. They 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, especially in the A.L.P. It is probably more relevant to notice that Mr Malcolm Fraser has gone to considerable trouble since he became Prime Minister to deny that he was a Philistine, and to affirm his intention of maintaining Labor's policy of support for the arts. It is reasonable to assume that Mr Fraser noticed the strength of the support shown for the A.L.P. by the intellectual community during the election campaign of 1975.

### The State and the Economy

Thirty years ago, the economist Kapp described capitalism as an 'economy of unpaid costs' which were not accounted for in entrepreneurial outlays but shifted to the community as a whole.<sup>14</sup> With considerable prescience, he foresaw that these costs were likely to increase as society became more concerned with non-monetary values such as health, safety, pollution, leisure, conservation, education, and working conditions. Orthodox equilibrium theories of economics were defective because they assumed that a competitive equilibrium meant a state of maximum aggregate satisfaction. In reality, social returns were not reflected in private returns, and entrepreneurial outlays did not measure the true costs of production. The competitive equilibrium was based on a highly wasteful utilization of resources based on a maximization of profits and an accompanying minimization of entrepreneurial outlay.

It is noteworthy that Kapp concluded his book with the call for a 'new science of political economy' in which social costs and social returns would be incorporated into economic concepts.

Following Kapp, it can be argued that a continuing high rate of economic growth will increase social costs until they unbalance the economy, and the resulting decline in economic growth makes it more difficult to pay the accumulated bills, which can only be met by an accelerated inflation of the currency. This point is taken up by Gamble and Walton in their analysis of the inherently inflationary character of neo-capitalism. The social costs of the postwar boom were met by state action, which was used to damp the business cycle, maintain a high level of effective demand, and transfer the external costs of economic growth to the public sector. 'The massive expansion of public spending since the Second World War has been a marked feature of all capitalist countries. Public spending both underpinned the boom and permitted the construction of a welfare consensus which created a political context for instrumental bargaining and the integration of the working class into the political system. For a long time, therefore, the creation of the mixed economy aided rather than hindered capitalism.'<sup>15</sup>

The growth of the public sector was sustainable until the long post-war

boom began to slacken as its inherent weaknesses accumulated. One of those weaknesses, evident in all the welfare states, was the persistence of high levels of economic and social inequality, which stimulated trade union pressure for higher wages and greater fringe benefits. A decrease in the capacity to provide these, combined with even the moderate rate of inflation required to maintain economic growth, increases union pressure and contributes to the familiar spiral. As Gamble and Walton perceptively note, the posture of the trade-union movement in many countries has been a consistently instrumental one. The apparent reduction of class conflict in the 1950s and 1960s was due to the commitment of all governments to full employment and the steady rise of incomes. 'Class inequality is more acceptable in a period of expansion than of recession. The labour movement has shifted to the left in the United Kingdom, driven by the same instrumentalism which previously encouraged compromise. The cash nexus at the centre of the unequal exchange between capital and labour remained unaltered throughout the 1950s and 1960s. In the 1970s, the smoke screen of affluence has disappeared.' Conservative parties supported neo-Keynesian policies, and acquiesced in growing public expenditure and rising wages, so long as profits remained high. Slackened economic growth and accelerating inflation have reduced profits, with a consequent shift to the right in which there is a joint attack on wages *and* public expenditure. If these policies succeed, they will do so at the price of cutting back demand and hence reducing business activity. The dilemma is intractable because the state 'has to expand and contract at the same time'.<sup>16</sup>

It is, however, over-simple to speak of a massive growth of public spending since the second world war. Galbraith wrote *The Affluent Society* to point out that the public sector had been allowed to run down in favour of private affluence. In an article published in the same year, John Vaizey showed that welfare expenditure in Britain had maintained almost the same ratio to national income for two generations, and that rises in some fields had been matched by falls in others.<sup>17</sup> A recent report by the British Central Statistical Office confirms the point. In 1961, social services took 9.5 per cent of G.N.P. in Britain, compared with 9.9 per cent in 1951, and public expenditure as a whole was 26.3 per cent of G.N.P. in 1961 as against 28.7 per cent in 1951.<sup>18</sup> In Australia, the figures are even starker. In 1968, welfare expenditure was only 7 per cent of G.N.P. Pension rates dropped from 25 per cent of average weekly earnings in 1946 to less than 20 per cent in 1970. This placed Australia, which was among the top five countries in terms of G.N.P. per head, thirteenth in terms of expenditure per head on health and welfare.<sup>19</sup> It is particularly noteworthy that expenditure on income maintenance programs among the member countries of O.E.C.D. rose, on average, from 6.8 to 8.6 per cent of gross domestic product (G.D.P.) between 1962 and 1972; in Australia, during the same period, it fell from 4.7 to 4.0 per cent.<sup>20</sup> Housing, an important criterion of prosperity and welfare, was similarly affected. Owner-occupied dwellings which

had risen to 69.9 per cent of all dwellings in 1961, fell to 67.3 per cent in 1971.

The upward trend of social expenditure in the 1960s was the result of a combination of factors sketched above. Its impetus came largely from middle-class radicalism which was concerned with the social costs of economic growth, with health and education, with redistribution, planning, urban improvement, the elimination of poverty, and a general emphasis on the 'quality of life'. The results were spectacular. In the U.S., for instance, the government's share of G.N.P. rose from 25 per cent in 1960 to 33 per cent at the time of Richard Nixon's resignation, not because of the Vietnam war but because of increased civil expenditure. Non-defence expenditure rose from 20 per cent of G.N.P. in 1965 to 25 per cent in 1971 and 27 per cent in 1974. In Britain, public expenditure rose from 26.3 per cent of G.N.P. in 1961 to 30.6 per cent in 1971, reflecting the impact of the Labour government of 1964-70; it continued to rise under the Conservatives, reaching 32.4 per cent of G.N.P. in 1974. Expenditure on social services rose from 9.5 per cent of G.N.P. in 1961 to 12.4 per cent in 1971 and 14.6 per cent in 1974. The reasons for a lag in social expenditure in Australia during the 1960s are complex. Three major factors for its divergence from the world-wide pattern may be cited. One was the effect of a built-in electoral bias which deprived the A.L.P. of victory on several occasions between 1954 and 1969, the period of the so-called 'Ming dynasty'. A second was the split in the A.L.P., followed by a long period of ineffectual leadership under Evatt and Calwell. In addition, employment levels were so high that they blunted the edge of demand for re-distribution through social services. In New Zealand, somewhat similar factors produced a similar fall in social expenditure.

By 1969, however, Australia had caught up with the general trend. The large swing to the A.L.P. at the 1969 federal election following a campaign devoted to the issues already described, generated a flurry of activity on the conservative side in an attempt to recapture the middle-class voters who had been attracted by Mr Whitlam's policy speeches (We should pause to note that the real swing to Labor took place in 1969 not in 1972, but it was insufficient to overcome the inherent bias of the electoral system.) Following the 1972 election, the size of the public sector rose from 25 per cent of G.N.P. where it had been static for a number of years, to 31 per cent in 1975 - an increase achieved without tax increases because of inflation. Wages and salaries, which had never risen above 55 per cent of G.D.P. since the 1950s, increased their share to 60 per cent in 1974.<sup>21</sup> Government expenditure on health rose from 2.1 per cent of G.D.P. in 1971-72 to 2.98 per cent in 1974-75, and on education from 4.08 per cent to 5.73 per cent in the same period.<sup>22</sup>

The success or otherwise of these policies is now, and will be for a long time, a topic of controversy. What is abundantly clear is that a significant section of the electorate rejected them, and as will be seen in the next section, the pattern of rejection was much the same in a number



of countries.

### The Failure of Social-Democratic Governments

The political vicissitudes of social-democratic parties in the last five years range from the fall of old-established regimes in Denmark and Sweden to the short, meteoric careers of the Whitlam government in Australia and the Barrett government in British Columbia. In Denmark, where the Social Democrats had been permanent members of the governing coalition since 1918, inflation, high taxes and 'permissiveness' became political issues in 1972. Mogens Glistrup, a tax lawyer, formed the Progressive Party on an anti-tax platform and called for the abolition of all taxes on incomes below \$10,000 (U.S.) and large cuts in the extensive Danish welfare system. He was joined by Jakobson, a former Social-Democratic deputy, who was opposed to taxation on home owners. At the elections of December 1973, the two anti-tax groups gained 24 per cent of the votes. The former coalition, led by the Social Democrats, was replaced by a minority government of Liberal Democrats, who doubled their representation at the subsequent election in 1975. Commentators attribute the downfall of the Social Democrats to a basic distrust of the welfare state by large sections of the middle class concerned about taxes, government spending, inflation, and losses of real income.<sup>53</sup>

In Sweden, where the Social Democrats had been in power either alone or in coalition for forty-four years, a swing of the pendulum might well be expected. Their defeat was evidently due to the same factors as in Denmark, and middle-class discontent was symbolized by two leading intellectuals, Ingmar Bergman and Astrid Lindgren. Bergman, the film director, announced that he could no longer afford to make films in Sweden. Astrid Lindgren, author of children's stories, declared that she would have to leave the country because she was being asked to pay more than 100 per cent of her income in taxes. A large number of voters clearly shared their discontent.

At the other end of the spectrum, the short history of the New Democratic Party government in British Columbia is instructive. The NDP, Canadian equivalent of the A.L.P., has held power only at the provincial level—since 1944 with one interruption in Saskatchewan, since 1969 in Manitoba, and from 1972 to 1975 in British Columbia. The leader of the NDP in British Columbia, David Barrett, was a spectacular figure whose sweeping reform program earned him the title of 'Allende of the north'.<sup>54</sup> The NDP government's policies included public ownership of natural resources, guaranteed minimum income, a land commission, worker participation in management, an extension of public health care, and a child care subsidy program. In December 1975, the NDP government was resoundingly defeated; although its vote remained almost static, the right-wing vote was consolidated behind the Social Credit party, which gained a majority of seats. A local political columnist attributed the NDP's defeat to the fact that the electorate had been unsettled by the rapidity of the changes attempted

by Barrett's government.<sup>55</sup> Inflation, unemployment in the timber industry, and a worldwide slump in copper prices were no help either.

In New Zealand, where Labor was out of office from 1949 to 1972, with only one break from 1957-60, the parallels are extremely close. Even the election slogans of 1972 were borrowed from Australia.<sup>56</sup> In 1975, the N.Z. National Party had acquired a new and aggressive leader—like the Australian Liberal Party—who campaigned on the issues of inflation, the high cost of welfare, and the power of the trade unions.

Between these extremes lies the case of Britain, which was one of the early gainers from the leftward movement of the 1960s. Labour came to power with the sonorous intent of remaking Britain in the 'white heat of the scientific revolution'. The turning point, as we can see from the diaries of Richard Crossman, came with the sterling crisis of July 1966.<sup>57</sup> After that it was virtually downhill all the way. The forced devaluation which took place over a year later, the growth of unemployment and an attempt to impose an incomes policy on the unions, all contributed to Labour's defeat in 1970. Ironically, Edward Heath's Tory government also came to grief because it, too, relied on union-bashing to overcome similar problems. In his second coming, Harold Wilson managed to achieve an incomes policy through the 'social contract' with the unions, but success in this line was soon over-taken by the now familiar yoke-fellows of inflation and unemployment.

The social-democratic successes of the 1960s were due to a rallying of support from both working-class and middle-class voters. Equally, the defeat of social-democratic governments in the 1970s is due to desertion from both quarters. In Australia, for instance, a study of voting intentions before the 1975 election showed that the working-class vote for the A.L.P. had dropped from 69 per cent to 55 per cent since the 1974 election. It is remarkable that this swing was greater than among middle-class voters. Those who called themselves 'lower middle' dropped from 53 to 41 per cent; 'middle' from 44 to 33; 'upper middle' from 29 to 18 per cent. On an occupational basis, the movement of votes was also similar between strata: support among blue-collar workers fell 13 per cent, among white-collar workers 15 per cent.<sup>58</sup> The relative strength of middle-class support indicates the validity of the assumptions that A.L.P. policies have attracted large sections of the middle classes, and that the dismissal of the Whitlam government by Sir John Kerr had a significant effect in rallying middle-class voters behind the A.L.P. Obviously, its impact on working-class voters was much smaller, and it is probably safe to infer that working-class desertions had taken place before the dismissal and were relatively unaffected by it. This view is supported by Douglas, who examined public opinion poll data from 1956 to 1972 and found that the most important factor to influence voting was the level of unemployment in the period before the election—more important than wage levels or inflation.<sup>59</sup> By failing to develop policies able to curb unemployment, the Whitlam government alienated its

working-class supporters.<sup>60</sup>

At the same time, the Labor government also embarked on an anti-inflationary strategy which involved the reduction of public expenditure, thus offending some of the middle-class groups who owed their social position to the expansion of the welfare state. This point has aroused considerable attention in the U.S.A., where its implications are expressed in a quasi-serious 'law' of public income distribution, formulated by the economist George Stigler and named by him after a deceased economics writer, Aaron Director.<sup>61</sup> This 'law' declares that public expenditure primarily benefits the middle classes, e.g. in education, urban redevelopment, health, and social security. Government social programs provide employment for social workers without necessarily benefiting the poor. Health services raise the incomes of doctors without improving the quality of medical care. The growth of urban planning raises the incomes of planners without necessarily producing useful plans. The American political scientist James Wilson suggests that the middle classes, which originally welcomed these programs, have now found that their inflationary effect is greater than their value, and attributes middle-class disaffection to this realization. 'Almost every government accumulates policies the total cost and underlying irrationality of which only slowly become apparent. That is to say, almost every government responds to the demands of the middle classes. Some have responded more rapidly and fully than ours, and the bitter but probably ineffectual reaction against that process is now evident in Denmark and Sweden'.<sup>62</sup> In Australia, disaffection was clearly shown by a group of 'swingers' who changed their votes between 1974 and 1975, and named 'inefficiency and mismanagement in government' as one of the three main issues in the 1975 election.<sup>63</sup> Jones, in an analysis of the Labor government's social programs, reaches much the same conclusions as Wilson, i.e. that they assist the professionals who run them but do little for the people at whose problems they are directed.<sup>64</sup>

### The Prospects for Social Democracy

The internal contradictions of neo-capitalism are such that no government, conservative or social-democratic, can resolve them. We may therefore expect fairly continuous alternation of governments in the capitalist democracies as they strive to cope with inflation, unemployment, resource problems and industrial trouble. Broadly speaking, governments generally try to do three things: stimulate the private sector to increase employment; expand the public sector to raise consumption levels, redistribute income, and also increase employment; and thirdly, to control inflation. These three objectives are bound to collide. Conservative governments try to resolve this problem by omitting the second objective, but still fail because the first and the third are also liable to collide. Social-democratic governments, which try to realize all three, are in a more difficult situation, which they do not improve by excessively modest expectations. Bill Hayden, in the article already quoted, em-

phasized the need for modest objectives in relation to social security, and in the same volume Jim Cairns wrote that it was unrealistic to expect a Labor government to achieve much of a socialist character.<sup>65</sup> The fundamental unwisdom of excessive modesty has been argued at length by Stretton, who maintains that public control of resources is inevitable, and that we can choose in which form it will come—gentle or savage, equal or unequal, free or unfree.<sup>66</sup> In the Australian political context, he argues, there are three possible scenarios for the future—the Fraser/Bjelke-Petersen scenario, the Whitlam/Hawke future, or an egalitarian, socialist future.<sup>67</sup> He foresees the third as coming about through the collapse of the first, but like any sensible prophet he is somewhat vague about the processes of transition. It is the nature of these processes, involving not only the distributive aspects of society but also the framework of production and the structure of political institutions, which should continue to engage our attention.

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