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THE STATE AS DEVELOPER
Public Enterprise in South Australia



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THE STATE AS DEVELOPER
Public Enterprise in
South Australia

Kyoko Sheridan
Editor

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THE ROLE OF GOVERNMENT IN THE ECONOMIC LIFE OF SOUTH AUSTRALIA

Bruce McFarlane

In South Australia, the role of the state and of state-led industrialisation has been a key feature of modern economic history. At various periods the state has assisted farmers, local mining companies, and new manufacturers. Railways, ports and land grants have all given a large role to the state in the development process. As well there have been a network of public enterprises, industrial relations regulation and stimulation of industry by manipulation of taxes and charges to attract manufacturing. In South Australia this is often called the 'Playford-Wainwright' syndrome, referring to a vigorous policy of state-led industrialisation pursued by a former Premier and his closest advisor from the public service.

State-led development began early and prods were given to private enterprise to do development from the earliest days of settlement. This aspect will be highlighted in the next section and is followed by a portrayal of 19th century development. Next, the analysis centres on the crisis of the 1920s and 1930s as provoking government intervention which led to Auditor-General Wainwright's attempt to raise the rate of accumulation above that which would have been achieved by spontaneous market forces or by the 'natural' growth of import-replacement manufacturing.

Two features have been deliberately highlighted. The first is that the government's involvement in accelerating economic growth and its attempt to influence capital accumulation has been balanced by concern for public acquiescence and consensus during periods of change. This was the 'legitimation function' of the state in South Australia. The state attempted to make what it was doing relevant to the needs of capital and also acceptable to labour, at least in the main. This was important at points of switch-over from one stage of development to the next. It involved (as shown in Chapter 2) welfare spending and the provision of culture and recreation in both Adelaide and in a network of country towns. A kind of trade-off between quantitative growth and quality of life was managed and really only broke down seriously in the mining-energy sector where an environment lobby became influential after the 1970s. Efforts to bring the legitimation function into line with the accumulation function at such points of development surge are sketched below: it is shown that they involved promotion of capital-labour co-operation and a spirit of confidence in the future of South Australia. In periods of Labor government legitimation did not often involve acting directly in the interests of labour; it involved, rather, maintenance of a social order within which employer and investor interests retained a dominant role.

The second feature is the demonstration that the balancing of accumulation/legitimation had, as its over-riding goal, the viable expansion of private enterprise, not the establishment of state socialism. Such state socialism as emerged was pragmatic and lacked a sophisticated theoretical or ideological base. Radicals and an outward-looking public did not fear the expansion of the public sector and only on the rarest occasion was there any suggestion of any 'crowding out' of private sector investment as a result of the vigorous operation of state banking and commercial activities. The reason here was the pragmatic character of the public sector interventions. It also arose from the direct benefit which accrued to private capital when the state supplied infrastructure to attract and assist private enterprises or to put public sector activities (repair-works, electricity supply) at the disposal of private sector investors.

At the heart of this pattern of intervention, especially after the introduction of Wainwright's ideas, was the practice of economic planning in relation to the accumulation function. It is shown below that planning a change in the rate and structure of capital accumulation was conducted largely on an *ad hoc* basis, responding to the conjunction of external and internal economic events. From time to time, under Wainwright, and in the 1980s, the state attempted some forward or 'perspective' planning and its attempts to apply this to action centred on juggling land costs, royalties, freight rates and port charges as a means of assisting private firms.

From Settlement to the Turn of the Century

From the earliest days of settlement after 1836 the state apparatus in Adelaide tried to create a private enterprise economy 'from above'. It worked in conjunction with the Colonial Office in Britain on the settlement formula proposed by the immigrants' league and Gibbon Wakefield who came up with a simple but effective scheme for reproducing capitalism in a workable form in the very different physical and social conditions of a new colony.

In his penetrating comment on the Wakefield scheme, Karl Marx underlined the basis of Wakefield's thinking in the theme that workers must be *divorced* from land or other means of production for the period they are available to Capital as wage-labourers - otherwise no wage-labour force would be available. The consequences of ignoring this could be seen in the experiences of the Swan River settlement in Western Australia. Here, as Wakefield has shown, a great mass of capital had perished 'for want of labourers to use it, and where no settler had preserved much more capital than he could employ with his own hands!'

Marx noted that Mr Peel of Swan River, who brought out 3,000 workers with him and was left without servants, had provided for everything except the export of English modes of production to Swan River. Marx's explanation of Wakefield's 'sufficient price' for land, established to prevent migrants from taking it up until they had given service as wage-workers, is quite clear:

How then, to heal the anti-capitalist cancer of the colonies?

If men were willing, at a blow, to turn all the soil from public property into private property, they would certainly kill the root of all evil, but also — the colonies. The trick is to kill two birds with one stone. Let the government put upon the virgin soil an artificial price, independent of the law of supply and demand, a price that compels the immigrant to work a long time for wages before he can earn enough money to buy land, and turn himself into an independent peasant. The fund resulting from the sale of land at a price relatively prohibitory for the wage workers, the government is to employ, on the one hand, in proportion as it grows, to import have-nothings from Europe and thus keep the wage-labour market full for the capitalists....This sufficient price for land is nothing but a euphemistic circumlocution for the ransom which the labourer pays the capitalist for leave to retire from the wage-labour market to the land.²

Marx, in other words, argued that South Australia was, from the beginning, designed by the British state as a capitalist enterprise. South Australia was a self-governing endeavour, administrative costs for the British authorities were minimal. And so the state *did* proceed: the sufficient price was charged and after a spell in the towns many went on to their own small wheat and dairy farms.

The idea of settler total self-reliance did not, in any case, last long and heavy government involvement with railways and aid to agriculture soon followed the first decade of settlement. In mining, however, the government proclaimed regulations on 5 March 1846 setting out the concept of crown royalties, but mining interests, led by powerful owner-politicians like Ayers fought back, and had the legislation repealed. Forty years later, the minerals were once again, this time permanently, reserved to the crown in new land purchased.³

The settlement procedures were a classic example of state intervention in fulfilment of the accumulation function, but it does not really fit the 'government versus market' paradigm of orthodox economists. Crown ownership/monopoly of the land provided the condition under which *only those* with *sufficient* capital could acquire means of production - those who could not had to serve out time as part of a wage-labour class. Private enterprise could be left to do the rest: to manage the system. It could not have done so without that decisive state action.

Moreover, achievement of the Wakefield principles required not only a plan accepted by the state apparatus but a certain spirit of moderation and consensus in the wider community. Historians⁴ believe this was present in the 1840s and 1850s, and that the political and social environment of South Australia provided a strong support for harmony between the needs of accumulation and development and the community mood — that is for the successful interplay of legitimation function and accumulation function. A contributing consideration was that the original class composition of the settlers and their religious outlook were different from those of the eastern colonies. Thus Pike⁵ has described the temper of South Australian citizens as producing a 'paradise of dissent'. The presence of Cornish and Welsh methodist sentiments in the growing mining towns seems to have been

important, not only in 'freeing up' the society for the development of new ways of conducting private enterprise, not only because non-conformist religion and capitalism can be highly compatible,⁶ but because of a feeling of community solidarity of mining towns seen, for instance, in the singing of Welsh songs and Cornish chants, the shared interest in British events, and the presence of unorthodox opinions on the copper fields.

Meetings of colonists influenced by religious and political convictions stated their desire for less government interference in economic life. Partly this was because many were escaping harsh laws of the United Kingdom while many in the population wanted to avoid the 'penal colony' mentality of eastern states. Others wanted the upward social mobility that the Wakefield system held out as a goal; quite a few among this group wanted to enter farming or trading. As a consequence the state legitimation function involved design of political institutions and inducements that would allow members to achieve such upward social mobility.

One result was establishment of 'responsible government' after only twenty years of settlement. Another was introduction of universal male suffrage in 1856, incorporating the aims of chartist and electoral reform leagues active in the United Kingdom at the time. Despite some checks on liberal-democracy posed by the property franchise basis of the Legislative Council, universal suffrage with a secret ballot appealed to wide circles, providing a high level of consensus 'based on a pervasive ethos of temperance'⁷ which amounted to a 'paradigm of consent' in support of the existing political economy.⁸

If the ideological atmosphere favoured free enterprise, the accumulation function and the objective needs of economic development also prompted relatively high levels of state investment. By 1861-70 state investment was £ 3.7 million; total private investment (in residential, construction, commercial, industry, shipping and pastoral) was £ 5.9 million. From 1871-80 private investment was £ 16.7 million and state investment £ 12.2; from 1881 to 1890, state investment was £ 13.8 million and surpassed private at £ 9.3 million; and from 1891-1900 private investment £ 8.7 million and state investment £ 11.3 million.⁹ While a fall in private pastoral investment caused by adverse conditions played some role in producing the 1891-1900 figures the whole process of development 1861-1890 shows that state investment in railways, roads, telegraphs, water and sewerage, public buildings, bridges and ports accounted for the much larger part of the total rate of accumulation (investment) as well as the structure of the accumulation.

By building ports and railways the state was able to capitalise first on a geographical concentration on wheat (at the time operated on a family based system), and later to build a more diversified economy of wheat, flour, copper mining and rural small-scale manufacturing. The geographical effectiveness of earlier concentration on wheat was defended by the historian Blainey¹⁰ in these words:

...the two tongues of sea protruded towards the best wheatlands and from parts of those two gulfs short railways ran inland so the region had the cheap transport that made it Australia's granary.

By the 1890s, the structure of the economy had changed greatly from 1836. A copper mining and smelting boom which began in the 1840s was petering out. Agriculture was gradually being overtaken by pastoral wool as a key exporter's activity. Whereas in 1864 a rough measure puts cereals at £ 3 million of exports, mining at £ 1.3 million and wool at £ 1.5 million there was, after that, a pattern of change that became politically important. The structural change is portrayed in the table below:

Table 1.1: Shares in gross national product S.A.

	Pastoral	Agriculture	Mining	Dairying	Construction	Manufacturing
1861	10.45	18.31	5.55	5.09	9.64	6.75
1871	13.16	31.52	5.96	2.69	8.47	7.43
1881	14.35	14.13	2.15	1.99	14.02	8.69
1891	15.11	12.96	1.07	3.13	7.45	9.92

Source: A. W. Sinclair, 'Gross Domestic Product' in W. Vamplew et al, *South Australian Historical Statistics*, Historical Studies Monograph No. 3, History Project Inc. Adelaide.

The pastoral sector can be seen here to be growing relative to agriculture and mining after 1861. Considering that private pastoral investment dropped from £ 6.2 m in 1880 to £ 3.6 m in 1890, that growth is highly significant. By 1891 pastoral activity was also contributing 34% of exports; cereals accounted for 45%. The pastoralists were by now getting a firmer grip on state politics. Together with manufacturing, now contributing 10% of production, the politically conservative, anti-union pastoral sector was in conflict with some of the government social-engineering with the T.H. Green style liberalism that has dominated South Australian politics.

The politics of Adelaide in the 1870s was of this reformist kind. The state had promoted the ideology of independence and dissent for miners and farmers. It had also appealed to workers by moves to decriminalise strikes; by extending legal protection to benefit societies and trade unions (1876); and by introducing that South Australian perennial, workers' compensation in 1884. Voluntary arbitration developed in the early 1880s. These measures set a tradition which, apart from the role played by such legislation in achieving social consensus, also served to present South Australia as a colony of moderate industrial relations in which 'proper' legal and effective means for overcoming disputes had been forged.¹¹ Such an integument indirectly affected the accumulation function in that State leaders believed the colony's chances of expanding and preventing a loss of investment (by the local investors moving interstate or external investors by-passing South Australia) would be enhanced by presenting such a picture of consensus on the industrial front.

The 1880s and 1890s, however, saw political conflict between shippers, pastoralists and manufacturers on the one hand, and workers on the other, breaking out. The legitimisation function of the state proved difficult to carry out successfully as economic crisis deepened;¹² for the crisis meant that industry and trade slump with crashes in world prices; as a consequence

determined efforts to cut wages were made. A seventy-seven day maritime strike was defeated in South Australia in November 1890, alienating the moderate leadership of the Trades and Labour Council from the employers, and there was further industrial strife in the 1890s.

Into the gulf opening up between sectors of society stepped Charles Cameron Kingston and his brand of radical liberalism. Kingston was Premier of South Australia from 1893 to 1899 and entered Commonwealth politics as Minister for Trade and Customs 1901–1903.¹³ His solution to the problem of avoiding a repeat of the strikes of the 1890s was the great historic compromise between Labour and Capital of 1904. Laws for compulsory arbitration in industrial disputes, and aid for weaker unions was offset, politically, by tariff support for manufacturers.

For Kingston, the workers defeated in the 1890s had not received justice!¹⁴ Hence government intervention was needed to defend those who might suffer from unequal bargaining power. Kingston's radical liberalism evolved into an embryonic social democratic ideology. A half-way house between the liberalism of Bentham and Green in the United Kingdom and a mild Fabianism well describes the style of Labor administration ever since. It was the South Australian experience, writ large, that was introduced into federal politics and imposed on the warring sides of the class war in 1904 in the eastern states to get Australia-wide social consensus.

After the crash of the 1890s, South Australia received some benefits from a more unified market created by federation. It did not depend heavily on federal tariff protection, most of its industries being export-oriented or 'naturally protected' by distance and the freight costs of alternative sources of supply. Of an export value of £ 13.7m (in current prices including Northern Territory exports) achieved for South Australian goods in 1908, mining ores accounted for £ 1.2m, wool for £ 2.1 m, and fodder and grains for £ 4m. Compared to forty years before, these figures underline the limited amount of exports derived from industries outside the primary sector, although animals and animal products accounted for another £ 0.5m.¹⁵ At this time (1908) the only manufacturing exports were preserved fruits, wines, sugar, as well as a small amount of drapery to the value of £ 92,053.¹⁶

State involvement was substantial (e.g. railway repairs/works). Prices for staples in the period 1904–11 were kept low indicating good management of economic policy and state consciousness in protecting the population (and its own legitimacy) from inflationary pressures. After 1900 the statistical returns from South Australia were changed as to bases and methodology so it is difficult to say much about 1900–1920 from the purely quantitative point of view. Soldier re-settlement involved the state, as elsewhere in the federation, in post-war industrial militancy in the shipping and maritime sectors. The social consensus the state was hurriedly trying to restore broke up in the wake of the First World War's profiteering scandals and by growing concern about 'Bolshevism' in the business community.

The 1920s

The economic conditions of the 1920s were very uncertain. British finance was turning away from South Australia and investment from this source slumped in 1927. However, 'natural' import-replacement *industries* were being encouraged as a way of making the economy more consistently self-reliant now that exports had overtaken imports. Initiatives were also taken to open up new mining. As a result, by the end of the 1920s, South Australia was broadly self-sufficient in a broad range of basic items. Among sectors of *manufacturing* growth in the 1920s we may list a series of *food* industries: Laucke, Noske, Thomas Fowler in flour milling; Amscol, South Australian Farmers' Union and Alaska in butter, milk and cheese; CSR in sugar refining; Menz and Motteram in biscuit; Rosella and Glen Ewin in jams and Coopers in brewing. Most of these were medium-scale but often had new technology. In the textiles sector Michell developed wool scouring facilities and Onkaparinga some woollen mills. Heavy industry was represented by the lead-zinc smelter of BHAS, Port Pirie; *car body production* was developed by Holdens (for Vauxhall and GM) and by Richards for Chrysler, Dodge and Morris Austin. In *engineering* Brass Foundries had an iron foundry and Mason & Cox a steel one. Perry Engineering and Forwood set about development of iron and steel. Simpson and Metters made stoves and cast iron pipes while the South Australian railways provided public sector railway and loco workshops at Islington and the Commonwealth built similar facilities at Port Augusta. Some other *miscellaneous* industries were tanneries, small shipbuilding and repair; rope and nail works and manufacture of soap products by Unilever. To back all of this up, the *construction and housing* industries had to be supplied and this was done by City and Hallett brickworks; by quarries developing sand, gravel and clay; by cement at Adelaide and Brighton; and by timber mills owned by Globe, Wadlow, Reid, Lloyd and Le Messurier.

Most of these industries were shielded by the freight costs of obtaining a similar product outside the state, rather than by tariff protection. At this stage of manufacturing development, local ownership prevailed: only CSR and BHAS were controlled from outside but most firms in food, textiles, car body production and lead-zinc smelting had an export-capacity which strengthened the economic backbone of the state.

A Commission of Enquiry of 1926–7 into the future of South Australian secondary industry noted that acceleration of manufacturing would require a secure and cheap fuel supply as back-up.¹⁷

In *mining*, despite lack of promising mineral resources, repeated attempts were made by the state Labor government of John Gunn to explore, assess, and develop coal and other minerals. In 1926 those on the Commission of Enquiry visited Yallourn coal development in Victoria. The Mineral Committee of the Advisory Council of Science and Industry recommended brown coal development at Moorlands following several outside opinions from experts like Victorian engineer Dr Herman, who, however, did not go to Leigh Creek. At it was to turn out, Leigh Creek brown coal was necessary to fulfil the vision of people like Richard Hooper MP, who wanted, in 1898 a

northern smelter using low grade iron ore¹⁸ and, later, Playford who developed the field for other reasons such as the uncertainty generated by NSW coal strikes.

A black coal drilling project at Myponga in 1930 was blocked by another arm of the state — the Adelaide City Council — and the Department of Mining did not seem to have the push really to encourage mining development despite the importance attached by contemporaries to mining as a saviour of South Australia and the continuing faith of both government and private enterprise in a resources-based development.

The faith of South Australian administrators in mining and pastoral development as the key to (export-led) growth was shaken by the crash of 1929. Until this time, private investment in marketing by farmers had risen steadily, from nearly £3m per year in pre-war days to £6.6m in 1927 and finance for pastoral industry had, until the mid-1920s, come freely from Britain. Drought and the fall of wool and wheat prices changed all that. Over-expansion of wheat lands, encouraged by government policy, and rising land prices which followed this policy of government supported and direct rural expansion, reduced incentives and left South Australia vulnerable to the devastating impact of drought and world price movements. It was only a matter of time before the ideas of the 1926–27 Enquiry would be translated by state planners into the idea of a South Australian campaign to attract even more manufacturing so as to spread the economic sinews of the State's economy as insurance against future crises of the magnitude of 1929.

The 1930s

In the 1920s, wool production became very important to the South Australian economy. Clip size rose as a result of government incentives and special financing arrangements. (Wool had stagnated in other States like Queensland). When the Labor government was elected in 1930, it was anxious to placate rural interests including the small agriculture. As well, the government proved receptive to pressure from city capital for fear of an investment strike by locals and foreigners. No state intervention beyond that recommended by the Commission of 1926–7 was attempted.

As the recession deepened, both the accumulation and the legitimization functions of the South Australian state came under pressure. Private investment dried up; foreign borrowing became difficult. Unemployment soared and there were ugly scenes between workers and their opponents at Port Adelaide. As one historian put it, 'the depression of the late 1920s and early 1930s was a crisis for the ruling class: political and economic'.¹⁹

The state intervened to help farmers with relief payment and by 1931 some £2.5m had been distributed. However, local wage cuts required by employers were supported by the machinery of government, while the Labor government led by L.L. Hill fell from office, when, supporting the wage-cutting Premier's Plan, his Caucus was expelled from the ALP.²⁰ With these events, social harmony was seriously disturbed and after 1933 the strength of rural voters turned South Australia to a more conservative politics which lasted for thirty-two years, consolidating all the time the legitimization gains

sought by the state. The determination of Wainwright and Playford later in the 1930s to accelerate manufacturing development to absorb the unemployed in new import-replacement industries stemmed from their fear of great instability in society which would result if the rate of accumulation failed to lift the state out of depression, a fear that the ideology of social consensus would be drowned by bitter class conflict.

The state leaders had something to build on. The early 1930s saw the planning and implementation of private manufacturing investment in a number of areas: the car body production of Holdens; cement-lined steel pipes producers Hume Pipes arrived to set up from interstate; ACI from NSW established glass bottles and containers; Godsen set up steel-can making. To these were added some public enterprises; notably pine-forest planting; engineering repair works for the railways; while a water pipeline from Morgan to Whyalla was mooted and completed in the 1930s.

However, these private and public investments were not enough to constitute an accumulation rate sufficient to make economic recovery certain and the stability of the system more assured. As a result, it was decided that the state would actively encourage new manufacturing developments by offering assistance, encouragement and financial inducements. This was recognised inside the state machinery as a departure from the normal business ideology favouring market forces. The program therefore was *presented* as stemming from the Enquiry of 1926/27, and as compatible with plenty of space for the private capitalist economy. As Wainwright put it:

Individual initiative must be relied upon for the production of primary and secondary products. The part the state should take in supporting individual initiatives in primary production has been developed in detail in most countries, but the state's part in secondary production has not except in totalitarian countries.²¹

This statement indicates clearly both that the Wainwright approach saw private capital accumulation as necessary but not sufficient for a program of accelerated manufacturing state-wide *and* that he saw that a program of filling the gap with state initiatives (or even of actively changing from ordinary perceptions of business about a proper role for the state) would meet with some misunderstanding. Nevertheless, after 1938, the 'Wainwright' strategy of state-led industrialisation by attracting new investors began in earnest. Its main features included cheap power and land inputs; tax and freight concessions; promotion of moderate unionism; publicity about lower nominal wages than in other states; and an active program to house new workers.

That Playford and Wainwright succeeded in getting new private manufacturing investment is undeniable. In addition to the list above one can mention ACTIL cotton textiles (UK); BTM steel tubes (BHP/UK interests); fish processing (Port Lincoln, Robe, Ceduna, Adelaide); rubber products (with SA Rubber Mills, Thyer). A motor chassis manufacturing scheme was introduced by the federal Lyons government in May 1936, under

which imports from the USA and Canada were limited and a market for Australian-made chassis in Australia itself could be developed. The demand was there, as total annual motor body production in Australia rose from 6,323 in 1931-2 to 67,337 in 1935-6, and Australian manufacturers were, by 1936, providing 80% of the component parts for motor vehicles assembled in Australia.

The character of the Wainwright policy may have been reinforced by attitudes which had been developing in Canberra within the Bruce-Page government. This was a concern about working practices, industrial efficiency and 'rationalisation' of industrialisation. This was clearly linked to the notion of a strong role for state intervention to assist the rationalising process. While employer groups did not like this aspect of the federal government's accumulation function, and resisted attempts to make them more efficient (being more used to getting tariff protection),²² the overall health of the industrial economy required otherwise.

We may see, in retrospect, that the Playford strategy also helped to free South Australia from the constraints of an agricultural and pastoral economy. Through encouragement of imported investment and finance, an expansion took place in money market sophistication, while the labour unions were given a new stake in the success of an expanding industrial capitalism rather than remaining dependent on the export-capacity of the state economy to sustain employment and welfare. This also helped women drawn into the workforce during the war to stay in it. They had reached half the male number of workers in the latter war years. South Australia developed its reputation for trade union moderation. Both award rates and levels of militant action were lower than in the other states. Ordinary unionists went through an experience of industrialisation with rising engineering and processing skills in the twenty years following the Playford-Wainwright initiative.

The employers and the middle class also shared in the experience. The local employers concentrated and centralised their own capital and began to enjoy the boom conditions. Corporations from outside the state (including over-sea-based ones) played a larger role, especially in motor vehicle production, but even in foodstuffs and household appliances local firms no longer dominated urban markets and urban politics.

The Wainwright policy tended, for example, to weaken the influence of the powerful Adelaide business families; the Laucke, Elder, Ayers and Downer families in particular. Foreign and interstate investors were attracted; the public sector had to be expanded to support the new structure of accumulation. The ideas of talented public servants were as important as those of bankers and accountants which had hitherto dominated.

Yet many of the local employers were able to learn to live with the enhanced role of the state consequent upon the Playford-Wainwright policy, and the network of state-owned enterprises that were emerging to support the growing manufacturing sector.²³ Their positive reaction can be seen in their investment response, in the success of the private accumulation so eagerly promoted by the state: gross investment in South Australia, which had averaged £ 1.4m per annum in 1933-39, now jumped to £ 11m for 1939/43,

a result which has been called an accumulation of real assets unequalled in the history of South Australia.²⁴

An assessment of planning under Wainwright will be given at the conclusion of this chapter after its longer term effects have been noted. Here it will simply be pointed out that it is not enough to judge the results of the policy of state intervention pursued by reference to some narrow criterion of economic efficiency of the resulting manufacturing sector. The Playford-Wainwright strategies as they emerged from the late 1930s helped to create new ideas about an appropriate economic integument for South Australia, involving not just the acceleration of economic growth, but also the restoration of the earlier pattern of economic consent. Its aim was to make the state's accumulation and legitimation functions consistent so far as the employers were concerned. This did not yet, in the late 1930s, extend to the working class. The economic cycle was still producing crises for the working class. Job offers were fitful and many men were on short-time. They increasingly turned to a militant leadership emerging in the unions and the South Australian Trades and Labour Council, and only the Second World War cut short a period of threatened tension between the state and the industrial workers.

The 1940s

Munitions factories of the Commonwealth of Australia established at Hendon, Finsbury and Salisbury-Penfield during the war brought new skills, technology and employment to the State. The manufacturing of military vehicles, engineering equipment and artillery followed. Shipbuilding and pig-iron production were accelerated at Whyalla by the BHP Company. The Leigh Creek coalfield was opened to ensure secure supplies, while the nationalisation of the electricity supply in 1948, undertaken to enable the expansion of the network to less economic areas and to keep prices of energy low for possible new investors, allowed the state to get a grip on the overall plans for immediate post-war development. The passing of an earlier Industries Assistance Act in 1941 provided for direct state assistance for new or expanded industrial plant. The new ventures came quickly after 1946. With the array of state inducements available, including cheap housing, Philips (a Dutch company) began to produce radio and electronics at Hendon; at Salisbury the Weapons Research Programme combined the activities of the Commonwealth of Australia, EMI and Hawker de Havilland; at Finsbury industrial site the Commonwealth had a brass rolling mill which came later to Texas Instruments (USA); autowheels were made by ROK (UK); lubrication equipment by Tecalmit (UK); washing machines and electrical motors by Pope and mechanical handling equipment by APAC.

There was a master-stroke in the decision to undertake development of brown coal in the state sector as a key element in the establishment of an energy base. Despite the opposition of politicians in the Legislative Council and the Adelaide Club about the 1948 nationalisation of electricity by Playford, this gave 'backbone' to the industrialisation drive that was to

come. A comprehensive electricity grid formed an important aspect of the process of industrialisation. The nationalisation of the Adelaide Electricity Supply Company illustrates the points made in the opening argument of the chapter: that the pure pursuit of private profit threatens the establishment of an appropriate long-period social accumulation of capital.

The other aspects of achievement in the 1940s which attracted notice and also constituted inputs into industrialisation were light-engineering skills, (stimulated by the war and by the new investment in the expanding car industry in the late 1940s) and social overhead capital.

A substantial acceleration of such social overhead capital, especially roads, shipbuilding facilities and ports, had occurred during the war with Commonwealth government involvement, once it was decided on munitions production and on construction that was placed beyond the range of Japanese bombings. This sort of infrastructure initiated by two governments made *physically* possible the rapid attraction of manufacturing in the post-war period. The planning of *new* industries in the 1940s raised the rate of capital accumulation and also changed the structure of accumulation, partly on the basis of the ideas sketched in 1926/7 and, partly, as a result of the needs of the war economy.

The legitimation problem was not too difficult — support was forthcoming in the wider community as a result of the upsurge in favour of full employment and the welfare state in the 1940s. The diehard conservative backlash was certainly present in the debate over electricity nationalisation but two factors ensured that it was not decisive. The first was that this exercise in government control was undertaken by a Premier from the non-Labor side of politics. The second was that the 1940s had brought new investors and managers of government enterprises so that the views of landed and mercantile monopolies or Adelaide bankers were no longer the only ones that counted in commercial activity.

The 1950s and 1960s

The Wainwright policy of government assistance to promote industry attracted a more sustained rate of new investment in the 1950s. New investment was able to build on the natural boom in the demand for new consumer durables (partly to satisfy pent-up unsatisfied demand of the war years) that was the material base of the rise in private manufacturing investment. This was an Australia-wide phenomenon at the time, with soaring demand for household appliances to match the housing program on which all State governments had embarked to overcome the backlog of the war years.

Heavy industry was rather more closely involved in government planning, if only because the large-scale nature of the labour process required new labour power and the housing of migrant workers who composed the new labour force. Among the new 'heavy' developments unfolding was the move to steel production at Whyalla by BHP. The state used the impending desire of BHP to renew Middleback Ranges leases and an expression of interest in steel-making from Krupps, plus reduced freights and charges, to hurry up

the decision. There was also the Port Stanvac Oil Refinery (of Exxon, USA), and the growth of autotyre manufacture with such firms as Sarmil/Uniroyal (now the Japanese firm Bridgestone). Exploration began for oil and natural gas, a move which was later to pay off. Securing development with consensus posed many problems. These centred on the immigration and the reaction of unions to heavy industry development. In retrospect, it can be seen that the surge to industrialisation in the fifteen years after the war had been notably fast. This produced some problems with the labour market and a clash of cultures involving the 'new Australians' brought out for heavy work.

This point may be illustrated by the experience of the steel industry. The anti-union views of BHP personalities²⁵ caused problems, as did the company's preference for migrants from European countries who had little experience in unionism and were thought by the unions to have right wing political sympathies. The migrants themselves suffered alienation as they often worked under bad conditions. The effects of this were evident in rising levels of disharmony and absenteeism: even in 1971 the annual labour turnover at the Wyhalla steel works was an amazing 30%.²⁶

The situation of a rising threat to community consensus was partly resolved by the energy of the institutions like the State Bank. The South Australian Housing Trust, founded in 1936 soon was expanding to perform new functions. It built the satellite town of Elizabeth on the instructions of the Government and was able to supply workers for GMH car production. Later it was involved in the planning of a new steelworks industry in 1966. This housing effort by the Trust may have eased the adjustment problems of migrants, to say nothing of avoiding conflict with bourgeois Adelaide by keeping a working class district out of sight.

The economic planning of Playford — activist, even opportunist, rather successfully had helped to transform the quantity of investment, the supply of factors of production and the 'widening of investment' (i.e. more plants of a given technology level). Performance criteria for new investors were lacking or played down. Not as much was done for ensuring 'deepening' of investment or sustained increases in productivity. Playford left office with a legacy: his planning, based on 'incentives' and a 'hands off' approach to *actual economic performance*, had ridden well in an expanding economy. How would it fare in a recession?

Politically, the leadership of the state machine changed in 1965 with the defeat of Playford, and three years of Labor government allowed some of the views of the rising Donald Dunstan to be tried out for a short time. Steele Hall achieved electoral victory for non-Labor in 1968 but his difficulties over securing water supplies from interstate sources led to the return of Labor under Dunstan two years later. By now both political parties agreed that economic growth was desirable and that state-led strategy to accelerate manufacturing had worked — a new economic structure had been forged with a fair measure of public consensus that this effort had been worthwhile.

However, some contradictions between the 'vision' of politicians about what planning had done in the past and new realities in the development process had emerged. The state leaders tended, in their planning, to equate

'manufacturing' and 'development'. Such an equation ceased to be true wherever manufacturers decided, for geo-economic strategic reasons (or because of disappointing profit margins), to leave physically. The leaders of the state in the 1950s and 1960s did not fully understand that such an outcome would be possible. Once the overseas investors like General Motors started to pull out in the 1970s, it became obvious that much investment activity had actually been in non-SA takeovers of local firms (for example, Arnotts taking over Menz). Premier Dunstan found that manufacturing was a necessary but not a sufficient condition for economic development. The state accumulation function had not been carried out thoroughly enough.

Moreover, the weaknesses of the South Australian planning mechanism, and not only a clash between a planning vision and the local results of the global recession, were at issue. The 'soft spots' that could result by over-reliance on Playford's technique of giving the corporations the 'incentives' without linked performance criteria became more obvious in a period of economic recession and stagnation.

In retrospect it can now be seen that the whole impetus behind the economic upsurge of the 1950s and 1960s had been a growing manufacturing base sparked by the use of capacity built up in heavy industry during the war, the durables boom, and 'natural protection' given by transport costs against imported consumer durables which, in any case, were largely unavailable in the 1940s. South Australia in the late 1960s had a mixed manufacturing and mining base. It had tended to put most of its (non-agricultural/pastoral) eggs in one basket and its mining sector at that time lacked a clear coal processing or hydro-carbon and gas development perspective which, fortunately, came into planning in the 1970s and 1980s to offset the sluggishness setting in as regards manufacturing activity.

Furthermore, 1968 economic planning itself had become more a series of *ad hoc* responses to events sparked by the economic cycle and was losing the character of active, Wainwright-style initiatives. The state accumulation function was faltering, and, even more significantly, so was the level of consensus, the basis of the state legitimation function. Dissatisfaction within the migrant work force was followed, as the 1960s closed, by rising absenteeism and a drop in productivity growth which would require urgent attention as the 1970s unfolded.²⁷

The 1970s

Alarmed by the high labour turnover and stagnating productivity of the early 1970s, a new Labor Government under Dunstan decided on a number of measures to integrate the unions more firmly into state economic planning.²⁸ The idea was to rally workers behind a Labor government facing new contradictions in its handling of accumulation and legitimation.

Dunstan began to talk about 'a great decade' and to spend money on culture and the arts in order to make people feel better about the direction of the state at a time when the South Australian economy was faltering. He hoped that a new Theatre Complex, a series of government-supported festivals of arts and drama would ease the misgivings of those in the State

who did not fit into the structure of industrialisation as it had emerged. At this time, too, small farmers, retailers and private builders seemed to be losing patience with union demands, and to be listening more to the free-market case. A group of political activists around ex-Premier Steele Hall began challenging some of the established principles of state-sponsored industrialisation, and were worried by foreshadowed public sector initiatives in insurance and development banking.

Partly to meet this challenge, Dunstan introduced regulations aimed at stopping unauthorised strikes in the construction industry and legalising the use of non-union labour in the industry. He adopted a high public profile on the issue: the pamphlets distributed by the ALP at the 1973 election showed the Premier confronting 'bully boys' (builders' labourers) on the steps of Parliament House. However, the consensus sought against wild-cat strikes broke down when the coolness of the Trades and Labour Council, together with the maverick Right in the Legislative Council, defeated the Emergency Powers Bill of 1974.

Another attempt to strengthen legitimisation of Dunstan's policies can be seen in the whole discussion about 'worker participation' or 'industrial democracy' which Dunstan launched.²⁹ This included the Badger Report (*Report of the Committee on Worker Participation in Management: Private Sector*) which encouraged job enrichment schemes in private companies; voluntary worker participation in firms with more than fifty employees; and establishment of an Industrial Democracy Unit within the Department of Labour and Industry. The aim of these measures was to reduce absenteeism and win back some disaffected unionists to the cause of productivity and state economic growth.

Worker participation schemes actually had their origins in the employers' camp — in an initiative of GM management to raise real product per man-hour. The unions were, accordingly, divided in their response. In employer hands, and in the Badger Report popularised by the state machine, industrial democracy was *restricted* to some worker-participation in management and job-enrichment schemes. It was tried out mainly in the Housing Trust and the state abattoirs as far as state-run enterprises were concerned, with limited success. Too many unions, however, saw the concept was a threat to the system of trade-union hierarchy; the Reports on Industrial Democracy of the ALP's own committees were more popular at State Labor conferences as they incorporated workers' views, while radicals criticised the policy for not extending workers' rights into a form of workers' control.³⁰

The Government's problems were aggravated because in both industrial relations and in financial leverage over the State's economy, there was now a new powerful centre of decision-making in the interstate and overseas company managers, bankers and insurance men. Not only were these spokesmen less amenable to immediate State persuasion, but workers found themselves coming into conflict with non-SA employers. For example, at GMH-Elizabeth a Shop Stewards' Council found itself using 'guerrilla tactics' against new management methods and the company threat to move its machinery interstate.

With the accumulation of physical capital now having to be matched by

much more complex financial capitalism, economic policy had to adjust to a new situation. Previously, South Australian companies had been much more closely linked with each other through interlocking directorates and by personal and marriage contact than in other States, forming a powerful nexus of political influence. For example, Elder Smith was linked to at least sixteen companies in this way and the Bank of Adelaide to eighteen companies.³¹ Now, however, non-South Australian companies were challenging for a say in industrial relations and were criticising land policies and the growth of new public enterprises. With the arrival of such firms as ICI, British Tubemills, Stewarts and Lloyds, GMH and Vacuum Oil, and by interstate financial agglomerations, many businessmen chose to join the boards of the new companies; earlier there had been only Elder Smith and Argo investments.

One way out for Dunstan was to supplement his industrial democracy rhetoric with a strong defence of state enterprise, in the hope that this would attract support both from unions and from those employers who could appreciate the role of the State Bank in helping new industrial growth. However, with a faltering rate of capital accumulation and the appearance of much higher levels of unemployment after 1974, employers had lost interest in worker-participation schemes: the dole queue was already restoring discipline in the labour market. Now they were in no mood to welcome expanded state enterprises; they were talking about the need to cut budget deficits and policies for reducing real wages.

One upshot of the availability of new sources of loanable funds was that the State became less confident in its ability to expand initiatives such as the State Government Insurance Office, or the extension of the State Bank into development banking. Although the State Bank received a huge fillip with its later re-organisation, in 1978 the Government was under a lot of criticism from the media and local banking circles for having state banking, insurance and commercial enterprises in competition with private enterprise. As well, confronted with the crisis over the collapse of the Bank of Adelaide's subsidiary finance company, the Government of Des Corcoran, Dunstan's successor, prevaricated before finally allowing takeover by the ANZ Bank, eschewing Labor policy for more public control of banking. The new Premier felt it necessary to disown many of the industrial and cultural reforms of the previous decade. He paved the way, before losing an election, for the more hard-nosed thinking of Liberal Premier David Tonkin. He began cutting public expenditure plans, restricting the growth of the public service and seeking new investment from Europe and Japan.

In their response to the presence of state-owned enterprises in such areas as insurance and development banking, different sectors of the economy reacted differently. A group of spokesmen within the Bank of Adelaide, the Bank of NSW, the AMP and the Adelaide *Advertiser* had denounced Dunstan as vociferously for these initiatives as they had praised his attempts to attract joint-venture capital to South Australia as a 'springboard' for investments and exports from Australia. Here again, there was increasing conflict between the Government's desire to increase financial control of

investment within the State and the goals of corporations which increasingly were tied to interests beyond the State borders.

The accumulation function of the state was sharply disrupted after 1975. Investment stagnated and unemployment rose. In the motor vehicle industry there were substantial lay-offs at Chrysler in 1977. Earlier in this industry 'rationalising' of die-casting operations led to a fall in investments. Community criticism increased. Plans for developing a Redcliff petrochemical industry were abandoned in some confusion.

In the period of Premier Dunstan the State did not really get a grip on the ailing manufacturing sector or the drift in the State planning process. He *did* realise that non-manufacturing development had to be started and, after false starts on petrochemicals (described in chapter 4) began a process of re-organisation of leading government departments in the planning field. By 1978—79, when the Premier left politics, some of these initiatives were coming to fruition. A newly enthusiastic Mines and Energy Department joined ETSA in the idea of more long-term planning with emphasis on coal developments and hydrocarbons. Premier, David Tonkin was a coal enthusiast and started moves with Japanese interests to revive the petrochemical project that Dunstan had not managed to bring off with Dow Chemicals at Redcliff. Yet the Dunstan era, so far as economic planning was concerned, was not featured by a planned rationalisation of what Playford-Wainwright policies had achieved, or by an attempt at more rational perspective economic planning. Rather it was a period of re-active and ad hoc planning and the 'cleaning up' and 'striking out on new paths' waited until the 1980s and a new Labor Premier.

The 1980s

The Tonkin government was short-lived. A new Labor premier was to preside over the complicated problems of the 1980s. Dunstan had faced Party grass-roots revolt over uranium mining and pressure from the environment lobby to stop a petro-chemical industry and uranium. Bannon, by contrast, was one of a group within the ALP which successfully fought for a change of heart on resource development — over both Roxby Downs (uranium) and a petro-chemical industry. Using legislative fiat, the Premier also over-ruled many town planning regulations to attract a wide range of non-manufacturing investments: a Casino and Hotel complex, a Grand Prix motor-race and an Entertainment Centre. These brought tourist dollars and a stimulus to the construction industry, but it seemed that a combination of interest in tertiary sectors, new technology,³² computer software industries and the desire for resource and tourist priorities marked the end of an era — state-led industrialisation would slow down, victim of the profits squeeze of the general Australian economic scene and a changed view of the State's strategic political economy.³³

Bannon's electoral victory of 1985 owed much to the 'political memory' of the South Australian electorate on state-sponsored growth and to the favourable image enjoyed by the State Bank, the Central Linen Service, the SA Oil and Gas Corporation, and the Housing Trust. Yet the

denationalisation of these state instrumentalities were precisely the 'targets' nominated by Opposition Leader Olsen. It was not entirely surprising then, that the Adelaide *Advertiser*, on the very eve of the election, advised re-election of Premier Bannon: when initiatives and private enterprise approval of them are conjoined, it is a powerful political mixture. It suggested, too, that for Bannon in 1985 the accumulation and legitimisation functions of the state were, relatively, in alignment. This was reinforced by a certain 'hype' in relation to Bannon's campaign for new submarine construction investment with its echoes of 'Wainwrightism'.

This did not mean that there were no serious problems *within* the accumulation function. These soon became the main concern for the Bannon government. Some aspects of the unbalanced manufacturing were coming home to roost. In 1985 the State produced 25% of cars sold in Australia, but the wealth and taxes generated by this industry were dropping. With manufacturing industry stagnating, and the resource base still underdeveloped, a community with only 8.3% of the Australian population was under pressure to sustain viability. The state had to demonstrate its ability in crisis management in the short run, and to develop a perspective-planning approach, a determination to look ahead.

By the mid-1980s, the state seemed to be taking the problems of its accumulation function seriously. A series of long-term plans emerged to diversify South Australia's industrial base,³⁴ and government planners considered that while there was some hope for a recovery of the economy if rural prices should rise, there was a need to make two moves. The first was to take advantage of the restructuring of manufacturing already enforced by the recession to move state and private investment into newer and more productive areas. Plans centred on technology parks and the Oberon submarine replacement program. The idea here was to find economic activities increasingly dependent on robotics, electronics, geo-scientific equipment, and small scale engineering and re-tooling. These were seen as filling gaps created by the slowing accumulation in manufacturing and the gestation lag in getting such projects as Roxby uranium or a petro-chemical industry going in the 1990s.

Characteristically, it was the government think tanks, a couple of cabinet ministers with a commitment to perspective planning, and the public servants working on problems of science and technology that took a grip on the emerging problems. A task force on innovation and technology policy began reporting in 1985 with a wide review of the weak-spots; thinking about a real overhaul of the education system to ensure subliminal popular awareness of what science is doing was being attempted within the Ministry of Technology. This confirms the thesis of a number of chapters in this book that Australia has been successfully pragmatic about the strong role of the government in economic life,³⁵ and that economic effectiveness in public enterprises has been possible.

Yet a number of dilemmas for state leadership remained to be solved. A sort of planned de-industrialisation was undoubtedly on the agenda: first, the Government was looking for people-intensive activity to replace

manufacturing priority. Second, it was looking at resource-based development as a 'leading link' in a future South Australian economy and as an export prospect. If the quality of the state public service could be maintained (and the rash of exceptional, practical public servants of 1938–58 period was a hard act to follow) then prospects for identifying and overcoming weak-spots in the economy looked fair. However, the need to change a lot of public service attitudes, to get public servants and entrepreneurs conjointly involved — and deeply involved — in the spread of innovation and to overcome the continuing problems posed by the federal structure (differences between South Australia and the Commonwealth over wine tax, fringe benefits tax and education expenditure) left plenty of tests for political leaders and the state machine. It seemed more and more that the second half of the 1980s, the early days of the second '150 years of SA', would be occupied with the problem of innovation and of administrative reform. Further, that these elements would increasingly be seen as the essential props of a government-led perspective planning process dominated by three issues: science and technology policy; a perspective plan for new industrial structures; and expansion of public sector activity with a high level of attention to productivity and investment effectiveness.

If a streamlining of state *dirigisme* seemed to be high on the agenda of the leaders of the state machine for the difficult 1980s, a number of lessons from the past remained to be fully absorbed, and the trade union movement was not, as yet, an 'insider' interest in the process of formulating plans for new kinds of economic activity. While it is generally acknowledged in South Australia that a Labor government's ability to work constructively with the trade unions has been an important part of its electoral strategy, and its legitimation function, the idea of a 'new partnership' for the reconstruction of the state's industrial base and advances in social reform has not yet taken shape. This is seen especially by comparison with such social laboratories as Sweden or Finland and even by comparison with 1983–1986 British social democratic thought.³⁶

To adjust the 'legitimation function' of his ALP Government for the period up to the 1990s, Premier Bannon has to grapple with the reaction of the trade union movement to new directions in perspective planning, to the practical aspects of implementing 'task-force' and 'think-tank' recommendations and to widening vistas of community rights that were opening up in a more highly educated community. If research and action on raising productivity were implemented, for example, the union movement would need to be involved in areas of economic impact, industrial democracy and industrial relations legislation. Unions would also have to take part in the process of altering the nature and speed of economic growth, in that other function of the state, changing the accumulation of capital and the nature of investment.

Already the Trades and Labour Council has issued a number of policy documents and statements which essentially respond to the new directions being suggested for the State's development. Following the example of the British Trade Union Congress,³⁷ they raised the issue of a 'positive legal

framework' for expanding workers' rights. The Trades and Labour Council suggestions amount to a shift in the terms of the debate — from more generous strike laws to a positive set of union rights linked to principles in a form consistent with perceptions of the wider public interest.

What would this involve in practice and how would it affect the interplay of the state's legitimation function with its economic plans?

Much depends here on the ultimate content on the counter-strategies and counter plans for economic growth proffered by organised labour and the government and labour responses. If the British TUC-Labor Party model were followed, the State Labor government would be forced to make more efforts to head off the radical implications, as it did with 'worker-participation' proposals in 1974–75. This is because the purpose of economic planning, as outlined in the British approach, is not limited to raising the rate of accumulation and real productivity per man hour, but is widened to cover methods of extending democratic accountability and control in industrial planning. Collective bargaining would be used to influence decisions on matters hitherto in the sole prerogative of management, while a bill of rights would legalise a union presence in planning machinery of the state in various sectors of the economy and in company investment decisions.

It follows that local and international companies would be required to supply technical and statistical information to their workers.³⁸ These requirements would undoubtedly be seen as a challenge to the interests of company shareholders and, possibly, to the state's monopoly over economic policy. No easy adjustment of the legitimation and accumulation functions of the state would be possible in the face of an aware and vigorous labour movement armed with such new rights. In fact, the unions would be offering an alternative way for Labor in office to carry out such functions. It is, therefore, likely that the state will do all it can to prevent 'UK TUC-Labor Party' scenarios from gaining ground within the Trades and Labour Council and to return as quickly as possible to what it perceives as the more successful strategy for the state machinery of the past: quality of life investments in return for labour discipline and higher economic growth.

Yet circumstances have greatly changed since Wainwright and even since Dunstan. Technology, the strains of modern economic life and new ideas about democratising planning all present painful dilemmas to the Labor Party machinery and the state apparatus it controls in office.

The heart of the problem is that Labor in facing up to the new accumulation function of the 1980s has been content to rest on its past relative success as a government of efficiency and planning. Yet, given the new trends towards technological change and growth of tertiary sectors, the traditional approach to planning no longer suffices either as the backbone of state-led industrialisation or as a system of bureaucratised welfare-state. Neither the idea of workers' rights (embodied for example in the EEC (Common Market) legislation inspired by Dr Vredling) nor the idea of responsibility of unions towards planning under the new conditions have been spelt out within South Australia, while federally the Accord, on which

many hopes were placed as the beginnings of democratic planning, has remained purely a charter of wages restraint — an incomes policy. The integrated approach to the planning of wages, public investment and new sources of economic growth has remained elusive. Its concomitant ‘follow-through’ in the form of compacts between those in the workplace and those officials acting on the recommendation of think-tank planning reports has scarcely been addressed.

South Australian development experience and other Australian States: a comparison

How does the industrial planning and rural policy pursued in South Australia compare with other States?

In rural industry some comparison between the handling by the state machine of agricultural versus pastoral activity in South Australia and Queensland is useful. Queensland was another area dominated between 1850 and 1920 by agricultural and pastoral pursuits. The Labor Party as government there managed to bring about a commonality of interest between small farmers and the rural working class as a winning electoral strategy. After the Labor victory of 1918 numerous state enterprises were established to challenge the cartel arrangements of private mercantile, financial and rural capitals. But it was mainly farming that was encouraged in Queensland by an elaborate semi-government network of farmers’ organisations, commodity boards and policy advice bodies.

In South Australia the political situation did not produce the same hostility to the proprietors of the pastoral properties who in Queensland were the historical enemies of Labor from the 1890s strikes. South Australia did not have the quintessential ‘Queensland problem’ that pastoral production techniques of extensive grazing conflicted with Labor policy of northern development. Huge stations with low beast to the acre holdings were objectively seen as being capable of supporting only sparse populations; in Queensland they wanted closer settlement to ‘populate the north’.

Nor did South Australia have political figures like William Lane and ‘Red Ted’ Theodore preaching rural socialism. It had no real counterpart to the kind of thinking exhibited in Premier Theodore’s speech of 24 March 1922 in which he claimed that:

The best way to get...a greatly increased virile population in Queensland is to get men to go on to the land and to increase wealth production.³⁹

In Queensland, pastoral production contributed a significant proportion of the State’s wealth, but graziers were seen as ancillary to Labor rural policy. In South Australia 10% of the State’s gross production in 1916 came from pastoral production but agriculture (20.8% of gross production) was not given the determined government priority *over* pastoral seen in Queensland; rather, the graziers built up wealth and political support in the powerful Adelaide circles of financial and political intervention.

While anti-profiteering sentiment was very strong in South Australia and elsewhere after 1915, the main obloquy did not fall on local capitalists connected with the State’s primary industries; and enough state intervention existed during the First World War to cushion producers and consumers alike from profiteering based on shortages. In 1915 Prime Minister Hughes had formed a Commonwealth Wheat Pool on which South Australia (though not Queensland) was represented and it was not until the 1920s that this pool went over to world-parity pricing, shifting the cost burden more to the consumer.⁴⁰ In the meantime, price control held up the all-important real wages of public servants and the city workers.

This factor points immediately to another SA-Queensland difference: in Queensland, Labor’s worker-farmer alliance after 1915 operated as a rival claimant for legitimacy. The rural pastoralists with their large landholdings, the mercantile and credit companies which had previously held power, were now portrayed as representatives of anti-popular, sectional interests whose policies upset the labour movement and provoked social conflict. In South Australia by contrast, the Liberal-Country League in its many manifestations became the ‘legitimate’ political office holder over many years of the twentieth century. Its representatives were not universally seen as sectional and greedy and did not yield the ground of political legitimacy to the labour movement or political Labor until the Dunstan era. The pastoral companies, aided by Conservative allies in Adelaide’s banking and commercial circles, set their face against the kind of radical experimentation taking place in Queensland. The growing trend towards state intervention by the Playford-led Liberal-Country League meant that no clear cut struggle over the principles of state intervention unfolded except, briefly, in such ultra-Right groups spawned by the Great Depression of the 1930s as the Citizens’ League which, in any event, was contained by the Liberal Federation.⁴¹

Manufacturing development, rather than becoming the centre of debate for and against government intervention, became the agenda of politics in South Australia. Again the contrast with Queensland could hardly be greater, as giving priority to manufacturing was virtually abjured in Premier Theodore’s statement that:

In Queensland we have passed the gold era, and have not yet begun a manufacturing era; but we are on the threshold of a great agricultural era.⁴²

Industrial development did, of course, occur in Queensland. Indeed, one writer has said that the state did broadly as well in production terms as South Australia after the 1920s and up to the 1960s without any Wainwright-style of state-led industrialisation, although Queensland did not match South Australia in areas measured by social indicators.⁴³ However, this claim even as a broad generalisation requires heavy qualification as there *was* a kind of state initiative in the sense of government-sponsored closer settlement schemes: expansion of railway towns and railway workshops in rural areas; subsidies to mines developing with medium-scale technology; country town

machinery works; the Peak Downs schemes etc. This network was not development through market forces, it was a state-backed rural industrialisation program, Queensland-style. The Queensland pattern was made possible by crash railway construction in the 1920s which laid the foundation for that kind of industrialisation which can be based on the processing of agrarian products (canneries, sugar cane mills) and connected with government-subsidised closer settlement or 'decentralisation'.⁴⁴ This may not have been state-led development Playford-style, but it was, nevertheless, an example of strong government intervention in Queensland economic life.

What was the essence of state legitimisation activity in Queensland? A persistent populism and Labor's electoral alliance between farmers and rural workers was the way the legitimisation function was managed there by Labor governments after 1911. Subsequent conservative governments in the late 1950s, 1960s and 1970s (under Premiers Nicklin, Pizzey and Bjelke-Peterson) carried on the Laborist populist approach to electoral victory but also made many concessions to international mining companies and manufacturers in order to sustain the State rate of capital accumulation.

In New South Wales, the original penal colony conditions set the firmest possible precedent for a dominating state role in economic life;⁴⁵ there was a long period of state control over land alienation, harbour and railway development (the Sydney Rail Company which started rather early in the 19th century was taken over by the state) and general development of skills with vigorous technical education, and, eventually, foundation of the University of Sydney.

However, New South Wales was always a very divided community, both politically and religiously. The state had to steer a course between land selectors plus the radical-democrats of Sydney politics and the power of pastoralists with their big rural properties. There was little social consensus in the turbulent New South Wales of the 19th century. It was not until the early years of the twentieth century that solutions were found for avoiding the bitter battles of the 1890s between labour and capital which were continued in rural industries such as timber and shearing as well as maritime activities. It required a liberal lawyer from Adelaide, C.C. Kingston, now Commonwealth minister for Trade and Customs, to suggest that New South Wales try compromise in politics and compromise between capital and labour, two things which Kingston could claim were being achieved in South Australia. Even then New South Wales remained a turbulent state. Jack Lang's populism was a real challenge to normal state legitimisation⁴⁶ and that provoked vice-regal intervention to protect British and local financial interests.

Resource-rich Western Australia, like Queensland, has an atmosphere closer to the frontier-society style which has affected its investment patterns. However, the State has been more successful than South Australia in the area of large resource projects. In this area at least some Western Australian Premiers (Court) and advocates of state-led development close to them (Dumas) were acting in the Wainwright fashion. Apart from Kwinana it has

not got the network of manufacturing plants achieved by South Australia, but it has dozens of large resource-based projects, including North-West shelf and the mineral opencuts of the North West. By contrast only BHP and the projected Roxby Downs can be classified as being in this 'big league' as far as South Australia is concerned.

South Australia is relatively poorly endowed with mineral resources apart from natural gas. However, it seems that the state, in pursuing its legitimisation function has not felt it necessary to follow Western Australian governments in getting public support behind huge resource projects. The public and the environmentalists here have not been helpful to state plans to go for such projects — as explained in Chapter 4 below. The legacy of Playford-Wainwright was to elevate small manufacturing plants to a leading role, which, with primary products like wool and wheat (and later live sheep) selling to China, the USSR, Eastern Europe and the Middle East, remained the hub of the South Australian economic development. Where land cost was a factor (for medium scale factories) Wainwright-style policies were effective, but in large resource projects this is not significant. The South Australian Government in resource development has really only been brilliantly successful with its decisions on an electricity grid and on financing the natural gas and water pipelines.

South Australia has had, on paper, the framework for rapid accumulation over the period 1975–85, yet state accumulation has clearly faltered, especially in comparison with Western Australia. South Australia has cheaper freights than elsewhere; lower taxes; average power costs, industrial peace. Yet something of a hiatus emerged in its pattern of economic development after 1974. Perhaps Dunstan had not realised the extent to which South Australia was falling behind other States after 1970: certainly he did not attract any really large-scale industry. The year of the Corcoran premiership which followed Dunstan's retirement was really one of confusion. When David Tonkin followed, he took time to get his plans in order and tended to put all the emphasis on one big effort to get petrochemicals started. As Tonkin departed, the habit of thinking that primary products could always take up the challenge of economic progress was not corrected by Bannon before a three year time-lag. In the meantime, world market conditions turned down sharply.

Added to this hiatus in strategic economic planning was the cyclical downturn in the prospects for manufacturing: both effective demand and expected profit rates were inadequate for expansionary investment. The government found (with the exception of technology parks) that enterprises were not responding to its blandishments to invest more in physical productive capacity. Both oversea-based companies and large Australian ones were not responsive. With the cyclical downturn, the lost opportunities of 1974–85 came to be seen as serious. Victoria and Western Australia had grabbed their opportunities. The result was that a great deal of uncertainty about the State's economic prospect was evident in the mid-1980s and hopes for improvement rested heavily on the belated attempt to introduce perspective planning, to try again with petrochemicals and the bid for the Oberon project which were discussed in the last section.

Economic overview and assessment of South Australian planning

So far the argument has been that the State has played a crucial role historically in the modern economic history of South Australia. A *separate* issue to be faced by governments is whether the state should continue to play such a role. The governments of the 1980s have to distinguish the two more clearly than the political parties did in the South Australian election of 1985.

In this respect economic planning needs re-assessment and overhaul, to find new objectives. It will be noted that in Loan Council arrangements South Australia has not been regarded by the Commonwealth as a claimant state. It is perceived as having done well with manufacturing and with quality of life investments. Its state sector is widely thought to have been effective. Given the small size of the population, and a thin spread of mining resources, the qualitative results of economic development appear to have been, at least until about 1974, quite impressive. A broad range of industries was attracted for both import-replacement and export potential. Public sector productivity has been high compared to other sectors (as explained in Chapter 2) owing to the effectiveness of such public sector bodies as the Electricity Trust and the Housing Trust which, apart from being very well run, have played a key role in planned industrialisation. What is missing has been the big resource projects and new industries to replace those closing down under the impact of the 1970s recession. In retrospect there have been many weak points in the structure of the manufacturing sector. Economic policy must therefore at least be put under question as to its effectiveness.

How much of the problem that has overtaken the State since 1974 was rooted in the results of state-led industrialisation? Some writers have argued that the final pattern of manufacturing from Wainwrightist philosophy being applied was ineffective, involving duplication of plants and only medium to small-scale technology.

To this there seem to be a number of rejoinders. First, some of the weaker spots in the manufacturing pattern could not really be avoided. In the 1950s and 1960s these had to do with lack of experience in handling oversea investors by comparison with firms from interstate. State planners at this time lacked the experience that would have told them that the investment planning of such corporations has a geo-economic or geo-political dimension. That often meant that global profit arrangements could force a re-location, even where South Australian costs were favourable and state accumulation policies appropriate.

Second, state-based industrialisation *did* work and people in the community at large both accepted it and shared in its benefits. There is perhaps a tendency for the neo-classical economist to always play up the achievements of market forces and underestimate the strong results of vigorous government activity in economic life. If the model of interplay between the state accumulation and legitimisation functions is used, a different conclusion emerges. In this regard it should be noted that qualitative changes in the life of society are a significant accompaniment of

the overall growth process. South Australia seems to have managed its 'trade-off' between fast economic growth and social planning better than a number of other States. The main 'disappointments', as recorded in this chapter, were in the industrial militancy of the late 1930s, the social instability from rushed post-war immigration for the steel industry, and the widespread opposition to both Redcliffs (petro-chemicals) and Roxby Downs (uranium) after 1974. But concern for health and environment has been acted upon by the Government with much more verve than in New South Wales where the Hunter Valley has suffered considerably from an aluminium smelter; in Queensland where rainforest has all but disappeared; in Western Australia where valuable timbers have been seriously depleted and where the Department of Regional Development and the North West has criticised chemical industry pollution at Kwinana, as well as community attitudes that have led to rather too much of a 'pragmatic approach to health and environmental hazards'.⁴⁷

As to the future of the State, much will depend on the quality of economic planning as it is now (1986) being redesigned within the Department of Mines and Energy and within the 'technology emphasis' task forces of the Bannon Government. A wider appreciation is still needed in the community about the concept of planning in the sort of society that South Australia is, and about the limits to such planning.

Planning is normally thought of in its narrow meaning of government directives (or guidelines) determining the rate and structure of accumulation. However, this is only one method of planning; others are also available.⁴⁸ One (that of Wainwright) was tried out after the Second World War. In this arrangement the state set the economic parameters within which the decentralised decision-makers (corporations, individuals) operate, effectively controlling the direction taken by the economy through indirect means such as relative prices and charges setting, discriminatory taxation etc. As well there was construction of infrastructure, direct investment by the state in productive and commercial public enterprises, the provision of credit for favoured projects etc. An alternative method, which this chapter has pointed to, is that emerging strongly from within the British Labour Party⁴⁹ and already influencing officials in the union movement of South Australia. This is to have a collective bargaining mechanism to involve trade unionists in the planning process, instead of allowing the more shadowy task forces, whatever the quality of their ideas, to influence Cabinets directly without any critique of their ideas, as they evolve, from representatives of labour.

Will such new concepts of planning become more accepted in South Australia and assist in getting labour support for the kind of perspective planning and planning of new accumulation that the increasingly difficult future threatens? At the middle of the 1980s this version of planning is still a 'foreign' concept because the arbitration system has generally obviated the need for widespread union involvement at the industry level or the shop floor level. Introduction of the new British planning procedures would also require a greatly strengthened ability of the unions to pressurise governments and employers on non-wage issues. It cannot be ruled out that

a younger, more educated leadership of the organised trade union movement will deeply involve itself at the ideological level at least, in the question of planning and economic growth. They will, as the state plans for restructuring the economy for the next twenty years are unveiled, step-by-step, increasingly become conscious of lacking the power that would flow from being an integral part of the actual administrative structure taking decisions on planned investments.

This is where the legitimation function of the state comes in: the ability of the South Australian state to plan the economy in such a way as to achieve a high level of consensus has also narrowed the scope for independent working class political action. With few exceptions, governments have responded to pressures from the working class, to its reactions to the rate and character of economic growth, in such a way that incipient tensions between labour and capital did not threaten the pace of capital accumulation basically. This was done, with some exceptions such as the 1890s and 1930s, by ensuring that unionists were able to reap some of the benefits of economic growth. Consequently, union leaders and employers alike have tended to leave the business of economic planning in its wider sense to governments.

Whatever the final shape of the processes of plan formulation and plan execution adopted for the future, two things are certain: that new forms *will* have to be found (in view of the new world economic situation and longer-term trends of weakness in the South Australian economy) and that the role of government in economic life will continue to exhibit its historically vigorous character.

ECONOMIC AND SOCIAL DEVELOPMENT — INDUSTRIALISATION WITH CONSENSUS

Kyoko Sheridan

The use of the terms 'social policy' and 'social planning' has a relatively long history. Enlightened social scientists, government officials and business leaders have been aware of the need to plan for the use and development of human resources rather than the immediate exploitation of them in the process of industrial development. However, these terms have been used in a somewhat sparing manner without any general agreement upon the scope and range of the subject matter of social planning and policy.

Furthermore, the question of the interdependence — the relationship, in terms of nature and extent — of economic planning and social planning has not been clearly addressed, so that in the evaluation of the size of the government we are never sure if there is such a thing as an optimum size for a given society and economy. Nor are we sure if there is an optimal mix of economic and social planning. If there is such an optimal size of government and an optimal mix of those types of planning at a certain stage of the industrial development of a society, then surely it is important that we establish what that size is and, first, how we are to estimate it?

Instead of social scientists answering these questions, we observe inconclusive debate among them, based on different social values and training.

For example, liberal economists argue that modern government has grown towards the welfare state model so much that it suppresses the initiative and the driving force of the individual. On the other hand, social democrats may see the human face of capitalism in the welfare state and welfare policies. At the same time, some with a Marxist orientation often stress that the modern welfare state is a product of the capitalist economy which is forced to introduce various welfare policy measures in order to increase the productivity of labour and reduce the costs of labour power in the process of industrial development. Otherwise, the stress and strain of social depreciation, generated by industrial and economic development, will sooner or later create social disruption of various kinds and magnitudes!

In order to save ourselves from agonising over the definition of social policy, we propose to adopt a working definition of 'social planning' by regarding it simply as an instrument whereby we aim to raise the general standard of living of the people in our society. Achieving this end calls for government initiative, influencing not only economic and political activities but also the social infrastructure and the physical environment of the people.