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ESSAYS IN  
THE POLITICAL ECONOMY  
OF AUSTRALIAN CAPITALISM

VOLUME 1

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E. L. Wheelwright and Ken Buckley

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## TECHNOCRATIC LABORISM— THE WHITLAM GOVERNMENT\*

BOB CATLEY AND  
BRUCE MCFARLANE

*The Australian Labor Party does not even claim to be a Socialist Party. As a matter of fact it is a liberal-bourgeois party, and the so-called Liberals in Australia are really Conservatives . . . The Labor Party has to concern itself with developing and strengthening the country and with creating a central government. In Australia the Labor Party has done what in other countries was done by the Liberals . . .*

V. I. Lenin, *In Australia*, (June 1913), cited in V. I. Lenin, *British Labour and British Imperialism*. (Lawrence and Wishart, London, 1969) pp. 91-2.

WE BEGIN WITH two quotations which seem to us to epitomize the main thrust of the Whitlam government in domestic and external policy; we then analyse the objective conditions and the ideological considerations which produce these kinds of Labor activities.

The first quotation relates to the role of private banks and market forces generally. Until Whitlam, the Labor Party's attitude to the private banks was that, having had its fingers burned in the ill-fated Chifley bank nationalisation attempts of 1947-49, it should avoid all talk of future bank nationalisation like the plague. By 1959 when the Liberals were overhauling the Banking Act, Dr Evatt and other Labor spokesmen had convinced themselves, against all the evidence, that 'Menzies has nationalised the banks for us'.<sup>1</sup> As we have said elsewhere, 'the Labor

\* We do not take up here the issue which, ideally, is required as background to telling the story of the middle-class orientation of the Whitlam Labor government internally, and its support for US imperialism externally. This issue is the nature of modern social democracy and the economic and political strategies to which it gives rise: we have discussed it in our book, *From Tweedledee to Tweedledee* (ANZ Book Co, Sydney, 1974).

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## TECHNOCRATIC LABORISM— OVERNMENT\*

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JOCELYN MCFARLANE

*claim to be a Socialist bourgeois party, and the Conservatives . . . The developing and strengthening government. In Australia, other countries was done*

alia, (June 1913), cited in *British Labour and British Trade Unions*, by J. H. C. White and J. H. C. Wishart, pp. 91-2.

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quired as background to Whitlam Labor governmentally. This issue is the economic and political strategies of the Labor Government, *From Tweedledum to*

Party reacts to bank control with paranoid fear and palpable untruths'.<sup>2</sup> Technocratic Labor,<sup>3</sup> however, has a far different attitude to private banks and the operation of free market forces in the monetary sector. The quotation is from a report of Whitlam's address to the Institute of Directors on 14 March 1974:

The Prime Minister said last night that private banks were great institutions. He said that under the first Labor federal government since Chifley lost power the banks were back on top. In 1949, the Chifley Government was defeated largely because of its attempts to nationalise the banks. Mr Whitlam repudiated the Chifley attitude when he remarked in passing that the private banks had been 'for long anathema to Labor governments'. He said the Labor Government had restored private banks to the position of dominant money bodies in Australia: 'For a long time it was accepted that a Labor Government should avoid too much use of market forces in governing the economy. We have elevated the status and importance of the trading banks in Australia to a position they have not enjoyed for more than twenty years. We did this by removing the ceiling of bank interest rates for negotiable certificates of deposit. In that way we enabled the banks to compete vigorously for funds on the money market. I suggest that the extraordinary success of our February loan, which attracted \$509 million in cash subscriptions, is evidence of the new roles we have given to the banks. The private banks are back on top. I welcome the fact. My only regret is that I have yet to hear any acknowledgement from them of the fact that a Labor Government has restored their position as the dominant financial institution in this country'.<sup>4</sup>

On external economic policy, we offer the following quotation from an interview with Dr J. F. Cairns, Minister for Trade, which appeared in the *Australian Financial Review* under the significant title, 'The New Capitalists'.<sup>5</sup>

The Australian Industries' Development Corporation did not come from Marx and Lenin. If the AIDC took a share of a new mining project, it could direct that its share of the output should go to a Third World country at a fair price. Any subsidisation of the price would have to be made from overseas aid funds. The most attractive form of assistance to Third World countries seems to lie with setting up processing plants for Australian minerals in these countries. A good example is Hamersley's plans to send semi-processed ore from the Pilbara to Indonesia for further processing.<sup>6</sup>

### Market Forces

A renewed faith in market forces is the hallmark of social democratic economists and OECD social democratic planners.<sup>7</sup> This is echoed by Hayden, Crean, Whitlam and other Ministers—excluding Connor. It underlies their proposal for superannuation funds to replace pensions, and for health services not to be free, but paid for by a deduction from

taxable income; this introduces a productivity approach rather than a dominantly needs principle to social welfare. Similarly, the preference for tariff-reductions as a key source for a more efficient allocation of resources, reflects faith in market forces.

It is in the monetary sector particularly that the new Labor government has looked benevolently upon the unleashing of market forces. In the Chifley period, a cheap money policy had been favoured. If rationing of money was really necessary, it would be done by qualitative credit control rather than by higher interest rates as a rationing device. Yet when Caucus suggested, in 1974, that home-buyers be exempted from the government-induced upward drift in bank interest rates, there were yells of rage, not only from the 'free market' men of the financial press, but from Labor Cabinet Ministers with economic portfolios.

A social democratic economist's writing on the 'economic lessons of the nineteen thirties' has catalogued the reasons why market forces were no longer trusted after the Depression period. In a Report for the Economic Group of the Chatham House Reconstruction Committee in 1943, he pointed out that 'the solution to the problem cannot lie in a return to the individualist competitive economy of the nineteenth century'. His, and the general, disillusionment with market forces thirty years ago is quite clear, as it was in the Reports and books of Sir Oliver Franks, Lord Beveridge and others. But Whitlam has a wholly opposite view:

If my years in public life have taught me one thing, if the experience of Western governments in economic management has proved anything in recent years, it is simply that there are no longer any clearcut or useful distinctions to be drawn between free enterprise policies on the one hand and interventionist policies on the other. For all their slogans and catcheries, political parties of all shades, in all countries, now accept that democratic governments must co-operate with the private sector in the running of a mixed economy.<sup>9</sup>

### Capital Export

At the time of the Labor Government's accession to office, Australia had emerged from its status as European satellite and provider of raw materials; it had a manufacturing base (substantially foreign owned), an orientation to the Asia-Pacific Basin, and a growing surplus of foreign exchange. It was ripe for sub-imperialist status and the discarding of colonial relics. The Labor Parliamentary leadership was quick to discern this change and moved steadily to mobilise its resources for taking advantage of the opportunities it offered. It intensified its demands for an end to the Vietnam War while developing something new—a Pacific Rim strategy.

By 1970, Australia was clearly being integrated into the Pacific Basin, or Pacific Rim, international sub-system of the world capitalist market. 'The Pacific Basin has become a major economic force, one

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which some economists foresee as *the* global centre of trade by the year 2000', argued the Chairman of Standard Oil of California. Peter Wiley described its structure in the following terms:

The United States and then Japan stand at the apex of the hierarchy of economic development. They draw resources from the next tier, Australia, Canada and New Zealand while selling goods in their markets. The advanced countries moreover regard the integration of the neo-colonial (chiefly Asian) countries of the Pacific Rim ... as essential to the future of the international division of Labour in the Pacific. First, because (of) ... their potential as markets ... Second, the advanced countries view the raw materials of these countries as increasingly important to their economic wellbeing.<sup>10</sup>

The three tiers of the Pacific Basin were; first, Japan and America, the technologically advanced metropolitan economies; second, including Australia, recipients of metropolitan industrial capital, providers of minerals and foodstuffs; and third, including Southeast Asia, sources of cheap labour, industrial raw materials and energy supplies. Under the Nixon doctrine the defence of this structure at its most vulnerable point, the third tier, would rest primarily on the armed forces of the comprador regimes trained, supplied and supported by metropolitan forces.

In 1970, the influential Australian Institute of Political Science held its annual summer conference on *Big Business in Australia*. In a key address the Australian (Paris-based) correspondent for the Wall Street Journal, Neil McInnes, argued that Australia was boxed into the world that the multi-national corporations were creating. He suggested that if, as was the case, Australia found this uncomfortable, it should set about creating multi-national corporations of its own to act in concert with the existing giants, especially in capitalist Asia. Foreign firms could introduce new-technology industries to Australia: Australian firms could establish old-technology industrial subsidiaries in Asia. He pointed out, 'The role of active junior player in a foreign captained team suits Australia in politics, and there is no reason why it shouldn't suit them in international business'. Within months, Whitlam, who was reportedly very impressed by Neil McInnes' paper, addressed the American-Australian Association in New York. He said,

Investment in Australia can be effective indeed ... if that investment is primarily directed not merely to catering for the extension of the American market represented by twelve and a half million affluent Australians but as the stepping off point, the launching pad, for the development of the hundreds of millions of people who form that arc around Australia ... I think there are advantages for American investors to have Australia as a factory in the 18th century sense of an offshore factory for South East Asia.<sup>11</sup>

He had already been arguing that Australian investment in Southeast Asia should be increased<sup>12</sup> and in fact the 1960s had witnessed such a

development. While still small by international standards, the level of Australian external investment had risen from \$A6 million in 1961, to \$A57 million in 1968, although it is difficult to distinguish 'Australian' from Australian-based capital. The Liberal government was already encouraging such tendencies. In addition, on his return from America, Whitlam implied that the defence perimeter against communism should be redrawn in Indonesia, Malaysia and Singapore, rather than Vietnam, by increased military aid and the provision of military advisers. During his barnstorming Asian tour in February 1974, the Labor Prime Minister became an enthusiast for the ASEAN alliance. Dr Cairns, following a visit to the US, argued that the interests of American capitalism had not been served by the intervention in Vietnam, as American business had come to recognise. A socialist society with an expanding economy provided a more reliable trading partner than a stagnant, parasitic Asian Despotism which was costly to maintain. Further, while the need to withdraw from Vietnam was increasingly emphasised by Labor, it was accompanied by a growing demand for a special relationship with the Indonesian military government. Suharto's visit to Australia in 1972 received a bipartisan welcome and Australian-Indonesia business lobbies sprang up in Melbourne and Sydney.<sup>13</sup>

During the two years which elapsed between Whitlam's public pronouncement of his 'springboard' strategy for Asia, and the election of a Labor government, a number of new developments in the Pacific Rim opened up further opportunities for Australian penetration of the area. First, the decline of American imperialism became increasingly evident. Washington was forced to accept an eventual withdrawal from Vietnam, Cambodia and Laos and the re-drawing of a defence perimeter based on the ASEAN states. Similarly it was forced into a détente with China and new hopes of a large reliable market were awakened. A more competitive and aggressive economic posture by Japan destabilised the Pacific Rim hierarchy. There was an acceleration of industrial development in South-east Asia based on the subsidiaries of the multi-national corporations. In some cases, the most ambitious of such plans were Australian-based, precisely along the lines advocated by Whitlam and McInnes. In 1970, the Ford Corporation established Ford Asia-Pacific Inc., with headquarters in Melbourne, to develop

a complete new multi-national auto industry based on a system of regional free trade in motor vehicles and components . . . Each country would undertake production of a different set of components at high volume for supply to the whole region. Each country would also undertake vehicle assembly from components made within the region and each Government would permit imports equivalent in foreign exchange value to its exports of parts and vehicles. There are eighty Australians in management positions throughout the region and sixteen Americans.<sup>14</sup>

In 1973, the President of Ford International declared, 'We talk about

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al standards, the level of \$1.5 billion in 1961, to \$1.6 billion in 1962, to distinguish 'Australian' government was already his return from America, against communism should be, rather than Vietnam, military advisers. During 1974, the Labor Prime Minister, Gough Whitlam, AN alliance. Dr Cairns, the interests of American intervention in Vietnam, as a socialist society with an trading partner than a was costly to maintain.

Vietnam was increasingly a growing demand for a ry government. Suharto's welcome and Australia-bourne and Sydney.<sup>13</sup> Whitlam's public pronouncements in the Pacific region, and the election of a Labor government in 1972, led to a rapid penetration of the Australian market. The economy became increasingly dependent on the export of mineral products, and the withdrawal from Vietnam of a defence perimeter forced into a détente market were awakened. The posture by Japan was an acceleration of the role of the subsidiaries of the most ambitious of the lines advocated by the Whitlam Corporation established in 1972, to develop

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declared, 'We talk about

complementation and we always talk about Australia as the lead dog—the lead cow—of the whole operation. The Philippines is part of it with its stamping ground (but) Australia is the ideal manufacturing base for our entire Asia-Pacific operations'.<sup>15</sup>

Other multi-nationals, such as General Motors, Dunlop, IIT, Coca-Cola, were adopting similar strategies. The great boom in the price of raw materials and energy supplies led to a growing inflow of capital into Australia and a dramatic rise in the balance of payments surplus to more than four billion Australian dollars. In addition, the boom heightened the importance of Southeast Asian commodity production and accelerated the drive to discover more energy sources in the area. The outflow of Australian capital to Southeast Asia also accelerated, especially investment in Indonesia where it has approached \$A200 million, while in its 1973 budget, the Labor Government doubled its civil economic aid to Indonesia.

### Foreign Policy

Shortly after assuming office, Whitlam announced that 'foreign policy must now be fully integrated with domestic policy'. He added that 'the tactics of containment, forward defence and ideological confrontation are not only no longer relevant but counter productive'. External relations, like exchange rates, tariffs, manpower and industrial policies, were to be integrated into an overall strategy for the consolidation and expansion of Australian capitalism. We may conveniently examine this strategy with reference to five major themes; handling the multi-nationals, resources diplomacy, penetrating the Pacific Basin, relations with the socialist bloc, and defending the Pacific Rim.

Despite the frequent criticisms of the multi-national corporations made by both Ministers and unions, there has been no cross-the-board curtailment of foreign investment. Moreover, in his 1973 address to the American-Australian Association in New York, Whitlam adopted a different posture from that of 1970:

It should be quite clear that this does not mean we have no further wish to see foreign capital flow into Australia. But in future we will cast a more critical eye over individual investment proposals. We intend to make sure that future capital inflow is associated with *productive investment* which will add to Australia's real resources and that foreign capital is employed in real *partnership* with Australian owned capital.

In this concept, foreign capital is designated for productive tasks (in alliance with local capital boosted by savings) and a new resource diplomacy, using Australia as a regional centre. It is the 1970 junior partner scheme in a new dress. In late 1973, a consortium of American and Japanese interests were prevented from building a petro-chemical complex in South Australia, until 51 per cent of Australian capital was



admitted. The Labor Government had made its point; it, rather than compliant State governments and private interests, would determine investment policy.

The field of resource diplomacy is more complex. Briefly, the Labor Government shows little sign of either participating in the Organisation of Petroleum Exporting Countries type arrangements with Third World countries, to improve their position vis-à-vis the metropolises and the multi-nationals, or, except in special cases (such as uranium), of reducing the output of commodities. It involves, rather, establishing stricter government control over leases to ensure better prices and royalties; greater Australian participation in mining industries; the establishment of government-led sellers' cartels to face the multi-nationals; protection of Australia's future industrial needs; and a reduction of government subsidies for oil and mineral search operations. Supplies will be continued on more favourable terms, and at the expense of private Australian mining interests and over-enthusiastic State governments.

On 30 September 1973, Dr Cairns, then Minister for Secondary Industry and Trade, announced that the Pacific Basin was ripe for Australian expansion. His Department was certainly seeking to facilitate such penetration. On 15 June he had told businessmen that 'a constructive attitude to our balance of payments situation would consist, for example, in encouraging Australian firms to invest overseas'. The 1973 Budget announced the establishment of a committee to examine and report on the encouragement of private investment overseas. On 10 October 1973, Cairns announced he would send an official survey mission to Thailand and the Philippines to encourage private Australian investment to go abroad. This would, he explained, secure markets for processed products, provide a larger base on which to build Australian technology and management skills, strengthen Australia's political position in the Pacific Basin and enable Australian companies to gain a better perspective of the world. Later he added that government assistance would be given to firms setting up processing plants for Australian minerals in Third World countries. In January 1974, it was announced that a German consortium had led the way, building a steelworks in Indonesia to process Australian ore. Nonetheless an Australian trade mission, in November 1973, anticipated such investment on a smaller scale by Australian industry. In February 1974, it was announced that Australian National Industries would establish a steel forging industry in the Philippines. During the same month, while visiting Thailand, Whitlam was informed that the government there favoured his policy of encouraging Australian investment in Thailand. Australian companies, particularly the steel giant Broken Hill Proprietary, have joined the international consortia scouring Southeast Asia for energy supplies, and BHP has announced three oil strikes. The major Australian banks have already established subsidiaries in Djakarta.

As Whitlam indicated, wanted to facilitate official basis, and private aid programmes'.

The darker side of the government's handouts wages range from points out that 'Inv Party in 1966 has banned'.<sup>18</sup> Further of its predecessor investment agreement firms nor block they can seek arbitrators. Inviting such investment Her Tarning, exp

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Minister for Secondary fic Basin was ripe for inly seeking to facilitate sinnessmen that 'a con-situation would consist, o invest overseas'. The committee to examine vestment overseas. On send an official survey rage private Australian ed, secure markets for ich to build Australian 1 Australia's political ian companies to gain dded that government processing plants for 1 January 1974, it was l the way, building a ore. Nonetheless an ticipated such invest- In February 1974, it ies would establish a he same month, while the government there vestment in Thailand. nt Broken Hill Pro- ouring Southeast Asia hree oil strikes. The bsidiaries in Djakarta.

As Whitlam indicated during his 1974 tour of Southeast Asia, 'Australia wanted to facilitate trade with its near neighbours on a mutually beneficial basis, and promote economic development through constructive aid programmes'.

The darker side of this penetration is reserved for the Trade Department's handouts to Australian businessmen. Noting that Indonesian wages range from 90 cents to \$A1.35 a day for labour, one document points out that 'Industrial relations since the banning of the Communist Party in 1966 have been generally calm ... At present strikes are banned'.<sup>16</sup> Further, the Australian Labor Government, in a development of its predecessors' policy, has concluded an unprecedented private investment agreement with Djakarta,<sup>17</sup> that Indonesia will not nationalise firms nor block the outflow of profits. In this event Australian investors can seek arbitration or recoup losses from the Australian government. Inviting such investment the Indonesian Ambassador to Australia, Mr Her Tarning, explained:

The most useful form of investment would be the processing of Indonesia's raw materials, with the added attraction of cheap labour, for export markets. Foreign investors were protected by legislation which guaranteed their investment and ensured retention of profits.

Whitlam has consistently argued that 'Indonesia should serve as an indication of the approach we shall increasingly adopt in future to Australian activity of this kind overseas ... the economic problems faced by Indonesia are common to most of the developing countries in the region'.<sup>18</sup> The expansion of Australia into the Pacific Basin proceeds, through investment to utilise a cheap and docile labour supply; energy exploration to provide against the depletion of Australian reserves; and the provision of a springboard for those advanced technology industries beyond Australia's capacity, which may permit Australian equity participation, given sufficient pressure from Canberra.

Relations with the Asian socialist states have undoubtedly improved under Labor, though the policy is now largely bipartisan, and trade with China had flourished even during 'defence in depth'. Dr Cairns' 1973 trade mission to China was composed of Australia's leading industrialists and followed complaints that the China market was being inadequately explored by the Liberals. Glowing departmental reports were issued, and during Whitlam's later visit a trade agreement followed. A nearly abortive sugar deal, a \$A20 million iron ore contract, and a three year wheat agreement were negotiated. As Dr Cairns put it, 'I would rather have the position in the Pacific that we have a three leg stool—the US, Japan and China—than a two-leg one'.<sup>19</sup>

Finally we may turn to Canberra's plans for defending the newly drawn Pacific Rim. First, Australia continues to regard ANZUS as its main security treaty, and despite the agreement on the North West Cape base will not seek the removal of American military installations.<sup>20</sup>

Second, although Whitlam has continued to assert that Australia would never again send troops to fight in mainland Asia, he insisted at his Singapore Press Club address (8 February 1974) that Australia would continue its defence co-operation with Malaysia, Singapore and Indonesia, and could retain its RAAF units in Malaya. The decision to withdraw the Australian battalion from Malaysia, in no way repudiates or downgrades the five-power arrangements; previously it had been made clear that some Australian troops *would be* retained in Malaya.<sup>21</sup> Further, in September 1973, Australian air and naval forces participated with those of the US in a major exercise in the North Pacific; and in London in January 1974, the Defence Minister called for far more joint exercises by the ANZUS powers in Southeast Asia, (Malaysia, Singapore, New Zealand, Britain, Australia). Of particular importance in view of Whitlam's remarks that relations with Indonesia provide a model for Southeast Asia, is the provision of defence equipment, armaments and training facilities to Indonesia; allocations for these were increased in the 1973 budget. This led even the *Australian Financial Review* to criticise the ALP for too openly identifying with the Indonesian junta to the tune of \$A20 million in aid. (In 1973 Malaysia would receive \$A6.1 million in 'defence' aid, Singapore \$A1.2 million, Indonesia \$A5.1 million). In these respects Australia's plans for the defence of the ASEAN perimeter differ from Washington's, only in their exclusion of Vietnam and Cambodia as sites for last-ditch resistance.

### Manpower Policy and Income Policy

A standard practice in England, Sweden and West Germany since Social Democratic governments came to office has been to hold down wage rises as part of an 'income policy' which aimed to combat inflation. In fact what was also involved was a desire to preserve the share of profit in national income, a policy seen as important for the continuation of sound economic growth. The Australian Minister for Secondary Industry and Supply, K. Enderby, put the attitude of the Labor Party to business and profits, in a speech reported in March 1974:

The Labor Party is committed to a prosperous mixed economy. It is committed to the welfare of industry which employs one-third of the people who voted it into office. It seeks to co-operate with business in the national interest. It does not seek to 'fight the bastards' . . . During the year the gross profit of Australian companies increased by a billion dollars or 20 per cent, compared with the last year of the previous Government. Australian business will always do better under a Labor Government than a non-Labor Government because the Labor Governments believed in administering and guiding the economy and taking action to achieve prosperity.<sup>22</sup>

However, an incomes policy can only work if three basic conditions are fulfilled: first, the criteria for incomes movements be centrally

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framed; second, that it be based on consensus between government, employers, and unions at the national level; third, there must be means to restrain and deter groups of workers and employers from exceeding the prescribed criteria. In the practice of the new Labor Government, no central guidelines have been announced, apart from support given to increases for lower paid income earners, at the minimum wage hearings of the Arbitration Commission in February 1973 and 1974. Instead, the Government has relied on appeals to workers to restrain their demands in expectation of restraints imposed on price rises by the Prices Justification Tribunal. As far as 'consensus' is concerned, the federal platform of the ALP puts its faith in the ACTU to police agreements, and in day-to-day politics it bases itself on Mr Hawke in his two-hatted role of federal ALP president and ACTU president<sup>23</sup>—a schizophrenic arrangement.

A second string to the Labor Government's bow, and one of our criteria for successful income policy, has been its attempts to whip up enthusiasm for 'job enrichment', 'workers management' and similar schemes operating in West Germany and Sweden. These, it hopes, will 'sweeten the syrup' of wage restraint and future income policies if they are found to be necessary. At its heights of rhetoric, the Labor Party was most lofty in its sentiments:

Labor declares that every citizen has the right to industrial equality and freedom from outmoded master and servant attitudes—the creative pursuit of human values to ensure that the innate satisfactions and qualities of life never become secondary to productivity goals or ruthlessly sought after efficiency.<sup>24</sup>

The federal platform failed, however, to tell the workers of Australia that there is, in fact, a very close connection in the stated aims of West German and Swedish job-enrichment schemes, a very clear aim to achieve 'productivity goals' and 'ruthlessly sought-after-efficiency'. Nor did it explicitly draw the connection between 'worker-satisfaction' schemes and the government's manpower, tariff and incomes policies. These links are set out in what follows.

The first signs of a connection between incomes policy and manpower policy can be seen in the Labor Minister's enthusiasm for the reports of the Organisation for Economic Co-operation and Development (OECD), the Paris-based clearing house for ideas on how technocratic laborism should more efficiently manage a modern capitalist economy. There, the experiences of Social Democracy (Sweden, Holland, Norway, and other countries) are pooled, along with the lessons of free-enterprise West European countries, in order to render advice on economic policy, manpower policy, and the like.

In one such OECD report, we read:

Projections might be more likely to influence opinion and behaviour if they could be associated with an examination of the implications

for the distribution of incomes as between sectors and groups, and of the related policy questions of the development of social security systems, the improvement in the position of the lowest paid workers and amelioration of the position of social groups which had been left behind in the general growth of prosperity. Public discussion in these terms, and public agreement on income distribution, might create a better basis for the establishment of incomes policies in the medium term, since it might show the effects of incomes and prices in a better perspective.<sup>25</sup>

This gives us a clue as to how OECD sees the relationship between manpower policies, social security policies and the 'selling' of policies of wage moderation. For what is being suggested here is that a modern technocratic labour government is especially well-placed to offer the organised trade unions a package deal—better social services and the uplifting of the poorest workers *in return for across-the-board wage restraint in all other sectors of the workforce*. A moment's reflection will indicate that the Labor Government has attempted to follow this course. We have been offered expansion of social benefits in three main areas of activity: the cost of medical treatment (The Deeble-Scottton health insurance proposals); the expansion of superannuation and retirement benefits (the K. J. Hancock committee); and improved welfare for the poor (an expanded version of the original Henderson enquiry). Besides this, Beazley's education proposals aim to reduce the cost of education for lower income groups (especially in the Catholic parish schools). One way of supplementing this 'package deal' and 'selling it' in the era of incomes policy, is to advocate workers' participation. Premier Dunstan and South Australian employers have seen that this is crucial—hence the Badger Report on Workers' Participation to the South Australian Government.<sup>26</sup> Cairns goes further and advocates workers' participation in the planning process itself.<sup>27</sup> Such an approach has also been suggested by the President of the OECD Centre.<sup>28</sup> Cameron has responded and sees it as increasing the efficiency of the work force at the same time. As Cameron pointed out, union representatives must be trained to go on the board, they must be adequately prepared for their role as participants in the management of capital. To use his own phrase, 'it is no use talking productivity at the shop floor level if the bloke at the top is a dud'.<sup>28</sup> In 1971, the Federal Labor Conference had avoided extensive endorsements of Cameron's proposals for productivity agreements in Australia. Yet Cameron did not give up. A few days after the election he informed journalist Dennis Minogue<sup>30</sup> that he 'firmly believes productivity deals must come to Australia,' and that he planned to 'hold a series of seminars with union and management representatives from Britain, Canada and Germany addressing industry on the advantages and pitfalls of the system'. The Badger Report, and associated discussions by Cameron and his staff at industrial relations seminars, seem to be a

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In Swedish and OECD publications, a great deal of attention is paid to structural unemployment. In Australia, regional mobility is higher. Yet manpower policy must take into account regional problems, and the kind of problems posed by such things as sudden changes in technology, or the recent tariff cuts as an anti-inflationary device. Cameron's Labor Ministry is gearing itself for these changes, and is closely following Swedish experience.<sup>31</sup> It involves problems of retraining, of subsidising workers displaced by structural change in the economy. As one of Cameron's economic advisors once put it, 'to formulate a manpower policy for the economy as a whole requires, of course, the ability to predict the structural changes which will take place, and to estimate the kind of changes in employment in particular industries which it will require'. The article in which this analysis appeared was entitled, significantly, 'Wanted: A Manpower Policy to Go With Tariff and Dollar Changes' (*National Times*, 7 August 1972). Tariff reform has been on the agenda for a long time. Its usefulness as an anti-inflationary move was foreshadowed in the *OECD Survey of Australia* of November 1972; while preparations for its effects on the labour force were made in April 1973.<sup>32</sup> All of this indicates the heavy ideological influence on Cameron of Swedish-type manpower planning, as well as OECD ideas on the appropriate relationship between manpower policy and general economic policies such as tariff reform, accelerated technological change and incomes policy.

The practical consequences of Cameron's intentions in the field of industrial relations have yet to come. Only the groundwork has been laid so far for an incomes policy. The visit to Sweden by Cameron and his team has not yet been translated into legislation, although the retraining proposals to follow the 25 per cent tariff cut of July 1973 are a preview of some elements of the Swedish 'model'. In the field of industrial relations, Cameron has had two bad experiments. He began his *de facto* portfolio with a wild accusation that the pilots' strike of 5 December 1972, for a 30 per cent wage rise was a 'political plot' to bring down the Government.<sup>33</sup> His ministry clashed with the Clerks' Union, which accused the Federal Government of going back on an electoral promise of equal pay for women,<sup>34</sup> when it intervened in the union's claim for equal pay for women airline clerks. And in the case of the 16 per cent wage rise for the public service, Cameron's hostile reaction indicates that his plan for getting OECD-recommended rises for minimum wage workers while holding higher wage categories steady, did not succeed.<sup>35</sup> In fact Cameron's industrial 'peace' proposals, his strenuous attempts to whip up working class support for 'workers' participation', and Whitlam's attempt to use the referenda of December 1973 to bring in an incomes policy, met with strong trade union

resistance: this was led by the huge Amalgamated Metal Workers' Union—a key organisation of the proletariat.

It is precisely the demand for the full and rational use of resources that reveals a growing consciousness of the gap that is widening between the changing technological forces and the capitalist property relations that contain them. Workers, including those in the nationalised industries, who know that they have achieved a little more responsibility, know now how much more they could achieve; teachers and social workers are frustrated by the limits set upon their work; and students are unable to find employment appropriate to their qualifications.

All this is generating an opposition force that has to be contained by the Labor Government within the framework of the capitalist system. It is above all *inside* the state institutions, and particularly in those of the welfare state, and of the nationalised industries, that this force is being generated. This was the kind of thing that the OECD planners had forecast:

Nor can incomes policies easily be divorced from wider issues of social policy. The problem implicit in incomes policies everywhere is the appropriate distribution of income in modern societies. The extent to which a socially desirable income distribution can be achieved by appropriate social security and fiscal systems, and how far incomes policies can or should influence relative income structures is uncertain and controversial.<sup>36</sup>

### Labor's Retreat from Equality

It was only during the August 1973 Budget and the later discussions about likely changes in tax schedules, that the full implication of Whitlam's commitment to the urban middle classes, as outlined in his 1972 policy speech, became clearer. The first signs were there already early in 1972; two federal ministers had published articles<sup>37</sup> on the financing of the social welfare fund, which clearly implied that the old system of payments from the consolidated revenue fund, built up from progressive taxation, was under review among the technocratic laborites.<sup>38</sup> They indicated that people should pay, in large measure, for their own social services (health, superannuation) by pay-as-you-earn contributions to specially earmarked funds. Such methods of financing social welfare—involving a lower degree of progression in burden than the Consolidated Revenue method—are, of course, 'par for the course' in Social Democratic regimes abroad. They continue to be enthusiastically advocated by the OECD to which the new Labor government has looked for many of its ideas in this field.<sup>39</sup>

The 1973 federal budget had a number of specific concessions to the urban middle class. Tax deductions for private insurance, long a source of inequality, were maintained, as was deductibility for private school fees. A new scheme, described by the financial press as a middle class

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vote-catcher and rather regressive in its implications, was introduced. This was a scheme to make home mortgage payments tax deductible.<sup>40</sup> University education was made free and was thereby thrown open more and more to those who can already afford it. The huge cost of this undertaking was to be largely paid for through taxes on working class expenditures on beer and cigarettes.<sup>41</sup> And it was introduced at a time when those who would immediately gain were those middle class beneficiaries of Whitlam's ideas, for, as the *Martin Report* had indicated, of school leavers whose fathers were in the category 'unskilled or semi-skilled', only 1.5 per cent enter universities and only 4.4 per cent enter any sort of tertiary education.

More of this kind of 'democratic elitism' was to follow. The McMahon government had set up the Henderson Inquiry into Poverty, supported at that time by the opposition. Professor Henderson, a liberal-minded economist with a strong sense of social justice, took his brief seriously. He analysed the actual sources of poverty by exhaustive examination of social workers, charities and the poor themselves. He commissioned detailed surveys, such as that in the Hindmarsh electorate in Adelaide. He seems to have taken note of an important conclusion reached by England's leading expert in this field (R. M. Titmuss), that the poor do not know how to utilise existing rights to social services and are often *taxed into poverty*. As Titmuss put it, the Welfare State operates today to pick up discarded humans after the damage has been done to them by industrial society. In the event, Henderson's Report was highly critical of the promise, in the Whitlam Policy Speech of 1972, to abolish the means test in pension payments, a policy which Henderson saw as inimical to equality.<sup>42</sup> He also demanded an immediate and extensive system of proper child endowment. Far from welcoming this exposure of inequality and poverty, the new Labor ministers and their ubiquitous 'personal staff' gave the Henderson document the 'Vernon Report treatment'.<sup>43</sup> Even before it was released, they circulated rumours about its incompetence; it was said that the arguments in the report were scanty and that it did not provide a satisfactory basis for analysing or recommending measures to overcome the problem. The Labor leaders attempted, in fact, an undemocratic destruction of the proposals before they could reach the public, and held up the release of the Report in order to do so.

Moreover, in the week preceding the completion of the Henderson Report, (April 1974), the Ministers for Labor and for Social Security began a campaign of denunciation of 'slackness' and 'bludgers' who were allegedly drawing unemployment benefit without seriously attempting to find work. This contrasted with their earlier boasts that hippies and others were no longer being discriminated against in obtaining ready access to welfare payments.<sup>44</sup> The officials of the Metal Workers' Union then dissected the figures available to them and showed that a maximum of one quarter of recipients of unemployment benefit would



be in a position to 'bludge', even if they choose to do so; most were family men, older workers and so forth.

It has been said, on the other hand, that Mr Hayden, the Minister for Social Security has, on a number of occasions, stressed the need for equality. To examine this claim, and to explain the hostility and indifference to Henderson's conclusions, as well as the retreat from equality as so far outlined, we need to go back to Hayden's *Implications of Democratic Socialism* (1967) and the 1972 policy speech. The Hayden document and Whitlam's election speeches generally re-defined the *meaning* of equality and outlined Labor's new philosophy of how to achieve it.

In the Hayden pamphlet we read that:

Democratic socialism is concerned to guarantee the rights of the individual to a free, happy and full life in which freedom of choice and equal opportunity are the privilege of all . . . The equality of which socialists speak concerns the equality of equal chance for each person to develop his natural talents and interests to the best of his ability.<sup>46</sup>

Echoing this, Whitlam wrote<sup>46</sup> in 1970 that 'equality with freedom is . . . the basic ideal and inspiration of democratic socialism' and that 'education was the most basic weapon of all in promoting equality', while the 1972 policy speech argued that 'in modern Australia social inequality is fixed upon families by the place in which they are forced to live even more than by what they are able to earn'.<sup>47</sup> In the 1972 election campaign, Whitlam indicated that he believed that the main causes of inequality in Australia were not those arising out of ownership of wealth and property, but regional disparities in education standards and in the burden of land and housing costs on households.<sup>48</sup>

What we have here is a final proof that with the accession to decision-making within the ALP of Whitlam, Cass, Dunstan, Mathews, Spigelman, Enderby and other technocratic laborists, a *regional* and a *meritocratic* conception of equality replaced egalitarianism, previously at the core of Labor thinking and socialist doctrine generally. Parkin points out that 'generally, egalitarians have espoused a view of social justice which asks that men be rewarded in accordance with their individual social needs, family responsibilities and the like, rather than in accordance with their role in the social division of labour. The meritocratic critique of the class system, on the other hand, is less concerned about inequalities of reward accruing to different positions than about *the process of recruitment to these positions*'.<sup>49</sup> Immediately upon taking office the meritocratic line and the 'regional disparities' line became operative. The new Labor government proceeded to set up Land Commissions in each State to equalise land prices between regions as far as this could be done, hopefully leading to an Australian Land Commission.<sup>50</sup> In Parliament, the Minister for Urban and Regional

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Development described these Land Commissions as 'one part of an inter-connected package of programmes in urban and regional development'.<sup>51</sup> The Department of Urban and Regional Development itself began work on the new role envisaged for the Commonwealth Grants Commission in order to assist regional authorities to legitimise their approach to it, through the Special Minister of State, by establishing new Local Government Special Grants. The Department saw its objective as hastening the disbursement of Commonwealth funds to regions, in order to show that the government 'meant business' in its desire to even out differences in living standards via inter-regional re-imbursments. It also worked on redistribution of access to utilities and public goods from rich to poor regions. All of these promises, re-definitions, and changes of emphasis should be remembered by those who studied Hayden's rhetoric in the *Chifley Memorial Lecture 1973*.

Here we rest our case on the 'retreat from equality' of the new Labor government. The lack of interest in taxing wealth and property, the regressive budget, the new methods canvassed for financing social services, the obsession with 'improving human capital' via education—all of these demonstrate that this professedly egalitarian Party and Government was prepared to use only perverse and indirect means to attack the imbalance in the use of public goods, or modify the present occupational reward structure. It was not prepared to use even traditional Fabian methods to alter the distribution of wealth.

### The Problem of Economic Planning

For a long time, while in opposition, the Labor Party espoused the cause of indicative planning and complained about *ad hoc*, uncoordinated planning bodies in Australia. Crean, for one, looked forward to using overseas experience to establish growth targets, and to getting the various public agencies working to some consistent social priorities.<sup>52</sup> In 1963, the Party leaders promised to set and achieve a planned growth target of five and a half per cent annually; this was a rate based partly on estimates by Dr Coombs, and partly on rates accepted by French economic planners after intense technical analysis.<sup>53</sup> In 1965, Hayden strongly defended<sup>54</sup> those parts of the Vernon Report which pointed to the need for indicative planning, on the grounds that 'the whole world has accepted the desirability and urgent need for planned development and guided growth'. He also attacked the 'web of ideological nonsense about the evils of planning that the Treasury had spun'.<sup>55</sup> And of course indicative economic planning was central to the Stafford Cripps-British Labor Party stream in Social Democratic thought. The books of moderates (such as E. Durbin's *Politics of Democratic Centralism* and C. R. Crosland's *The Conservative Enemy*) extolled economic planning. Even Harold Wilson wrote a lengthy article in the *New Statesman* in 1964, sketching a four-year plan for Britain and his

proposed changes in planning machinery, and in 1966 he published a plan along these lines.

Yet even this degree of interest in 'socialist planning', and their earlier enthusiasm for it, proved too much for the ALP leaders as the 1972 elections approached. They began to back-track. Crean warned:

It would be folly to suggest that there is any single or simple formula for setting things right. Labor in Australia, while recognising the need for social priorities and acknowledging that a modern economy cannot be run on hunches but requires something that can best be described as a plan, nevertheless must start with existing mechanisms and work within a federal pattern and in the context of a mixed economy.<sup>56</sup>

When this came out, one critic (later a top economic advisor to the new Labor government)<sup>57</sup> said that it was 'hardly a blueprint for revolution: the tone is reminiscent of Mr Snedden's speeches when he was Minister for Labour and National Service. One suspects that Mr. Crean in office—despite his nostalgia for cheap money and cutting down the tall poppies—will prove just as honest, dull and subject to the advice, good and bad, of his officials as the present incumbent'.<sup>58</sup> And so it proved, for within a year in office, Crean launched a disparaging attack on economic planning and specifically poured scorn on French planning:

All that we can say is that the post-war growth of the French economy, which followed two decades of economic stagnation, coincided with the instrument of planning. That is all we can conclude.<sup>59</sup>

This new emphasis reflected the well-known and long-held views of Crean's Treasury advisor, J. Stone, author of White Papers attacking the very idea of planning.<sup>60</sup> Crean likewise rejected 'any comprehensive system of planning' in his address. This formally reversed his own stand of the 1960s. He now maintained that the *ad hoc* and uncoordinated nature of economic decision-making in Australia was natural:

inevitably the system produces a degree of conflict in policy formulation requiring resolution at the administrative, or, perhaps more often, at the political level. This in itself is not a bad thing. Economic planning, whatever its form, does not put us above the storm.<sup>61</sup>

This ecumenical approach to economic pluralism, developed in 1972 and advocated in 1974, fits in well with Whitlam's insistence on the co-existence of planning and market forces, the revival of the price mechanism in the banking sector, and his destruction of the tariff as part of industrial planning. It also dovetailed nicely with the capitalist concepts of 'economic planning' of the OECD type to which we have referred elsewhere.<sup>62</sup>

Labor's 'planning' had nothing to do with the reconstruction of society on socialist lines. The sort of 'planning' that was favoured was an attempt to integrate the trade unions into the machinery of the capitalist state (the Cameron and Dunstan proposals); round-table

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three way planning between Big Business, Big Unions and Big Government (the Swedish model); the revival of 'market forces' and 'economic pluralism' in order to make planning work in a more streamlined way. It was not even 'French Planning Without Tears'. Not a single move against property; only moderate closure of tax loopholes; and, as we have emphasised, anti-egalitarianism was rampant. Despite some objections from the lunatic fringe of the employers, the strategy of the 'new Labor Government' seemed always likely to pave the way for a handing back of office to the Liberals—with the private sector refreshed and intact.

### THE DECLINE OF TECHNOCRATIC LABORISM

#### The Whitlam Electoral Model

Three major ideological documents, the 1972 Policy Speech, the 1973 Budget, and the PRS Report, reflected the Whitlam electoral model. Basically, all the issues emphasised were designed to woo the middle classes, especially those of suburban Sydney and Melbourne. The major beneficiaries were those who wanted town planning, science policies, ecological protection and the rapid development of the arts; in cold cash terms, the 'unproductive' sectors received the largest dollops of soothing syrup; a \$200 million rise in public service wages, substantial increases for academics and teachers, literary grants, and so on. This emphasis continued until the sharpened class struggle waged by the productive workers (led by the Metal Workers) in July-September 1974. There was also involved a re-structuring of the ALP itself; decision-making of any kind was taken out of the hands of rank and file unions and branches; at the Surfers' Paradise federal conference of the ALP in July 1973, a resolution moved by Mick Young (and carried 47 to nil) simply discharged from the notice-paper some 50 items sent to the conference from the affiliated unions and party organisations—without any hearing.<sup>63</sup> In place of the trade union, leavening power shifted to the outside recruits who became 'advisors' (the 'troikas'), to the permanent civil service and to the kitchen Cabinet. What working class representation remained in Caucus was, for a time, severely muzzled. An operation to de-politicise the Labor Party was in full swing.

By September 1974, much of this electoral model was in ruins. Whitlam swung away from the 'unproductive' sectors and hit at 'fat cat' public servants and academics; Caucus began to revolt over economic policy, and won major victories between July and September 1974 on budget strategy; the unions were seriously consulted and the government offered a social contract which would involve considerable concessions to working class interests, e.g., re-distributive taxation, curbs on property, better social services. It is of importance to explain this re-birth of 'basic Labor policy' and the technocratic retreat, and

to see what it portends for a future working class weight in running Australian society and for intervention by the Left.

### The Technocratic Retreat

The period from the Mini-Budget of July to the September Budget was marked by a considerable series of defeats for technocratic laborism:

1. The main threats made in the Mini-Budget were halted. The most important were the open advocacy of unemployment by Crean and Whitlam (the 'Treasury line') and the axing of the child care program of \$130 million.
2. The exposure of the fraud of the Whitlam-Cameron 'manpower' policy. In the heady days of March 1973 Cameron could claim sanctimoniously that:

Where tariff changes cause displacement, we will be there to retrain the displaced worker. Where technological change makes a skill obsolescent, we will be there to teach another skill. Where a mine closes or an inefficient port is shut, we will be there to advise on employment elsewhere and to offer relocation assistance. Ultimately, all our programmes come down to one thing. We will facilitate desirable change. We will not allow a single person to be needlessly unemployed as a result of change or to have his lifestyle and aims in life prejudiced.<sup>64</sup>

However, by June-July 1974, with unemployment growing, this sham was thoroughly exposed. When Leylands sacked a thousand workers, the Department of Labor official called to assist in advice about 're-location', hid from angry workers in the manager's office. At Wauchope in NSW, the director wrote to seek the advice of Cameron's department on the sacking of timber workers and suggested the government use the case as 'a model project for structural assistance and re-training'. The Department replied that *it had no programme*.<sup>65</sup> It was clear that no resources had been allocated to re-training schools, and little to pay compensation. Cameron was presumably relying on the fact that in female-intensive industries, the displaced women would return to the kitchen, and workers in migrant-intensive industries would not know how to use the system.

3. The rate of unemployment surpassed peak Liberal Party-induced levels, 1.87 per cent on seasonally-adjusted figures compared to 1.77 per cent.<sup>66</sup> It was predicted that 200,000 would be unemployed by January 1975.<sup>67</sup>
4. The intensity of strike action reached the previous record level established in 1929.
5. An attempt to divert attention by getting Egerton and Cameron to attack the unions in concert failed; instead, Cairns (under the impact of a Caucus revolt) took over economic policy and Whitlam sulked in his tent for three weeks, until forced to make a nation-wide broadcast at the end of August.

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6. Increasingly, the working class, by strike action outside the ALP, and by pressure on trade union representatives in Caucus, began to influence politics. A 'traditionalist' attitude to full employment began to re-emerge. This was reminiscent of 'Chifley Labor' policies, as enshrined in the White Paper on *Full Employment in Australia* of 1945. This document, together with the 1945 Banking Act had made full employment an article of political faith and was premised on the raising of mass consumption standards and social service transfers from rich to poor.<sup>68</sup> Not only was Whitlam's *electoral model* in disarray as a result of its contradiction with basic events in the economy, but his long-term *economic model*, based on the perspectives of technocratic laborism, was also threatened.

### The Whitlam Economic Model—What was it?

Until 1972, the Treasury ran Australia's productivity effort by relying on rises in the overall level of output to raise real product per man hour. This was in accordance with the Verdoorn-Aukrust law,<sup>69</sup> which states that *increases* in real product per man-hour are a function of the level of real output, while the *level* of productivity per man hour is a function of the square root of aggregate real output. The reasons for these relationships are complex and will not be gone into here. Essentially they are connected with the benefits of 'learning by doing', with the work force (if they work), with the mediating role of technological progress when diffused widely in the community, and with the cumulative benefits of internal and external economies of scale. Interruptions to this process are usually the result of strike action or external shocks,<sup>70</sup> rather than the falling rate of profit.<sup>71</sup>

When the Labor government came to office this 'model of economic growth' was replaced with a new diagnosis and a strategy more in keeping with Labor's penchant for *dirigisme* in economic affairs. Essentially this was the Swedish thesis<sup>72</sup> that real product per man hour is a function of the re-distribution of labour and capital from low productivity to high productivity sectors, partly by closing down of plants<sup>73</sup> through tariff cuts, research and development programmes and a selective, welcoming approach to high-technology overseas corporations.

In other words, Labor decided to use manpower policy to move labour around the chessboard economy that its advisors posit in their neo-classical economic dreamworld, and to move capital around by using tariff cuts, research and development policy, and the variable deposit ratio (to allocate foreign capital). All of this is quite familiar in Swedish social democratic practice.<sup>74</sup> The main difference is the more vigorous use of regional investment policy (so far only fore-shadowed in Australia),<sup>75</sup> vigorous use of Labour Market Boards and a *functioning*, as opposed to a utopian, manpower policy. The reasons for the Swedish model of productivity making its appearance in Australia at this time are not quite clear. Perhaps it had to do with fears

that the Australian growth rate might begin to slow down under the impact of a curb to mineral exports inherent in Connor's conservationist resource diplomacy, and the vocal demands of the ecology movement which had been courted at the 1972 election. Also, the ALP would have been aware that wage rises would not be easy to control and would be of a higher order, eating into capital's share and threatening the *structure* and *process* of 'expanded reproduction'. Certainly the fear of fall in productivity would be uppermost in the minds of those who were relying on the growth rate to finance ambitious social service expansion. In the words of one social democrat,<sup>76</sup> the ALP plan was 'governmental planning and intervention to revitalise and refurbish Australian capitalism in order to secure efficiency and growth and thus provide the resources for ambitious social programmes. And, no single reference to socialism'.

What happened in practice between August 1973 and August 1974 was that as strikes and economic struggle mounted, *Verdoorn's Law* was transformed into what we might christen the *Cairns-Hawke Law*: the rate of increase of real product per man hour is a function of the social contract, and the level of real product per man hour is equal to the reciprocal of the class struggle. For moves towards a social contract to head off class struggle had gathered pace during 1974,<sup>77</sup> these had as their purpose the establishment of a price-income policy which would reduce the level of strikes,<sup>78</sup> and secure 'voluntary wage restraint' by organised labour. This fits in well with the second plank of the Whitlam model of 1973, which was to 'sell' an incomes policy to the trade unions. The major programmatic document which recommended this was the *Winter Report*,<sup>79</sup> which was endorsed by Whitlam in Parliament.<sup>80</sup>

A third plank of the Whitlam economic model was *selective* encouragement and discouragement of foreign capital. This was done by use of (a) the foreign takeover act; (b) the use of the variable deposit ratios; and (c) the use of the publicly-owned Australian Industries Development Corporation, whose role has *never* been to 'buy back the farm', but selective co-operation with foreign corporations. Its head, Sir Alan Westerman, spelt out in detail<sup>81</sup> the criteria for 'welcome' foreign investment, of which the most important was 'technologically progressive' industrial investment. A fourth plank of the 1973 model was involved with how to move labour around once capital and technology had been injected to the favoured 'leading link' sectors. Essentially this is Cameron's manpower policy, including all the rhetoric about 're-training' and workers' participation, about which we have written previously.<sup>82</sup>

The final and most successful plank was Whitlam's external economic model: resource diplomacy and Pacific Rim Strategy.<sup>83</sup> This was the only plank that has really succeeded. Cairns endorsed it when he said, 'Australia must become an investor abroad to play a fuller role in its

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geographical area and to build on its assets—its skilled population and its natural resources'.<sup>84</sup> The idea here is that the Australian government underwrites the risk to Australian firms 'going multinational', because it sees this export of capital as a *learning process* for our own capitalists, at the same time widening the base on which to build Australian technology and management skills. Ultimately the aim is to make Australia less technologically dependent in order to escape vulnerability to overseas pressure. It complements and supplements the Whitlam-Connor neo-conservationist approach to natural resources—especially uranium.

However, as Cairns also noted in the same speech,<sup>85</sup> securing of markets abroad remains an urgent task. This is the most dangerous area for things to go wrong. For example, the de-industrialisation of Japan, a crucial customer for Australian products, would disrupt the whole Whitlam model, and the structure of Australian economic development generally. Connor's 'selective contracts' with Japan is aimed to minimize this possibility, and indeed it is a real one, as economic commentators have pointed out.<sup>86</sup> For, in the lugubrious picture of Japan drawn by the OECD,<sup>87</sup> there is some threat to Australian exports of food and manufactures and, possibly, of minerals. Last year, Japan had a zero growth rate after two decades of nearly ten per cent annual growth. And now the OECD has actually recommended<sup>88</sup> tight monetary policy to the Japanese government to cool off its economy.

### Longer-term Effects of the Whitlam Plan

The re-allocation of the share of wages towards the unproductive sectors of the workforce accentuated inflation during 1973. As the second OECD report on the Australian economy noted,<sup>89</sup> there had been under the Liberals, 'a faster rate of increase of average remuneration in the public than the private sector'; this was likely to be further boosted by Labor policies,<sup>90</sup> and 'this suggests that the growth of the public sector relative to other sectors may be a contributing factor in explaining an acceleration in inflation'.<sup>91</sup> It could hardly have helped to restrain wage demands by the productive workers. Let us recall the incredible difference between wage stability in 1972 and 1974—just over two years. On 5 May 1972, the Arbitration Commission awarded an increase of \$2 per week in the total wage (and \$4.70 per week in the minimum wage), while on 20 September 1972 it varied the Metal Trades Award by giving a \$3 per week increase. How ludicrous these sums appear in 1974! The accelerating inflation began to *reduce* net take-home pay of the productive workers. For, although the annual inflation rate was claimed to be 14.4 per cent<sup>92</sup> as against an average earnings rate of 18.8 per cent,<sup>93</sup> with a marginal tax rate of 25-30 per cent, net earnings were declining. This not only caused unrest, it forced the ACTU to demand tax cuts and/or tax indexation—both in pre-budget talks with the government,<sup>94</sup> and at the special post-Budget session of



ACTU affiliates called to consider the Budget and its implied offer of a social contract.

These trends, plus the growing level of unemployment caused by the across-the-board tariff cuts, caused the clash between Whitlamism and Laborism during July-September 1974. Laborism, in the form of Caucus revolt and record strikes, was able to reverse the mini-Budget of July and defeat the 'more unemployment' strategy. Cairns took over economic policy at precisely this point; he supported the 'Adelaide plan' against the Treasury; he reversed the leniency towards fat cats and unproductive workers,<sup>95</sup> and he offered the social contract to the productive workforce. But what Cairns could not prevent was the development of something which the OECD had feared and warned about; that attempts to sell incomes policies or 'social contracts' to the working class ran the enormous risk that the distribution of income would be called into issue. As the OECD warned:

the problem implicit in income policy everywhere is the appropriate distribution of income in modern societies. The extent to which a socially desirable income distribution can be achieved by appropriate social security and fiscal systems and how far income policies can or should influence relative income structures is still uncertain and controversial.<sup>96</sup>

These things were talked about at union conferences, because, as noted earlier, the take-home pay of the working class was falling under 'their' Labor government. The Labor government's reply was contained in its implicit offer, in the social contract, to improve social services for lower-paid workers. This was on strict OECD lines, for that body had suggested<sup>97</sup> that the best package deal is the improvement of the position of lower paid workers via social security in return for 'wage restraint' across the board. Nevertheless, Laborism was triumphant over Whitlamism to the extent that the offer *had* to contain *both* full employment and better social services and some threatened curbs on property incomes.

### Conclusions

*What this may mean is that technocratic laborism does not work under conditions of sharp economic conflict, uncertainty about social cohesion<sup>98</sup> brought on by inflation, and threats to the structure of capital accumulation posed by militant economism.<sup>99</sup> We ourselves (in our book *Tweedledum to Tweedledee*) underestimated the possibility of large scale working class revolt against the managerial and technological policies of Whitlamism. It now appears that technocratic laborism was not able to put down enough deep roots in society, in real social classes. This was partly because its policies related to functional solutions rather than open capitalist class solutions,<sup>100</sup> which it tried to impose without full success. Clearly Whitlamism can achieve office; it has had a successful electoral model, but it does not follow that it can run*

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- 1 Bruce McFarlane, pp. 75-79.
- 2 Robert Catle Book Co, Sydney, 1974.
- 3 This term is social engineering distinguishing OECD-approach to contributions to Melbourne, 1974.
- 4 Melbourne, 1974.
- 5 Quoted in F. 1973.
- 6 In foreign press (recognition) socialist movement military office

## ALIAN CAPITALISM

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capitalism smoothly. This is not to imply however, that Fabian socialism or Laborism could have imposed capitalist solutions more efficiently in 1973 and 1974. What it does mean is that Laborism is an alternative method of maintaining capitalism, which may be viable for a particular set of politico-economic circumstances.

The social contract, which is a swindle in its intent, does, however, open up a number of possibilities in which the Left should intervene. First its effect is to accelerate the consolidation of workers around their unions, and this has made it more difficult for Rightist union officials to promote splits and factionalism. Second, it forces the unions to pay much more attention to the problems of workers *outside* the trade union structure (migrants, women, etc.) and to seriously take up their interests. Third, the capitalist state is beginning to politicise the trade union movement. *The unions for the first time have been forced to discuss how to run the country.* Prominent unions (such as the Metal Workers) are no longer content to be bought off with the pre-budget talks, the traditional public relations exercise of the Commonwealth Government. For example, the AMWC presented<sup>101</sup> to its members in August 1974 a full, alternate political and economic strategy. It included the following: redistribution of income, the full implementation of health and child care programmes, increased company tax, and capital gains tax. But it also pushed strongly for nationalisation of selected corporations under 'democratic social ownership and control'. All of this went beyond the usual 'economism' of ACTU Congresses, and added up to a demand for *re-negotiating* of the proffered social contract, or to a 'third alternative' outside both the Treasury line and the social contract. The development described so far is only a beginning; it amounts mainly to a threat to make social contracts unworkable, but also a cutting into the unfettered state power operated by the ALP as a ruling stratum on behalf of dominant capital fractions is now on the agenda.

## NOTES

- 1 Bruce McFarlane, *Economic Policy in Australia* (Cheshire, Melbourne, 1968), pp. 75-79.
- 2 Robert Catley & Bruce McFarlane, *From Tweedledum to Tweedledee* (ANZ Book Co, Sydney, 1974), chapter 7.
- 3 This term is used to denote the present hegemony of the intellectual and social engineering technocrats at decision-making levels in the ALP. Their distinguishing characteristic, apart from a penchant for bourgeois economics and OECD-style planning, is a meritocratic rather than an egalitarian approach to income distribution and enthusiasm for pay as you earn contributions to social welfare funds.
- 4 Melbourne *Sun*, 15 March 1974. See also R. Haupt, 'P.M. on how Government put Banks back into the market place', *Financial Review*, 15 March 1974.
- 5 Quoted in B. Toohey, 'The New Capitalists', *Financial Review*, 11 October 1973.
- 6 In foreign policy generally the 'new nationalism' and 'the progressive moves' (recognition of China and East Germany) did not extend to the Asian socialist movement. It took six months to wind down the training of Lon Nol's military officers; aid to the Indonesian military junta was doubled in the

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August budget and a foreign investment treaty was signed with Indonesia to guarantee the security of the investments of BHP, the private trading banks, etc.

- 7 See Assar Lindbeck, *Political Economy of the New Left* (Harper & Row, 1971) and I. M. D. Little *et al.*, *Industry and Trade in the Developing Countries* (OECD, Paris, 1971) for examples.
- 8 H. W. Arndt, *The Economic Lessons of the 1930's*. Revised edition (Cass, London, 1972), p. 269.
- 9 Quoted in *Financial Review*, 15 March 1974.
- 10 Peter Wiley, *Vietnam and the Pacific Rim Strategy* (Leviathan, June 1969).
- 11 E. G. Whitlam, *Speech at American Australian Association* (Press Release, New York, 14 July 1970).
- 12 See *Australia, Base or Bridge* (Sydney, 1966).
- 13 See D. McLean's comprehensive 'Australia in Indonesia', *Pacific Research and World Empire Telegram*, May 1973. On Labor's plans for Indonesia see H. McQueen, 'Living off Asia', *Arena* 26 (1971), and Bruce McFarlane, 'A Neo-Colonial Policy for The Pacific Rim', *Arena* 32-33 (1974).
- 14 *National Times*, 16-21 July 1973.
- 15 *Financial Review*, 29 October 1973.
- 16 Commonwealth Department of Trade, *Report of the Investment Survey Mission to Malaysia, Singapore and Indonesia* (November 1972), p. 45.
- 17 F. Brencley, 'Guarantees for Australian Investors in New Guinea Break Fresh Ground', *National Times*, 30 July 1973.
- 18 *Financial Review*, 10 August 1973.
- 19 *Hansard* (House of Representatives), 24 May 1973.
- 20 *The Australian*, 25 July 1973.
- 21 Annual Development Report, 1973.
- 22 *Sydney Morning Herald*, 23 March 1974.
- 23 ALP Federal Conference: *Federal Platform*, adopted at Surfers' Paradise conference, 13 July 1973. The Platform says: 'The ACTU has never repudiated an agreement, and has always ensured the observance of agreements made under its auspices and has publicly stated its intention to adhere to such a policy.'
- 24 *Federal Platform*, loc. cit.
- 25 OECD, *The Growth of Output, 1960-1980* (Paris, 1970), p. 123.
- 26 The Report of the 'Committee on Workers' Participation in Management' (hereafter referred to as the *Badger Report* after its Chairman, Professor Badger, Vice-Chancellor of the University of Adelaide), was handed to Dunstan on 23 May 1973.
- 27 *Financial Review*, 1 February 1973.
- 28 OECD, *Productivity and Economic Planning* (Paris, 1970), p. 275.
- 29 *Australian*, 5 December 1972.
- 30 *ibid.*
- 31 Cameron's attachment to the Swedish model is clearly spelled out in the following reports: Neil Swancott, 'Cameron's Comprehensive Manpower Policy', *Financial Review*, 30 March 1973; Ashley McKeon, 'Australia Committed to Swedish-Style Manpower Planning', *Financial Review*, 4 June 1973; R. Haupt, 'Sweden, Oh Sweden!', *Financial Review*, 12 April 1973; Neil Swancott, 'Swedish Scheme a Model for Relocation Subsidies', *Financial Review*, 22 May 1973.
- 32 At that time Cameron said that 'the Australian worker is not a protectionist for protection's sake, but he sees high tariffs as the only one way he can save his job . . . Australian trade unions are not averse to overseas competition but they are anxious about jobs. If they could be satisfied that a manpower policy would guarantee their employment, they wouldn't then care so much about the tariff policies and there wouldn't be such strong advocacy of high tariffs', quoted in R. Haupt, 'Sweden, Oh Sweden!', *Financial Review* 12 April 1973.
- 33 *Sydney Sun*, 16 December 1972. See also John Stackhouse, 'Ansett May Save Government's Face over Pilots Dispute', *Financial Review*, 7 December 1972.
- 34 *Australian*, 30 May 1973.
- 35 *Financial Review*, 3 August 1973. See also 'Cameron Hits Out at Public Service Fat Cats', *Australian*, 7 August 1973.

- 36 OECD, *The Growth of Output, 1960-1980* (Paris, 1970), p. 123.
- 37 See John McLennan, 'The Australian Technocrat', *Australian*, 17 November 1972.
- 38 See H. McQueen, 'The Australian Technocrat', *Australian*, 17 November 1972.
- 39 For further details see 'Technocracy', *Australian*, 17 November 1972.
- 40 See 'Technocracy', *Australian*, 17 November 1972.
- 41 The trend towards technocracy is reflected in the tax, customs, and other duties levied under the Chifflin government. The proportion of the total tax revenue per cent, than merely continues to rise. See P. Kelly, 'Hay and the Technocrat', *Australian*, 17 November 1972.
- 42 P. Kelly, 'Hay and the Technocrat', *Australian*, 17 November 1972.
- 43 The 'Vernon Report' is a Committee of Enquiry into the role of the technocrat in the public sector. See Clyde Caldwell, 'The Technocrat', *Australian*, 17 November 1972.
- 44 See Clyde Caldwell, 'The Technocrat', *Australian*, 17 November 1972.
- 45 W. Hayden, 'The Technocrat', *Australian*, 17 November 1972.
- 46 'Labor at the Helm', *Australian*, 17 November 1972.
- 47 *Sydney Morning Herald*, 23 March 1974.
- 48 *ibid.*
- 49 F. Parkin, 'The Technocrat', *Australian*, 17 November 1972.
- 50 Department of Trade, *Report of the Investment Survey Mission to Malaysia, Singapore and Indonesia* (November 1972), p. 45.
- 51 *Hansard*, 21 July 1973.
- 52 F. Crean, *Diary*, 21 July 1973.
- 53 See T. Fitzpatrick, 'The Technocrat', *Australian*, 17 November 1972.
- 54 *Hansard*, 17 July 1973.
- 55 *ibid.*
- 56 F. Dread in 'The Technocrat', *Australian*, 17 November 1972.
- 57 P. P. McGuire, 'The Technocrat', *Australian*, 17 November 1972.
- 58 P. McGuire, 'The Technocrat', *Australian*, 17 November 1972.
- 59 'Butskellism', *Australian*, 17 November 1972.
- 60 'The entry of the technocrat into the Treasury', *Australian*, 17 November 1972.
- 61 B. Toohey, 'The Technocrat', *Australian*, 17 November 1972.
- 62 'Crean's speech', *Australian*, 17 November 1972.
- 63 R. Catley & R. Haupt, 'The Technocrat', *Australian*, 17 November 1972.
- 64 See Alan R. Haupt, 'The Technocrat', *Australian*, 17 November 1972.
- 65 *National Times*, 16-21 July 1973.
- 66 *Australian*, 17 November 1972.
- 67 *Australian*, 17 November 1972.

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*port of the Investment Survey a* (November 1972), p. 45.

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' Participation in Management' t after its Chairman, Professor of Adelaide), was handed to (Paris, 1970), p. 275.

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n Stackhouse, 'Ansett May Save *Financial Review*, 7 December

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OECD, *The Growth of Output, 1960-1980* (Paris, 1970), p. 120.

37 See John McLaren (ed.), *Towards a New Australia* (Victorian Fabian Society and Cheshires, 1972), especially chapters by Crean and Hayden.

38 See H. McQueen, 'The End of Equality?' *Arena* 30 (1973). The author shows the lack of progression in Hayden's tables for the financing of health and superannuation.

39 For further details see R. Catley & B. McFarlane, 'Neo-Capitalist Planning Reaches Australia', *Intervention* 3 (August 1973).

40 See 'Technocratic Labor's First Budget' in R. Catley & B. McFarlane, *From Tweedledum to Tweedledee*, chapter 7.

41 The trend towards increased reliance on regressive 'indirect' taxation (sales tax, customs, etc.) which discriminate against lower income groups began under the Chifley Labor Government. In that regime's final year (1949), 44.7 per cent of taxation receipts raised from indirect taxes was higher, at 44.7 per cent, than in 1963 under Menzies (39.9 per cent). The Crean budget merely continued this Social Democracy tradition.

42 P. Kelly, 'Hayden Blocks Poverty Report Release', *Australian*, 2 April 1974.

43 The 'Vernon Report treatment' refers to Menzies' attack on the arguments of the Vernon *Committee of Economic Enquiry* (Vernon Committee) in 1965. The method used then was to mount an intellectual attack on the arguments of the Vernon Committee and to feed everyone in journalism, in business and in universities who would listen. Most of this was done before the Report could be read by the public. For full details of this episode see Bruce McFarlane, *Economic Policy in Australia*, pp. 176-179.

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45 W. Hayden, *The Implications of Democratic Socialism* (Victorian Fabian Society, 1967), p. 18.

46 'Labor at Home' in E. G. Whitlam & Bruce Grant, *Labor in Power* (Victorian Fabian Society),

47 *Sydney Morning Herald*, 14 November 1972.

48 *ibid.*

49 F. Parkin, *Class Inequality and Political Order* (Paladin, London, 1972), p. 13.

50 Department of Urban and Regional Development, *Information Papers: Land Commissions*.

51 *Hansard*, 21 November 1973.

52 F. Crean, *Dissent* (Spring 1963).

53 See T. Fitzgerald, 'French Without Tears', *Sydney Morning Herald*, 21 November 1963.

54 *Hansard*, 17 March 1966.

55 *ibid.*

56 F. Drean in J. McLaren (ed.), *Towards a New Australia* (Victorian Fabian Society and Cheshires, 1972).

57 P. P. McGuinness, 'ALP Economics: Idealism, Good Sense, Prejudice and Nonsense', *National Times*, 11-16 September 1972.

58 P. McGuinness's further prediction did not quite come true: 'just as the similarities of Rab Butler and Hugh Gaitskell led to the coining of the word "Butskellism" to describe a phenomenon in British politics, one can forecast the entry of "Creddenism" into Australian political discourse'.

59 B. Toohy, 'Crean Spurns Planning', *Financial Review*, 2 April 1974.

60 Treasury, *The Australian Economy 1962*.

61 B. Toohy, *loc. cit.*, who described Crean's speech of 1 April 1974 as a retreat from what traditional Labor men had said and expected, and commented that 'Crean's speech should serve to warn against too literal an interpretation of the Party platform'.

62 R. Catley & B. McFarlane, *From Tweedledum to Tweedledee*, chapter 2.

63 See Alan Ramsay's article in *The Australian*, 17 July 1973.

64 *Financial Review*, 14 March 1974.

65 *National Times*, 12-17 August 1974.

66 *Australian*, 9 September 1974.

67 *Australian*, 14 September 1974 and 20 September 1974.

- 68 See Bruce McFarlane, *Economic Policy in Australia* (Melbourne, 1968), p. 12.
- 69 P. J. Verdoorn, 'Complementarity and Long-Run Projections', *Econometrica* 24 (1956). Auckrust, O.E.C., *Productivity Review*, February 1959.
- 70 For a Marxist analysis of the role of external shocks in disrupting expanded reproduction, see M. Kalecki in the *Economic Journal*, March 1962 and June 1968.
- 71 For those who may imagine that Australia is suffering from a classical economic crisis with falling rates of profits, etc. (*Australian Left Review*, March 1974, p. 12), it should be pointed out that Australia is in a different economic situation from the UK and USA: a capital shortage instead of capital saturation; a rising and not a falling rate of profit; a large primary sector geared to export; capital saving invention is substantial (communications, etc.); productivity in manufacturing is rising more slowly than in the primary and tertiary sectors; a balance of payments surplus; rising productivity in tertiary sectors compared to UK and USA (where feather-bedding has reduced real product).
- 72 Eric Lundberg, 'Productivity and Structural Change: A Policy Issue in Sweden', *Economic Journal* (UK), March 1972, Supplement pp. 463-488.
- 73 E. Lundberg, *loc. cit.*, p. 477. It is not clear why the Swedes and the J. Cairns' school believe so strongly in the alternative hypothesis to Verdoorn's Law: i.e. if the rate of growth of real product per man hour does not depend on levels of real output, it is usually assumed it must depend on the rate of advance of science and technology as the main factor determining the rate of productivity growth. This has become ALP dogma since Cairns became economic czar (see Cairns' speech on science and technology July 1973, in *Australian Government Digest* 1, 3, pp. 1083-4). Lynch, in an ecumenical spirit, endorsed this, when he said (*Age*, 9 September 1974) that 'productivity growth is dependent on the rate of investment, industrial training programmes to improve the quality of the workforce, technological change and the optimum allocation of productive resources'. The difficulty with the Swedish-Cairns-Lynch line is this: the rate of advance of science and technology as the main causal factor will not be able to explain large differences in the productivity in the same industry over the same period in different countries. For instance, in 1954-60, productivity in the automobile industry increased at 7 per cent per annum in Germany, and at only 2.7 per cent per annum in Britain. Since the same US firms (Ford and General Motors) controlled large segments of the industry in both countries, it is not possible to 'explain' such differences in terms of different access to new knowledge or 'know-how'.
- 74 Australian Institute of Political Science, *Industrial Australia 1975-2000* (ANZ Book Co, Sydney, 1974). See chapter by Swedish planner Högk entitled 'Industrial Policies for Small Economies' and comment by discussion-opener N. McFarlane.
- 75 Priority Review Staff, *Goals and Strategy*, p. 34.
- 76 Neal Blewett, 'Labor in Power', *Meanjin* (December 1973), p. 363.
- 77 R. Haupt, 'On the Road to Our Own Social Contract', *Financial Review*, 11 September 1974.
- 78 See also foreshadowed moves on this in 1973. R. Catley & B. McFarlane, *From Tweedledum to Tweedledee*, p. 35.
- 79 T. C. Winter, Pat Troy, Brian Brogan, Jim Spigelman and John Bannon, *Power over Prices and Incomes* (November 1973).
- 80 'Whitlam Backs Price-Pay Report', *Australian*, 28 November 1973.
- 81 *Financial Review*, 16 August 1973.
- 82 Bob Catley & Bruce McFarlane, 'Technocratic Labor in Office: Manpower Policy', *Arena* 32-33 (February 1974).
- 83 B. McFarlane, 'A Strategy for the Pacific Rim', *Arena* 32-33 (February 1974), and R. Catley & B. McFarlane, *From Tweedledum to Tweedledee*, chapters 5 and 6.
- 84 *Australian Government Digest* I, 2, p. 668.
- 85 *ibid.*
- 86 P. P. McGuinness, 'Our Budget Depends on the Japanese Economy', *Financial Review*, 13 August 1973.
- 87 OECD Economic Surveys, *Japan*, August 1974.
- 88 *ibid.*

- 89 OECD Econ
- 90 *ibid.*, p. 37.
- 91 *ibid.*
- 92 'Claimed' by earnings in managerial
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- 95 Possibly he is a m
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- 96 OECD, *The*
- 97 *ibid.*, p. 123
- 98 Peter Jay
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90 'Claimed' because of grave doubts as to whether inflation is accurately

91 measured by the 'consumer price index', or average earnings by the 'average

92 earnings index'. The latter includes overtime, penalties and salaries of

managerial groups, so most Australians end up below the average.

93 *Australian*, 3 September 1974, quoting Bureau of Statistics release.

94 *Australian*, 15 August 1974.

95 Possibly he understands the productive v. unproductive issue better because

he is a materialist who identifies with productive (i.e. manufacturing)

businessmen. See A. Clark, 'Brian Brogan—Matchmaker for a Socialist and

Capitalism', *National Times*, 17-22 June 1974.

96 OECD, *The Growth of Output, 1960-1980*, p. 120.

97 *ibid.*, p. 123.

98 Peter Jay (London Times Economics Editor), 'Inflation, Danger to

Democracy', *Adelaide Advertiser*, 26 July 1974.

This issue requires a little elaboration. The older Leninist suspicion about

99 'economism' leading to a diminution of class struggle does not have its former

connotations in a period of stagflation. Rather, with the structure of 'expanded

reproduction' (growth of capital accumulation and labour force) and hence the

90 delicate stage, widespread wage struggles threaten to disrupt the share of profit,

the *mechanisms* for finding new capital sources (loan funds), and hence the

process of capital accumulation itself. The ALP state has stepped in at the

point of production in a number of areas to head off two possible threats:

(a) if profit margins do get squeezed by wage struggles (in a neo-Ricardian

fashion) and there are problems about markets for the firms involved, there

will be the classical Marxian problems of realisation and *stagnation*; (b) if

wage rates are passed on (say, because of the high degree of monopoly),

then there is an *inflation* which twists out of shape both the flow and the cost

of new capital, whether in the form of equity or longer term capital debt.

The last point was underlined by the September 1974 quarterly Survey of

Capel Court Ltd, a key merchant bank and leading figure in rentier capital

circles, when it said, 'the threat lies in the distortions and barriers which

inflation is putting upon the mobilisation of funds for business expansion in

Australia. Unless the front of inflation can be turned in Australia, business

capital is going to be withheld and less business projects are going to go

ahead. This would mean the economy slipping into a more profound and

prolonged depression than anything produced by short-term anti-inflation

policies. In the period ahead, one of the most important tasks facing Aus-

tralian private enterprise will be to re-establish its capital market in such a

way as to allow the momentum of productive investment to be maintained'.

This, of course, is another version of the 'realisation problem'.

As J. A. Kregel so felicitously puts it, 'only under certain specific conditions

can we identify strictly the social classes with the functional income classes,

and by speaking about one imply the same thing for the other. In all other

cases social classes must be sharply distinguished from the economic

categories of functional income'. J. A. Kregel, *The Reconstruction of*

*Political Economy* (Macmillan, 1973), p. 49.

101 Amalgamated Metal Workers Union, *Monthly Journal*, September 1974,

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