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**ESSAYS IN
THE POLITICAL ECONOMY
OF AUSTRALIAN CAPITALISM**

VOLUME 4

Edited by
E.L. Wheelwright and Ken Buckley



**AUSTRALIA & NEW ZEALAND BOOK COMPANY
SYDNEY MELBOURNE BRISBANE AUCKLAND**



First published in 1980 by
Australia & New Zealand Book Co Pty Ltd.
23 Cross Street Brookvale NSW 2100 Australia

National Library of Australia Cataloguing-in-Publication Data

Essays in the political economy of Australian
capitalism. Volume 4.
ISBN 0 85552 106 6
ISBN 0 85552 107 4 Paperback

- 1. Capitalism — Addresses, essays, lectures.
- 2. Marxian economics — Addresses, essays, lectures.
- 3. Australia — Politics and government — Addresses, essays, lectures. I. Wheelwright, Edward Lawrence, ed. II. Buckley, Kenneth Donald, joint ed.

330. 12'2' 0994

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Printed in Hong Kong
by Colorcraft Ltd.

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The major economic expansion of late capitalism after the Second World War has solved none of the fundamental internal contradictions of the capitalist mode of production . . . The greater the slow-down in the average rate of growth of capitalist world production, the shorter the phases of boom and the longer the phases of recession and relative stagnation will threaten to become.

The transition from a 'long wave with an undertone of expansion' to a 'long wave with an undertone of stagnation' is to-day intensifying the international class struggle. The main objective of bourgeois economic policy is no longer to dismantle social antagonisms but to unload the costs of improving the competitive struggle of each national capitalist industry onto the wage earners employed in it. The myth of permanent full employment fades away.

Ernest Mandel, *Late Capitalism*
New Left Books, London, 1975, p. 472

INTRODUCTION

KEN BUCKLEY

WITH PUBLICATION OF Volume Four of this series, it is possible for the editors to stand back and take stock. Reviews of earlier volumes have appeared in a number of journals. We expected some brickbats. Our Marxist standpoint is not likely to commend itself to those intellectuals whose own ideological bias is both different and much less explicitly revealed. Nevertheless, we hoped that such people would see value in some of the essays; and this hope has been fulfilled to a greater extent than expected. The general good quality of the essays has gained recognition, the one sour note being a piece in the *Australian Economic History Review* which was so stale and generalised in its criticism that we can afford to dismiss it with a mention.

Naturally, we appreciate the comment by Robert Dixon, in his review for the *Economic Record* (September 1979), that despite shortcoming all the essays are 'interesting, radical and imaginative. Furthermore, it is impossible to read any of the essays without becoming aware of the humaneness of the author . . . Scholarship, imagination and humanity—what a contrast to the boring trivia and mystification which characterises much of social science'. This tribute is all the more welcome in that Dixon is not uncritical of the editors. He suggests that we could well present more integrated sets of essays rather than collections of disparate papers. Certainly this would be desirable. Unfortunately, there is not a large number of people engaged in research in the social (or physical) sciences in Australia from a Marxist viewpoint, no matter how broadly that viewpoint is defined. If high standards are set and maintained, it becomes necessary to accept general collections of papers. One incidental advantage of this is that the essays have a very wide range of appeal—to economists, historians, sociologists, political scientists and, we trust, readers who fit none of these categories. Breaking down barriers between academic disciplines—destroying the hedges behind which small groups of researchers talk only to themselves—is desirable in itself.

Criticism on other grounds appears in lengthy reviews by three academics in the *Australia New Zealand Journal of Sociology* (vol. 15, no. 1, March 1979). These perceptive 'think-pieces' take up a number of points about particular essays. More generally, one of the reviewers, Kevin Clements, argues that there are serious limitations to a national perspective, that the present is a time of international crisis affecting all capitalist countries alike, and consideration of problems in one country in isolation makes little sense. Furthermore, says Clements, by 'concentrating on the nation state as most writers in this series do understandably, there is an unconscious tendency to

over-rate Australia's role in the world economy'. This is fair comment and it has a practical importance in current politics. In Australia, we all know how easy it was in recent years to blame the Whitlam government for inflation and depression, despite the fact that these phenomena were worldwide: most Australians still believe that A.L.P. policies were primarily responsible for these developments.

Apart from acknowledging the force in Clements' argument, we proffer two responses. First, a number of our contributors have in fact placed their Australian material in an international perspective. In the present volume there are in particular the essays by McMichael, Beresford and Kerr, and Catley and McFarlane—besides which, other essays are related to Australian imperialism. Second, it must again be stressed that there are great gaps in knowledge about Australian capitalist development. These lacunae often lead to false generalisations which go unchecked. Clements expresses the hope that Volume Four 'of this excellent series' will explore 'how Australian development is determined by the capitalist world economy and in turn, how do class struggles within Australia reflect the wider struggles between nations over the production and distribution of commodities and scarce resources?'

It is not so simply 'determined', nor is the 'reflecting' exact. David Clark, in his essay in Volume One, 'Australia: Victim or Partner of British Imperialism?' analysed Australia's rather peculiar historical position as a colony which both benefited and suffered from imperialism. And in the present Volume, several contributors develop the theme of the twentieth-century extension of this ambiguity, with Australian capitalism acting as springboard for—whilst remaining subordinate to—American imperialism in southeast Asia. Yet there is a tendency to assume that this latter process of investment overseas developed out of the blue in the 1960s and 1970s, with no historical antecedents. Actually some Australian companies such as Burns, Philp and W.R. Carpenter were operating in the South Pacific for decades before this, although very little has been published about their activities.

Leonie Sandercock, another of the *A.N.Z.J.S.* reviewers, writes: 'Urban political economists in Australia are researching under enormous difficulties compared with their European and North American counterparts, in the absence of basic historical analysis of Australian capitalism, its similarities with and differences from capitalism elsewhere'. Historians themselves labor under similar difficulties. Thus one of the essays in this Volume Four briefly categorises the period 1900-1930 as one of lesser growth in Australia, and then goes on to consider more interesting matters—more interesting because better known. It is nevertheless a fact that within that long period of three decades there was an important boom between 1907 and 1914. It was a boom which has been grossly under-rated by Australian economic historians: a boom characterised by strong advance in manufacturing and farming, great capital growth (e.g. B.H.P. and C.S.R.), serious battles between labour and capital, and the first substantial move of Australian capital into the South Pacific. Yet no adequate assessment of this crucial

formative period (which included the firm establishment of Australian protection of manufacturing) has been made as yet.

One of the purposes of this series of essays was filling such obvious blanks in understanding of the development of Australian capitalism. Our contributors have made substantial provision of bricks and straw towards the building of a comprehensive edifice. For example, Andrew Hopkins' 'Anti-Trust and the Bourgeoisie: 1906 and 1965' in Volume Two went some way towards filling in the particular gap referred to in the preceding paragraph. But we are conscious that there is a long road ahead. Volume Four will be followed by other volumes and we invite further contributions of essays, which may be sent to either editor.

* * * * *

In this Volume Four, the main emphasis is on capitalist economic crisis, past and present. It is a fitting theme, given the current world crisis which several of our contributors view in terms of E. Mandel's revival of Kondratieff long-wave cycle theory, i.e. the beginning in the 1970s of a 25-year downward trend, following the equally long boom from 1945. If the capitalist world can expect an economic slide until the mid-1990s, there are dangerous years ahead—for both capital and labour. Of course, capitalist crisis is a common enough phenomenon from time to time. Marx regarded crisis as an inevitable process under capitalism: a tendency for the rate of profit to fall leads to crisis in which capital values are reduced, capital is redeployed, unemployment rises and real wages are cut. After a time there is a recovery. In these terms, there have been three major crises in Australian history, in the 1840s, 1890s and 1930s—followed, on a less severe scale, by that of the 1970s. The piece of jargon used for this process—the 'cleansing of capital stock'—appears peculiarly hygienic and inappropriate for events which in fact brought misery and deprivation to a great many workers and others on each occasion.

Our first essay, by Philip McMichael, is essentially a reinterpretation of the first of these great depressions in Australia. In university economic history classes, the causes of this depression are presented in terms of contrast between the older emphasis upon external factors and the newer emphasis upon developments within the economy ('endogenous factors' is the ugly jargon term). The principal exponent of the first type of explanation was Brian Fitzpatrick, who argued that an economic downturn in Britain was transmitted to her colonies in Australia via an interruption of capital flow (following a raising of the Bank of England's discount rate in 1839) and a fall in wool prices. Fitzpatrick thus assigned primacy in causation to Australia's dependency upon the imperial connection. Subsequently, S.J. Butlin, much more empirical in his approach, pointed out flaws in Fitzpatrick's interpretation. In particular, Butlin claimed that the reduction in British capital export to Australia occurred not in 1839 but in 1841, by which time the depression was already well in evidence. Butlin acknowledged that the downturn in capital inflow from Britain greatly accentuated the slump, but

the downturn really resulted from news of the depression rather than being a cause of it.

In place of Fitzpatrick's interpretation, Butlin rather tentatively advanced one which emphasised certain factors in the economic situation within Australia. Notably, Butlin argued that the pastoral industry had spread geographically in the 1830s to the point where (because of rising costs of transport) it suffered from apparent exhaustion of opportunities for profitable expansion into new areas. This squeeze on pastoral profits through declining marginal productivity led to a general contraction in credit, land sales, prices and incomes. One of the reasons for the greater acceptability of this interpretation among Australian historians has been that it presented the Australian colonial economy as having a degree of autonomy, of not being an automatic reflex of the imperial economy. This appealed both to nationalist sentiment (to which historians are not immune) and to those Marxists who prefer to seek explanation from within rather than as a result of external impact.

McMichael points out serious problems concerning Butlin's interpretation. On the one hand, the idea of geographical limits to pastoral expansion does not square well with the fact of continued growth in volume of wool exports in the 1840s, (although this is not to deny a decline in grazing profitability). On the other hand, the data used by Butlin to show the late timing of the downturn in capital inflow are unsatisfactory. There are no statistics of a modern character to establish the level of capital inflow. Butlin used the only figures available, the difference in values between imports and exports; and these trade figures were heavily distorted in 1840-41 by a large volume of British exports unloaded onto the N.S.W. market on a consignment basis. This speculative action indeed resulted largely from depression in English markets associated with stringency in the London money market.

Having established these points of doubt about Butlin's conclusions, McMichael returns to basic Marxist principles. Fitzpatrick may have been short on facts, his evidence may have been no more than circumstantial, but his ideological instinct was correct. It stands to reason that an economy so heavily dependent upon the pastoral industry, which itself depended upon markets and credit in England, would react initially to change in those areas in England—subject to a lag corresponding to the long time between production of wool in Australia and its sale in England. The Australian colonies must be seen as an integral part of the British empire: they could not go their own independent way in economic terms. What is involved here is not so much a downgrading of the importance of certain developments in the Australian economy, as rejection of the idea of attributing primacy in causation of the depression to *either* external *or* internal factors. Plumping for one or the other entails failure to grasp the essence of the Australian economic crisis of the 1840s.

McMichael examines the crisis in terms of both the world-economic context of Australian wool-growing—particularly the credit nexus between English merchants and graziers—and the social constraints upon pastoral capital accumulation arising out of conditions of labour supply. On the first

point, McMichael outlines the intricate web linking growth of Australian pastoral production in the 1830s, with the expansion of the British woollen manufacturing industry, and the concurrent decline of the German wool-production industry. The British woollen textile industry suffered a check in its main market, the U.S.A., in the late 1830s, which led to a fall in prices for Australian wool and a restriction in credit. There was thus a squeeze on pastoral costs of production. At the same time there was an increase in labor costs associated with the ending of convict transportation to N.S.W. in 1840. There was also a drought which raised labour costs through higher prices for grain with which to feed workers.

This bald summary does not do justice to the depth of McMichael's analysis. The value of his essay lies in his emphasis upon setting the crisis of the 1840s in its international context, and in viewing that context in a theoretical framework of a complexity seldom envisaged by Australian historians. This essay is likely to become required reading in Australian history courses on the subject.

There are other essays in this volume which are concerned with economic crisis, but in chronological terms it is appropriate to refer next to several essays which deal with aspects of Australian imperialism as seen in the exploitation of black labour, racism and the White Australia policy, and Australian economic interests in the South Pacific and southeast Asia. First, A.A. Graves looks at the use of Kanaka labour in the Queensland sugar industry in the late nineteenth century and establishes convincingly that although the *raison d'être* for this labour force was its cheapness and docility, the cost of Kanaka labour to plantation owners rose sharply in the last two decades of the century, for a variety of reasons. At the same time, the industry was hit by competition from subsidised European beet sugar which caused a dramatic fall in world sugar prices. The industry in Queensland was then rapidly restructured with State assistance and partly as a result of pressure from small farmers: plantations were replaced by small cane farms served by central mills.

As Graves puts it: 'When plantations passed, so did the need for the large scale importation of field labor'. In 1906-7, thousands of South Sea islanders were summarily deported from Queensland to the Solomons and the New Hebrides. This was not a simple matter of application of the White Australia policy to keep out blacks and others with the wrong skin pigmentation: these particular blacks were forced out of Australia, although many of them had been there for years. Employers and the Queensland government which represented them in 1901 protested against the Commonwealth decision to end the Kanaka labour trade, and it has been generally assumed that the deportation of Kanakas resulted from the strength of racist and White Australia feelings, especially among Labor supporters. Actually, as Graves indicates, there was little hostility towards the islanders while they were employed on plantations as field workers who posed no threat to the working conditions of white workers in northern Queensland. Hostility developed in the 1890s when small cane farmers began to employ Kanakas on their farms. Trade unions protested, often in directly racist terms.

At bottom, however, the abolition of the Queensland labor trade was due less to political factors than to economic: the profit motive was paramount. By 1906, the restructuring of the sugar industry had progressed to the point where the increasingly costly Kanaka labour could be dispensed with—it could be replaced by more expensive but more efficient white labour, as the supply of unskilled workers increased through immigration from Europe and by the redeployment of workers from the declining mining industry in Queensland.

Two further points may be noted from Graves' essay. One is the appallingly high death rate among Kanakas (even higher than among Australian Aborigines today), which contributed to low productivity. Secondly, there were hopes among some capitalists interested in the South Pacific, that the deported Kanakas would serve as a useful labour force on plantations in their own islands. In practice it did not work out that way: most of the Kanakas had had enough and many were resentful of their enforced repatriation. By 1909, Lever Brothers' subsidiary in the Solomons, Lever's Pacific Plantations Limited, was urging the British government to permit the entry into the Solomons of indentured labour from India. The application was unsuccessful for reasons relating to India. It was not due to any respect for the islanders on the part of officials in the Colonial Office in London. One of them in 1896 minuted a document on the Queensland labour trade as follows: 'The brown man of the Pacific is doomed, and the black man from Africa or the yellow man from the East must take his place. If the labour trade is hastening the process, it is at least doing it painlessly and even pleasantly'.¹ With protectors like this—the Solomons was a British protectorate—it is not surprising that some whites in the islands met violent deaths.

There was another industry in Australia which had a fiendishly high death rate. This was pearlshelling, in Western Australia and the Torres Strait. Here the sufferers were mainly brown men—Japanese divers. Besides these, the industry employed a large number of Papuans and others as boat crews. In fact, pearlshelling had the largest concentration of Asians in Australia in the early years of the twentieth century. The question which Lorraine Phillips poses is: why was this industry uniquely exempted from the White Australia policy? Why were Japanese, Papuans etc. still allowed to enter Australia as indentured workers in the industry? Phillips traces the neglected history of pearlshelling in the 1890s and the early twentieth century to explain why several official attempts to effect a transition to white labor (as in the sugar industry) failed. Pearlshell, used mainly in buttonmaking, was a semi-luxury item for which the market lay in Europe. There the trade was subject to the whims of fashion clothing and the threat of cheap substitutes. Also, there was a small ring of buyers in London who operated together to keep down prices paid for Australian shell.

As more luggers entered the industry in the 1890s, there was a tendency towards chronic overproduction and a fall in the price of shell. There was consequently strong pressure to keep down costs in the industry. One approach to this problem was for major Australian fleet-owners to induce the Queensland government to discriminate against Japanese capitalists in

the industry. This was done successfully in 1897. But whilst the fleet-owners were able to rid themselves of competition from Japanese boat-owners at Thursday Island, there was a desire throughout the industry to retain Japanese workers because they were relatively cheap and efficient. From the establishment of the Commonwealth, Asians were permitted to enter Australia to work in pearlshelling under certain conditions, and this permit system still operates today.

As Phillips shows, there was no lack of effort by supporters of the White Australia policy (mainly Labor) to have the Japanese divers excluded, but each attempt came up against the need to keep down labour costs in an industry where the product was dependent entirely upon the world market. This situation was quite different from that of the sugar industry, which had a large market in Australia—a market where sugar prices could be manipulated by tariffs, bounties, etc. Any attempt to subsidise Australian pearlshelling would have been disproportionately expensive to governments. The alternatives were to let the industry die (with loss of appreciable export revenue) to continue using cheap Asian labour. Phillips quotes a revealing remark made by one operator in the Queensland industry in 1908: 'there is as much chance of the pearl-shell industry being worked by white labour as there is of the Queensland Parliament being run by a black man'.

It was not simply a matter of Japanese being cheaper labour than white divers. It became apparent that the latter were not available at all. The diver's life was short; and he was not covered by Workmen's Compensation Acts. The racist conclusion drawn was that the work was not suitable for white men: let the Japanese die if they wished.

Part of the industry's problems lay in the division of powers between the Commonwealth (immigration control) and the Queensland government (licensing of boats). Phillips notes that in 1913 a federal Royal Commission recommended that such difficulties be overcome by the cession by the State to the Commonwealth of the whole of the islands and reefs of the Torres Strait. It is a pity that Queensland did not act upon this recommendation—it would have obviated Premier Bjelke-Petersen's posturing as a little Queenslander in the 1970s. Even more interesting is the fact that the private letters of James Burns, principal of Burns, Philp & Co. Ltd. (which was heavily involved in pearlshelling) reveal him to have been thoroughly exasperated by the White Australia policy and the recurrent threat that it might be applied to exclude Papuans from the industry. To Burns, the problem was not so much one of federal-state division of power as of A.L.P. pressure at both levels of government. In 1908, Burns felt that it would be a good idea to incorporate the Torres Strait islands into Papua, so as to remove the company 'a little away from the Labor Party's control'.²

The context of Burns' opinion on the matter was that Papua was then an Australian colony. Peter Fitzpatrick's essay concerns developments mainly at a late stage on the road to independence for Papua New Guinea. This follows on from Fitzpatrick's piece in Volume Three of this series, in which he argued that the imperial power found it useful to preserve elements of a traditional society, alongside development of capitalist relations of produc-

tion. Now, in the current essay, he examines the creation and containment of the P.N.G. peasantry. This is a seminal piece of work which draws together a wealth of research material from anthropologists and others who seem singularly oblivious to political economy. On the other hand, it must be added that many Marxists, accustomed to thinking of a peasantry in European terms, are likely to be surprised by Fitzpatrick's analysis of a traditional mode of production in an undeveloped country, where the peasantry was virtually non-existent before World War Two. A peasant is defined here as someone who has significant independent control of his means of production, and who produces partly for subsistence in the traditional mode and partly for the capitalist market. Most members of traditional society do not produce for the market to any appreciable extent and are not classed as peasants.

Fitzpatrick presents a fascinating picture of growth of class relations in rural society—the evolution of capitalism through local 'big men' who are nevertheless still connected with, and to some extent influenced by, the traditional society within which they develop. State action, first by the Australian government in the 1950s and 1960s and then by the national government, has fostered this development. As Fitzpatrick puts it: 'Characteristically, Development Bank lending has been to the few rather than the many, the wealthy rather than the poor, the individual rather than the group and, in a significant degree, to the literate and the formally educated. It also helps to be a member of the national legislature'. Further, laws relating to individual ownership of land, and inheritance, have been modified to aid the process.

Even so, such development is not straightforward. One of the virtues of Fitzpatrick's essay is to bring out the complexities of society in P.N.G., and he concludes that despite the growth of a peasantry it is possible that traditional society will be maintained and will prove able to contain or co-exist with the budding capitalists on the land.

* * * * *

Volume Three in this series focussed upon the working class, especially its separate elements. In contrast, Peter Cochrane now looks at historical divisions within the Australian bourgeoisie. Thus, to put alongside the standard picture of confusion and differences among Labor supporters, we are given an unusual view of internal conflict on the other side of the political fence between 1917 and 1934. Cochrane gives a lucid account of major developments in the 1920s and analyses the position of manufacturers and other groups of capitalists in relation to them. As Australian economic growth slowed down after 1923, the Bruce-Page government (representing primarily mercantile and landed capital) gave greater support to the (rural) export sector: the need to export became greater as the volume of overseas debt obligations rose. There was thus a relative decline in government aid to manufacturers, despite an apparent raising of tariff levels. Small manu-

facturers in particular were not yet fully accepted as respectable members of the ruling class.

Many small manufacturers became increasingly resentful of their subordinate political role. They organised in support of their own particular interests. They wanted very high tariffs and they were opposed to imports. Cochrane considers that the Scullin Labor victory in the federal election of 1929 was due at least partly to desertion from the Nationalist Party by many manufacturers; and in the depression from 1929, the erection of a high tariff wall to keep imports out and preserve the balance of payments was naturally welcomed by manufacturers. Conversely, the move was deplored by capitalist interests which were primarily dependent upon trade with Britain: importers, primary producers and British manufacturers. With the breakdown of the old Nationalist Party coalition there was an extraordinary fluidity in political alignments. Manufacturers, for example, condemned the deflationary proposals advanced by the Bank of England's representative, Sir Otto Niemeyer, in 1930.

However, in the following year, disparate elements of the conservative party re-grouped in the new United Australia Party and recruited some useful Labor renegades such as Joe Lyons. The Scullin government was defeated and although the Lyons government made some tariff reductions later in the 1930s, the tariff wall remained basically intact. Dissident manufacturers were absorbed by the U.A.P. The working out of these political trends against the background of Australia's changing economic position is a study which adds to understanding of what is usually presented as a one-dimensional Labor-Conservative struggle.

The following essay, by Melanie Beresford and Prue Kerr, is also concerned with the question of protectionist policy, though in a more rarefied international atmosphere. During World War Two, British and U.S. representatives negotiated on the establishment of appropriate institutions to promote expansion of world commodity and capital flows after the war. The outcome of these discussions was the Bretton Woods monetary agreement of 1944 and the setting up of the International Monetary Fund and the International Bank for Reconstruction and Development (now known as the World Bank). Australia was one of the countries which played a minor role in the discussions and was invited to subscribe to the resulting institutions. Beresford and Kerr have made good use of *Australian Archives* material in elucidating Australia's position. They argue that the decade from 1942 to the signing of the ANZUS treaty marked a decisive turning point for Australian capitalism in its relations with British and American capital. The Curtin and Chifley governments developed plans for expanding manufacturing by import-substitution, which entailed tariff protection and diversification of the sources of Australian imports and export income. This strategy involved a loosening of the strings which tied Australia to a declining British Empire, and correspondingly a reorientation towards the powerful American economy.

In the wartime discussions, the Americans mainly aimed to promote liberalisation of world trade policies by breaking down the British system

of imperial preference. British officials such as Keynes were not happy about this but were in no position to persist with objection, given Britain's need for large American aid at the end of the war. The Australian position was that in the long run imperial preference would have to be abandoned. The Australian negotiators were mainly insistent upon the importance of obtaining international agreement on the necessity for all countries to adopt expansionary domestic policies in the interest of full employment. The Americans were not willing to adopt this position and the British gave only half-hearted support to it. The Americans had their way in the end. Indeed, it is not clear whether Australian policy and advice, here revealed in detail for the first time by Beresford and Kerr, had any real effect upon the main power-brokers on the international scene. Within Australia, as documented here, there was a remarkable display of cynicism by the Chifley government in selling to the Labor movement and the public the decision for Australia to join the I.M.F. and I.B.R.D. The decision was taken in the interests of Australian capital, in view of the probable need for dollar loans, despite Chifley's fear of possible I.M.F. interference in domestic policy. That fear was well founded, as a number of Third World countries—and a Labor government in Britain in 1976—discovered.

An intriguing aspect of the Beresford-Kerr essay is the emergence from the shadows of young officials and Australian government advisers who are now well established (and distinctly more conservative) gurus. Besides the expected names of Melville, Coombs and Crawford, there are others like N.G. Butlin and A. Tange. If *Australian Archives* can yield material like this, perhaps it was to be expected that the Public Service bureaucracy should be so determined to protect its anonymity by blocking an effective Freedom of Information Bill in recent years!

* * * * *

The essays by Jim Kemeny and John Braithwaite examine, respectively, the political economy of housing and of punishment. Kemeny is concerned to sweep away mystification about the realities of Australian housing. He elucidates the differences between cost-renting (as in public-rental housing), private home-purchase, and renting from private landlords; and he shows that the last of these three categories entails the greatest amount of exploitation of the occupier. Of the other two categories, Kemeny reckons that per capita subsidies from government are almost certainly higher for home-owners than for public rental tenants, despite the universal belief to the contrary, and that there is a deliberate suppression of demand for public rental housing in Australia, in the interests of capital which has more to gain from the other forms of housing. He points out that in Sweden, where public housing has been allowed to expand to meet the demand, private landlords have been forced by competition to forgo super-profits, and a much smaller proportion of people have chosen to become home-owners: one-third of householders, as against two-thirds in Australia.

Kemeny then analyses the phenomenon of high home-purchaser rates in

Australia and considers the connections between this and the housing finance industry. Wider aspects relate to the poverty cycle, the fragmentation of working-class solidarity, the urban sprawl and weaker welfare structures. All this amounts to a damning indictment of government policy on housing—and Labor policy in this area is virtually indistinguishable from Liberal-Country party policy. Introduction of Kemeny's arguments into A.L.P. branch policy debates could be very useful—if the development of conservatism among Labor home-owners has not already gone so far as to make them deaf to reason.

Braithwaite looks at the function of imprisonment as a form of punishment in modern society, in the light of two books on the subject, published in 1977 (independently of each other) in the U.S.A. Both are by Marxists yet they reach conclusions which are apparently diametrically opposite to each other. One author, R. Quinney, argues that as capitalist crises worsen and unemployment grows, imprisonment of the surplus population becomes more necessary as a means of State control; while A. Scull believes that the cost of prisons is so high that increasing financial pressure on the State leads to 'decarceration' (a terrible jargon term for a desirable thing) in favour of community treatment (or forms of punishment outside prisons) for criminals. The context for this discussion is that criminologists have now shifted away from the idea of rehabilitation, concluding that it does not work in practice. As a result, conservatives favour imprisonment as a means of retribution or deterrence, while liberals advocate community treatment rather than imprisonment.

In relation to Quinney's views, Braithwaite points out that the available evidence is not very consistent as to whether crime rates go up or down during periods of high unemployment. Imprisonment rates in the U.S.A. did rise and fall in unison with unemployment rates between 1960 and 1972, but this could have been related to deterrence theories rather than an increase in crime. Thus the real relationship seems to be between unemployment and imprisonment, and there is little evidence to suggest that in times of economic crisis, imprisonment is effective as a means of controlling the crime of the surplus population. In fact, the growth in unemployment is much more marked than the increase in prison population.

Braithwaite suggests that Quinney overlooks the tendency of capitalism in periods of crisis to blame the victims. In the Australian context that means attacks upon 'dole-bludgers' and the like. Another example, which has appeared since Braithwaite wrote his essay, is the report of the N.S.W. Royal Commission on Drugs, which attributed marihuana and heroin-trafficking to criminals of Italian, Chinese or French origin. The press plays up such sensational stories and manufactures crime waves. Anything will do, so long as a close look at the real ills of capitalist society may be avoided. The emphasis is placed on the need for law and order, without acknowledgment of the fact that laws are made and enforced by controlling groups in society and thus reflect the interests of those groups.

Scull's theory about the growing cost of institutionalised treatment in modern society applies not only to criminals but to the aged and the indigent

generally. The growth of the welfare state means that the fear of starvation is no longer effective to secure compliance from the unemployed; and by the same token, it is unlikely that they will be driven by desperation to rebel. They, and criminals, may therefore be safely left within the community rather than locked up in prisons which are very costly to run. Braithwaite assesses Scull's views in the light of imprisonment rates for N.S.W. and Victoria from the mid-nineteenth century. These rates indicate a fall until 1920 and then broad stability. The rates need to be examined more closely in relation to economic fluctuations and the piecemeal introduction of welfare state measures, but provisionally Braithwaite concludes that there is no necessary incompatibility between the theories of Quinney and Scull on the place of imprisonment: within a broad shift towards 'decarceration' since the latter part of the nineteenth century, there appear to have been upturns in the male imprisonment rates at times of major economic crisis in Australia.

Braithwaite concludes his discussion by expressing disagreement with the way in which Scull, because he believes 'decarceration' to be in the interests of capitalism, feels logically obliged to argue that cutting down the size of the prison population would be a bad thing for the criminals themselves, as well as others. As Braithwaite suggests, Scull should try asking the 'crims' about this—he would receive a reply in no uncertain terms.

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Finally in this volume, there is a group of essays which deal specifically with aspects of the current crisis of capitalism in Australia. Ernst Utrecht directs attention to the growth, since the 1960s, of Australian investment in south-east Asia and the Pacific region, sometimes on direct Australian account, sometimes as an agent for transnational corporations with a base in Australia. Utrecht's essay is in part a survey of the work done in recent years by the University of Sydney Transnational Corporations Research Project in establishing the extent of Australian capital's participation in a new international division of labour: the investment in underdeveloped countries to secure the advantages of cheap, malleable labour and easy access to raw materials. Utrecht gives precise illustrations of the incentives held out to foreign companies to invest in cheap labour havens, otherwise known as free trade zones. He estimates that there is now a total of about one billion dollars of Australian-based corporate investment overseas, involving over 600 companies.

In recent years, the movement abroad of Australian companies has attracted attention because of the export of jobs as well as capital and technology. Utrecht reckons that some 20 000 Australian jobs per year are lost in this way. This process is clearly not the main 'job-killer' in the Australian economy in the current crisis. Nevertheless, it raises sharply the question of whether more protection should be afforded to Australian manufacturing. There is a link here with the essays of Cochrane and Beresford-Kerr. In discussing the issue, Utrecht appears to favour the idea

of temporary protectionist policies, provided that at the same time the T.N.Cs. concerned are brought under control or nationalised. This seems equivalent to saying that socialism is the only real long-term answer to the problem—a point with which the contributors of the last two essays agree.

Neither Windschuttle's essay is a *tour de force*—a hard-hitting, factual analysis of unemployment and class conflict, incorporating much material which has become available since Windschuttle's Penguin, *Unemployment*. In this essay, he first looks at the fall in manufacturing jobs in Australia. If the present situation looks gloomy, the future is likely to be worse. Windschuttle considers a range of industries in which there is a threat of displacement of labor by new technology (computers, word-processors, automation, etc.) and through competition from Asian cheap labour havens. The trends in vanishing jobs are particularly adverse for migrants.

Windschuttle then analyses the Fraser government's offensive against labour in this situation: the cuts in real wages and social services, especially health; the restriction of unemployment benefits and the bashing of 'dole-bludgers', while introducing youth employment schemes which do little more than shuffle jobs around; and the manipulation of official statistics to disguise the seriousness of unemployment. Windschuttle reckons that in addition to the half-million Australians officially registered as unemployed there are another half-million who are not actively seeking jobs but would take them if they were available.

In 1929, as depression developed in the U.S.A., President Coolidge uttered the tautology of all time on this subject: 'When more and more people are thrown out of work, unemployment results'. Two years later he concluded: 'The final solution of unemployment is work'. The threat of permanency in the situation in Australia today is indicated by Labor leader Hayden's proposal to create 50 000 jobs by increased government expenditure. As Windschuttle emphasises, 50 000 is the number by which unemployment has increased each year since 1974. A long-term strategy must be much more radical than this yet it would be up against a potent threat of flight of capital—or capital strike, as occurred under the Whitlam government. Even so, one major factor in labour's favour is that working-class organisations have remained strong, in marked contrast to the situation in the depression of the 1930s. The Fraser government has cut and chipped away in many areas: by its labour legislation it has indicated how it would like to throttle trade unions—but it has not so far been willing to risk a real showdown with them.

Bob Catley and Bruce McFarlane, in their inimitable polemical style, range freely over a variety of periods and aspects of Australian history to the present day. Like bushrangers, they fire staccato volleys at the enemy as they go and if the shots are sometimes off-centre there are also plenty of bull's-eyes. In the essay here, their main concern is not so much the main class enemy as a major trend within the Australian labour movement: the trend which reacts to severe capitalist crisis by capitulating and acting in the interests of capital through the pursuit of policies of 'national economic management'. The leaders of this trend, thrown up by the labour movement,

are contrasted with those who stick to basic labour policies such as nationalisation of strategic industries, progressive taxation of income and wealth, and expansion of social services and employment. Historically, basic labour politics have been advanced by people like Eddie Ward who, as the Beresford-Kerr essay indicates, opposed Australian entry into the I.M.F., for fear of international capitalist domination.

In the estimation of Catley and McFarlane, the Whitlam government does not fall neatly into either category. However, their interest in this essay is not with particular leaders. They set out to analyse the constraints under which social democratic leaders operate when in government. In particular, a detailed and illuminating analogy is drawn between the Scullin government in the depression of the 1930s and the position of Labor in the 1970s. Scullin is cast as villain or hapless victim in the earlier period and a heavy question-mark is placed against Hayden in the later phase. Yet it is acknowledged that the options open to Hayden or any other Labor leader are very restricted, given the international character of today's economic crisis. Capital is international in movement and power.

Like Windschuttle, Catley and McFarlane recognise the continuing strength of the trend towards basic labour policies. It may be further noted that this is an international trend, parallelling the evolution of capital. There are particularly interesting developments on the horizon in Britain, the country with which Australia has most in common in terms of type of government and class institutions. Consensus in politics between Labour and Capital in Britain since 1945 has been based essentially upon economic growth which, relatively weak though it has been, has made possible substantial advances in living standards and the welfare State. That phase has now ended. Despite oil discoveries, the British economy faces even greater structural and growth problems than the Australian. Consensus shows signs of breaking down: the bailiffs are in, led by Margaret Thatcher with her viciously anti-Labor petty bourgeois ideological approach. If she is not reined in by the old managers of the Tory party, she is likely to provoke confrontation with trade unions.

It is possible that, when put to the test, the strength of trade unionism in both Britain and Australia will prove to lie only on the surface. In the former country there are ominous signs of workers in industries or plants under threat of closure (rationalisation) being bought off, dissuaded from militant action, by promises of cash payments in compensation—a potent lure for workers who have never had more than a few pounds in the banks. On the other hand, there are alternative scenarios. What happens in a real show-down in a bourgeois democratic society where capital is determined to assert itself decisively, while union leaders can no longer be thrown into prison in strikes, and the welfare State means that workers' families do not face starvation? Chile under Allende provides one answer, but others are possible.

The Catley-McFarlane conclusion on this point is not optimistic. They do not expect a serious effort by a future Labor government to transform the distribution of wealth and power in Australia. History is on their side in this assessment. Nevertheless, to use the one phrase for which Malcolm

Fraser will be remembered historically, life was not meant to be easy. The struggle for socialism will go on both within and without the Labor Party.

Sydney
November 1979.

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