INTRODUCTION

The nature of modern social democracy—in Australia the Australian Labor Party—is one of the crucial determinants of economic and social policy in the 1970s. The ideology of this Party, the nature of the expertise on which it relies, and its relationship to the corporatism determines the contours of social life. The ‘model’ that it has in mind, together with the political jockeying and ad hoc policies which tumble from the battings are the stuff of life under Gough Whitlam. These essays attempt to show that there is a discernible coherence to what the Labor government has done since it was elected to office in December 1972. It is shown that far from being a ‘socialist tiger’, the essential character of the A.L.P. is that it is a party serving the needs of a modern capitalist economy with the techniques of liberal capitalism rather than blundering heavy-handed intervention of the type associated with the Liberal-Country Party coalition over the twenty years before it fell.1

To fully explore all aspects of the techniques of liberal capitalism embraced by the Labor government, since December, it would be necessary to produce an interdisciplinary study. Such a project would include a survey of: the ‘new nationalism’; the new public service and the network of advisors; economic policy since December; the changes of ‘line’ on foreign investment; the new tariff strategies; the attitude to multinational corporations; resource diplomacy; rural policy; manpower policy; changing concepts of income distribution; industrial policy for women, and the new Cairns scheme for Australian neo-colonialism abroad. However, in this short book we have only concentrated on a few of the larger themes: incomes policy; the reasons for the re-organisation of social security; the Coombs

1 As one of the present authors wrote five years ago, the economic policy ultimately pursued by the Liberal Party is to carry out economic reforms as a last resort to avoid public criticism rather than as a definite plan to transform the structure of the economy; change is not justified. It is reluctantly conceded. See Bruce McFarlane, Economic Policy in Australia (Melbourne, 1978).
A World of Multinational Corporations

We live today in a world of large-scale production. Big companies dominate the 'commanding heights' of the economy. This trend was already evident thirty years ago, but has accelerated rapidly since then. In 1938, Berle and Means in a celebrated study of the American business world, showed that a half of all non-banking corporate wealth in the U.S.A. was controlled by no more than two hundred companies; that these giant corporations had been growing nearly three times as quickly as all the other non-financial companies; and that if the rate of growth of large corporations were maintained, it would take forty years

(nationalization of corporations without compensation, under workers' class power) to counter managerial power, and begin the long process of bringing the state under people's power.

Needless to say, the A.L.P. has eschewed the third alternative. Never a socialist party, but a liberal-capitalist one \[1\] in which its fighting platform has never been allowed to include socialism (this being left to the vaguets and vagaries of its 'objectives'), the Party moreover only within the limits set by the objective existence of a modern monopolistic and capitalist economy. Much of the government's resource diplomacy, its ambiguous pronouncements about transnational corporations, and its utterly orthodox fiscal and monetary policies, can be understood as the result of falling between two stools. They fall between collaborating with the multinationals and building up the national state (with halfbakes about the 'new nationalism'). This is most evident in resource diplomacy and in the Labor government's Pacific Rim Strategy. The present book attempts to underline this point in Chapters Five and Six. It is sufficient to mention here that the approach to manufacturing giants is still that which was laid down in Whitlam's New York speech to the American Chamber of Commerce in May 1970. I think there are advantages for American investors to have Australia as a factory in the 18th century sense of Australia as an offshore factory for South East Asia. This idea of Australia as a springboard for overseas multinationals in manufacturing to get into Asia and the Pacific remains the kernel of policy. But in the field of natural resources the attempt is to use Australian firms as a sellers' cartel (along with the publically-financed A.I.D.C.—Australian Industries Development Corporation) to put some brakes on the rapacity of transnational corporations in this field. The main architect of this policy was the Minister for Minerals and Energy, Conner, who said that 'it is better to hold black gold in one's own ground than green paper in someone else's. It may no longer be in a nation's interest to maximize production of a national resource which may be its only counter'. However, Cain, Crean and Whitlam also firmly endorse it.\[10\]

\[8\] Lenin wrote this over 100 years ago. He noted that '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.' [4. V. Lenin, The Labour Movement in Australia, June 1923]. For a more recent illustration of this basic fact with contemporary 'perspective' see: H. McQueen, 'Agy No. 1, Agy Without Power', in D. Korten and J. D. Playford (ed.), Australians Capitalist (1972).

\[9\] Australian, 3 April 1973.


\[5\] There is then, a clear difference in line as between manufacturers and mineral developers which is often blurred by the A.L.P. (despite\[1\]) about the capacity of multinationals.

As the A.L.P. government turns this way and twists that in its attempts to meet the contradiction between growing nationalism of the Australian people and the growing world-wide energy crisis on the one hand, and the de facto economic and political power of transnational corporations on the other, compromise, retreat and sudden changes of policy have been the order of the day. An example of this was the decision of the government to reject multinational participation in resource development laid down by Conner in August 1973 and the subsequent reversal of this policy during Whitlam's visit to Japan in October.\[12\]

For the adjustment of government policy to the rules of the game as dictated by the big companies, a policy advocated by realistic financial experts close to corporations and the Labor government\[13\] is already well advanced. One good example given in Chapter Six is the encouragement given to Australian firms to 'go multinational' themselves in co-operation with the overseas Corporations. The Australian press reported Trade Minister Cain on 15 June as telling businessmen that a "more constructive attitude to our balance of payments situation would consist, for example, in encouraging Australian firms to invest overseas."\[14\] By October, Cairns announced that government assistance would be given to firms setting up processing plants for Australian minerals in Third World Countries,\[15\] the example quoted being Hanover's plans to send semi-processed iron ore from the Pillara to Indonesia for further processing.

It is important to realize what is at stake here for the Australian peoples' relations with Asia in a world of multinationals. A corporation is multinational in the same that it operates in a number of nations with the purpose of maximizing the overall profits, not those of the individual subsidiaries or units or a nation-by-nation basis. The corporations are responsible to no one but their own headquarters. They play a chess-game of geo-politics, with the whole capitalist and underdeveloped world as their oyster. They will constantly shift production to areas with a cheap or docile labour force, manipulating prices to almost profits to where they want them to occur, and moving vast stores of money across the stock exchanges of the world.\[11\]


\[13\] Advertiser, 15 July, p. 76.

\[14\] Advertiser, 25 July, p. 76.

Take the case of Cairns' support to Australian firms. In relation to the local Indonesian labour force, a Trade Department Report of the Investment Survey Mission (p. 45) is enthusiastic:

Industrial relations since the banning of the Communist Party in 1966 have been generally calm. Although some 40 per cent of the labour force is nominally unionized and most unions are affiliated with national trade union federations, the union movement is generally fragmented along political and company lines. At present strikes are banned. However, its sister publication, *Indonesia: Investment Climate Study*—laments (p. 66) that a large number of servants in each household is necessary for Australian technicians in Indonesia, and that not only are efficient servants difficult to find, but that 'it is becoming quite common for servants to receive one day off a week' (p. 67).

Concerning labour conditions, the major document of Cairns' department tells us that wage rates for a forty-hour working week in Indonesia are 90 cents to $1.35 per day for unskilled workers. The salary of skilled engineers and specialists is $18.00 to $10.00 a day. All wages include fringe benefits such as provision of medical care, rice, transportation. Reasonably this helps to create a favorable psychological climate for Australian investors in such countries.

*Indonesia Investment Climate Study* next presents an essay (pp. 49-50) on problems of workers' compensation which can be paid as a lump-sum, apparently geared to two or three years' estimated wages.

For the benefit of Australian business contemplating the Indonesian market, or diving off the Australian springboard into Asia at Whittam's invitation, or setting up an Indonesian subsidiary as part of their own corporate Pacific rim strategy, the table opposite is offered as re-assurance.

All of this is exploitation or geo-political manipulation by multinational labor's complicity in it stems directly from the 'springboard into Asia' approach laid down by Whittam in 1970. It reflects Labor's fear of Asia and its accomplishment role of 'junior partner' to American Imperialism, and that fear itself reflects the dilemma of a party which knows its social reforms depend on the continued buoyancy of Australian and international capitalism—its terror of a strike of capital.

The problem of building up the nation-state is that with multinationals, such nation-states can exercise only a limited sovereignty on local branches of such companies. Yet the multinationals significantly affect the economic goals of Australia, in

18 Still the most original and perceptive account of Labor's plans for Asia is H. McQueen's "Living Off Asia," *Arena*, No. 26, 1971.

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**INDONESIA: DAILY WAGE RATE**

<table>
<thead>
<tr>
<th>Percentage of Daily Remuneration</th>
<th>Loss of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right arm from the shoulder</td>
<td>40</td>
</tr>
<tr>
<td>Left arm from the shoulder</td>
<td>35</td>
</tr>
<tr>
<td>Right arm from or above the elbow</td>
<td>35</td>
</tr>
<tr>
<td>Left arm from or above the elbow</td>
<td>30</td>
</tr>
<tr>
<td>Right arm from or above the wrist</td>
<td>28</td>
</tr>
<tr>
<td>Left arm from or above the wrist</td>
<td>28</td>
</tr>
<tr>
<td>Both legs</td>
<td>10</td>
</tr>
<tr>
<td>One leg</td>
<td>15</td>
</tr>
<tr>
<td>Both feet</td>
<td>20</td>
</tr>
<tr>
<td>One foot</td>
<td>20</td>
</tr>
<tr>
<td>Both eyes</td>
<td>30</td>
</tr>
<tr>
<td>One eye</td>
<td>40</td>
</tr>
<tr>
<td>Auditory capacity of both ears</td>
<td>10</td>
</tr>
<tr>
<td>Auditory capacity of one ear</td>
<td>15</td>
</tr>
<tr>
<td>Thumb of right hand</td>
<td>13</td>
</tr>
<tr>
<td>Thumb of left hand</td>
<td>13</td>
</tr>
<tr>
<td>Forefinger of right hand</td>
<td>9</td>
</tr>
<tr>
<td>Forefinger of left hand</td>
<td>7</td>
</tr>
<tr>
<td>Any other finger of right hand</td>
<td>3</td>
</tr>
<tr>
<td>Any other finger of left hand</td>
<td>3</td>
</tr>
<tr>
<td>One big toe</td>
<td>2</td>
</tr>
</tbody>
</table>

that they account for a large quota of effective demand, influencing both the level of internal demand for investment goods, for the labour force and for imports. The state under Labor, is feebly willy-nilly to reflect not only the interests of national capital but of a new international capitalist class.

**The Australian Economy has Changed**

In the period of the 1960s Australia was still riding largely 'on the sheep's back'. This meant that exports of wool and agricultural commodities constituted more than half of exports in a country which handled one quarter of its total output. However, even when the Vernon Report appeared in 1965, mineral exports were changing the face of Australia's trade patterns. Instead of the Vernon Committee's estimate that mineral exports would rise to £105 million by 1974, the Treasury and other bodies were forecasting a much higher figure, as well as good prospects for all import replacement through the discovery and development
of oil and natural gas resources. The optimists were vindicated; in 1973 Conner, as Federal Minister, was able to announce North-West Shelf discoveries that should allow natural gas export.19

Also changing in the late 1960s were some views about new institutions for economic management. A Resources Development Bank had been set up by John McEwen as Trade Minister. Education had come steadily under Federal government influence. In fact, many of the centralized powers sought by Whittam9 as long ago as 1959 were emerging for use in the 1970s by the ad hoc embrace of them on the part of the Liberal-Country Party government, especially during the Gorton era.

There were other innovations in the late 1960s which prepared the stage for Whitlam in 1972: growing sophistication of Australia's manufacturing base; some guidelines (under McMahon) on foreign investment which foreshadowed some controls, and active participation in the money market by the Reserve Bank.

More important perhaps, was Australia's changed external economic relations. The present Social-Democratic regime has come to office at a time when the balance of world economic power has decisively altered by comparison with 1945. From 1949 to 1971 the Liberal Party allowed the moderate boom that Australia experienced to proceed with controlled inflation, even at a certain cost—reduced social security, a lower economic growth rate than was feasible and so on. Just before they left office, however, the 'Bretton Woods' framework was shattered internationally. On 15 August 1972, the U.S.A. abrogated fixed currency parities and the gold-dollar relationship. Claims on the dollar had grown internationally to four times the total stock of gold in the United States; as a result of the rise of Japan, Germany and the Common Market, the nexus had to be broken. In the U.S.A. discriminatory charges were levied on imports and trade war loomed as a real possibility. What this meant was that the boom in the rest of the capitalist countries could not continue at the same rate; by permitting a large rise in unemployment, it was hoped that economic growth and inflation could be stabilized. An 'incomes' policy, aimed at controlling wages and maintaining profit margins, moved higher onto the agenda of the objective requirements for successful adjustment to the new world realities.

Economic policy under the A.L.P. then, has to be very different20 19 "Current Affairs Bulletin, The Vernon Report, 6 December 1965, p. 59.
15 Connor's Statement on Middle Easterners, Australia, 15 April 1974.
18 See Another look at the 'Technocratic Labourism' in the Melbourne press, Prime Minister Pym, Ch. 11, The Australian Capitalists, Ch. 4, 6 and 11, and Bob Carney "House of Representatives, No. 3, August, 1973.

from that applied by the Liberals during the period of relative international stability and prosperity in the 1950s and 1960s. The new A.L.P. government's main axes were a trading surplus and a rapid accumulation of foreign exchange (largely capital inflow attracted by an over-valued currency and an unusual exchange rate). These factors cushioned the harshness that would otherwise have been needed in the sphere of anti-inflationary measures and trade liberalization (eg: a pool of unemployment to preserve 'stability' along lines that had become orthodox in the Australian Treasury).

The A.L.P. Has Changed Its Style and Aspirations: New Goals for 1958

Some of the best—and most neglected—work on the nature of modern Australian Labor Politics has been conducted by younger scholars in Adelaide and Canberra.21 Beginning after Whitlam's close call at the Federal elections in 1969, and starting from the realization that the A.L.P. federal platform had been more than 50 per cent rewritten in the years 1965-1966 so that most people were unprepared for the likely activities of a new Labor government, this material was prepared and published in a number of radical journals.

Although this work remained at a fairly descriptive level, and was concerned with stressing the changed social composition of the Labor conferences, executive and parliamentary caucuses, it was a valuable starting point to a deeper analysis of the social role of the social democrats. The emphasis tended to be on the rapid growth of technocratic labourist after 1961.

Technocratic 'Labourism' means, in the first place, the removal of old-style Laborists—the 'paleobourgeois' by a coterie of labor politicians and administrators with high professional skills (Whittam, Dunstan). This is an ascendant group representing...
the new petit-bourgeois mentality of what Calbraith called the "technocratic". Their aim is to get the benefits of the technological and managerial revolution for society and a larger share of the fruits for the skilled working class and middle classes. Also involved is an essential shift in attitudes to equality and income distribution on the one hand, and to the economic power structure of capitalist society on the other.24

In a sense this is not a new phenomenon. Earlier in the century, left-socialists like A. Fassnakeck had argued that the entry of the new middle intellect class into labor parties was reflected in reformist practice and reformist theory. This new "middle class" was composed of intellectuals, officials and self-employed people who did not own substantial controlling capital or productive power. They were, therefore, a 'progressive' stratum, often radical, and not the backward-looking stratum typical of much of the petit-bourgeoisie. For many, the form their education had taken made them aware of the irrationality of the capitalist social system. They sought, as with the Fabian socialists in England, a moderate, "civilized" series of reforms. Reason ruled because an intellectual elite knew what's what. However, ideologies such as class struggle, and the proletariat as the battering ram to break down capitalist walls were avoided or sharply criticized. To deepen this analysis of the A.I.P., one has to look at other strata which Fassnakeck saw as shaping labor policy; the petit-bourgeoisie represented by small capitalists and the labor aristocracy. Their reaction to A.I.P. policy is noted in Chapter Eight of the present work. They are not a 'new' factor—in fact, their penetration of the A.I.P. emerged right from the Party's origins.25 However, they cannot be left out of an overall analysis of current politics. To take one example, a while Australian labor force, obtaining the best job while leaving the dirty jobs to lower-paid migrant workers, has much to gain from the new opportunities provided by the impact of technology via the multinational corporations. (To the extent that multinational are able to pay higher wages as a result of their exploitation of Indonesian workers.) The objective conditions exist for the collaboration of some Australian trade unions with such multinational companies. As our own corporations (24) See H. McQueen, "The End of Equality?" Aesma, No. 30 (1973) and C. Harford's chapter in J. McAneney (ed.), Tazacort and a New Australian National, pp. 13-26. (25) See K. Bevan, "The Political Economy of Australia Since 1890," in J. Phythian and D. Kramer (eds.), Australia, Capitalism and the Market, pp. 191-200.

27 H. McQueen, A New Brisbane.

In Chapter Three and Four we sketch what some of the implications might mean for labor policy. The question asked is whether Whitlam will pitch his social policies to the middle? Will he ignore the claims of the top 5 per cent of income earners and the bottom 20 per cent in order to consolidate the support of the middle ground? In Australian politics?

The provisional answer given in this book is an affirmative one. Whitlam on a number of occasions, and especially on the hustings during the December 1972, has redefined 'equality' in the Australian context. He says that in 'egalitarian Australia, inequality is not a function of ownership structure. Rather it is a function of where you live, and of differential access to public goods such as education. Consequently the government officials have studied regional differences in access to sewerage, the arts, education and so on, and the differing burdens of land and housing costs. Whitlam has set up a number of intra- and inter-urban economic commissions (Schools Commission, Interstate Commission, etc.).

29 The first sign of this coming with the interests of small business, the International Engineering Exhibition, promoting a small enterprise the new Federal Industry (M.C. Industry) on the need for better government support for small businesses. (30) Whitlam here shares the myth about the egalitarianism of Australian country. For a criticism see Brian McFarlane The Rich and the Poor, The Melbourne, 1968.)

"Begin to go transnational" and export more capital under Cairns' "prodding" process is likely to accelerate and is worthy of the greatest scrutiny. The small capitalists and conservative petit-bourgeois of the cities swung politically in the December election in the urban areas to give Whitlam office. His policy speech was directed at them. As shown in Chapter Seven, the first Green-Whitlam budget was a monument to their invisible power and to the way that they (and some tightly-organized rural interests) have penetrated the ranks of the A.I.P. It is not exaggerating to say that Whitlam is affected by their shifting political moods, while his ideological colleagues, especially Dunstan, are influenced by the theoretical expression of their interest in social democracy as the best form of handling the post-affluent society—the works of Servais-Schröder, Olaf Palm and others. No account of labor in office would be complete which did not take into account this continuing influence and the reaction of this social sector to Whitlam's tariff acts, monetary policies and tax-subsidy enactments.26

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a revamped Commonwealth Grants Commission) whose job will be to bring about by fiscal measures and re-arrangement, more equality by reducing disparities between regions. Haydon and his friends go further. They wish to take health insurance and retirement funds out of consolidated revenue (where it has been built up by progressive taxation) and finance these funds from non-progressive levies (though some subsidies and extra benefits for the poor are envisaged). This is bringing the new technocratic lobby of federal politics into conflict with the 'paralaborites' who are still attached to the economic style practised by the Atlee-Stanford Cripps Labour government in England: highly progressive taxes, supertaxes on property, non-subsidies and price-controls. More significant, however, is the grave doubt about whether the causes and mechanisms of inequality are fully understood in the pragmatism of technocratic laborism—that the benefits to the poor are hard to comprehend and complicated and time-consuming to claim; that many poor families are tossed into poverty. These are part of the modern open-ended welfare systems under capitalism. As Timmins points out in his *Commitment to Welfare* (1968): 'the emphasis today on the benefits of welfare tends to obscure the fundamental fact that for many consumers the services are not essentially benefits or increments to welfare at all, they represent partial compensation for disabilities, for social costs and insecurity which are the product of a rapidly changing industrial society.' Apart from its 'retreat from equality,' the A.L.P. has a new concept of 'income policy' which aims to preserve the share of families in national income, while undertaking certain redistribution of income within the share of 'labor' generally. To achieve this, it needs a planning model adapted to liberal-capitalist economic techniques (monetary controls, changes in taxation patterns, tariff cuts and withdrawal of subsidies). In precise comments on planning, A.L.P. documents spell out the essentially bureaucratic and technocratic centralised planning system that the Party conceived as 'natural.' One of the present authors had already criticised those at some length in the book *Economic Policy in Australia* (Melbourne, 1968). Here we would point to a shift of emphasis by Dr. Cairns who has developed one view on participatory planning in his book *The Quiet Revolution*. More recently he said.

Government policy is to bring together the collective experience, knowledge and ideas of public servants, industry managers, academics, ecologists and the ordinary citizen who are the consumers of industry's products. The government intends to develop industry planning across the whole range of industry, with all sections of the community participating in the planning.

The implications of this new approach—and the Labor government's growing enthusiasm for it—are the hub of the essays which follow.