Australia Reconstructed was met variously with hostility, indifference and acclaim. But, argues Geoff Dow, it could still represent a turning point for the unions — and for Australia.

It is now clearer than ever that the trade union movement rather than the government, economists, public servants, academics, employer groups or the corporate controllers of investment, has become the bearer of the public interest in Australia.

The ACTU-Trade Development Commission document *Australia Reconstructed* is radical not in conventional terms but because it signals a struggle to dramatically change the auspices under which macroeconomic decision making is conducted. For the past three years, the government has been pursuing a strategy, in defiance of the 1983 Accord, to 'restructure' our economy by slotting it in to global trends without making commensurate efforts to develop internal mechanisms and institutions which actually allow us to direct investment, choose an industrial structure or plan the location, level or content of economic activity. The current purpose is to expose people and industries to international competition — as if this will inevitably produce a cleansing fire of regenerated, export-oriented, entrepreneurial success. Such strategies will not produce full employment; they have not done so in any other time or place. Market processes will work, if that is the word for it, only insofar as they permanently impoverish large sections of the population; while creating enclaves of nervous beneficiaries in a global network of divided populations.

For those who don't wish to repeat the British experience of unnecessary suffering, industrial devastation and 'two-nation' dissent continually fuelled by racism, labour market segmentation and civil suspicion, the alternatives for industrial renewal prefigured in the report deserve careful study. But it won't be easy to establish these 'alternative accumulation strategies' on the political agenda; there are enormous battles ahead — with the left as well as with the right. We need therefore to review carefully the implications of union driven proposals for the regeneration of Australian capitalism.

Much of the time of the study group whose conclusions led to *Australia Reconstructed* was spent in Sweden, whose social and economic experience is widely misunderstood by those anxious to dismiss, on *a priori* grounds, its relevance to the rest of the world. The swedish model is in fact a widely respected approach to economic policy making rooted quite firmly in the keynesian and post keynesian analytical traditions. It acknowledges, with Keynes and Joan Robinson, that market mechanisms do not produce stability or optimality or full employment; that public control of investment is necessary to deal with inherent cyclical deficiencies; that real wage reductions both exacerbate recession and further skew income distribution in directions that make recovery less likely; and that permanent incomes policy arrangements are the only practicable means to overcome the 1980s problem of inflation during recession.

Through editorials and feature articles, much of the financial press has been advocating policies identical to those Joan Robinson once said produced 'monstrously stupid, unnecessary misery' in the 1980s. Even Keynes himself described deflationary policies as sadistic. Yet economic orthodoxy, oblivious to the specific features of actual economies, continues to derive policies from abstracted theories, models and conceptions of equilibrium. There is no economy on earth that is adequately described by these models; and policies drawn from them are as predictable as they are damaging. If one has a view of price mechanism which set up tendencies to social optimality and a presupposition that all economic problems are problems of resource allocation, then there is a simple, prepackaged solution to every economic problem: reduce...
What's in it for Women?

Given the current economic climate, it is perhaps not surprising that much public discussion of Australia Reconstructed has focussed on considerations of growth and the current account deficit. Less has been said about the aspect of most concern to women — namely “equity”. However, as the report notes, in several of the mission countries — and most notably in Sweden — growth and equity are seen as integrated and complementary.

This is evident in terms of both wages and labour market policy. “Wage Solidarity” policies (the most egalitarian of which is Sweden’s) combine considerations of equity and efficiency:

The principle of equal pay for work of equal value is enshrined in the system and is used to protect low-paid workers, to prevent inefficient firms from being subsidised by low wages and to help prevent artificial labour market segmentation.

Australia still has a long way to go in eradicating labour market segmentation and particularly in implementing the “equal pay for work of equal value” concept. In 1981 the average female earnings in Sweden amounted to 80 percent of average male earnings, which compares favourably with the 1983 Australian figure of 66 percent. This is generally attributed to the Swedish “wages solidarity” policy.

Hence the report recommends that centralised wage-fixing should give priority to extending the principle of “equal pay for work of equal value”, particularly the way in which it extends to women.

In regard to labour market policy, the mission found that in Sweden, Norway and Austria equality of opportunity is perceived not only as a worthwhile social objective in its own right, but as an essential wages and reduce government spending.

In the 1930s, wage reductions were imposed on already suffering populations in a search for the benefits of market flexibility. They proved to be ‘cures’ worse than the disease. In the 1970s, with equally smug assurance, the economists insisted that government spending was the cause of inflation. The resulting policies of public sector restraint again exacerbated the recession. In the 1980s, the cause celebre for small government champions is the so called public sector borrowing requirement (PSBR), a constructed figure of far less importance than the uses to which borrowed funds are put. The contemporary case against the public sector, an exercise of unparalleled eunicism given its puny size and the scope of its underdevelopment, relies on a dishonest equation of foreign debt with government obligations. Our overseas debt is not by any objective evaluation a significant public problem because most of it is private debt and readily repayable from private revenues generated both here and overseas. Foreign money markets react to policies they don’t like by urging policies which are substantively irrational and which consciously undermine national productive capacities. As Winton Higgins has been arguing, we need a politicized and political unionism to short-circuit this whole self-perpetuating cycle.

The commitment to the principles and policy prescriptions of economic liberalism continues to determine the government’s priorities and continues to create a gap between what we are and what we might be. This is not as new a development as some of the current disillusionment with the Labor Party would suggest. Political parties of labour here and elsewhere have a rather squalid record in responding to economic recession by deploying policies that make things worse. Ramsay MacDonanld, James Scullin, James Callaghan and Gough Whitlam all preceded Bob Hawke as labour leaders who reacted inappropriately to unexpected economic downturn.

But Treasury economists with their manic distrust of planning, intervention and the creation of new economic policy institutions, have had a stranglehold on economic policy in most Anglo-saxon countries for as long as we can remember. Economic historian Sidney Pollard has characterized the Treasury attitude in Britain and elsewhere as a ‘contempt for production’. A first approximation to understanding the economic proclivities of governments in the 1970s and 1980s, he says, is ‘the despairing conclusion that the Treasury will always choose, from any set of options available, the one which will do the most damage.’ In practice this has meant that the standard and systematic response of government has been to discourage investment and hence to aggravate the problems it has a charter to remedy. The current plans to deal with the housing crisis are an example: instead of building new housing, the government will allow windfall rentier income to those who already own housing.

It is against the cynical and self-defeating proclivities of Treasury-produced policies that Australia Reconstructed is pitted. Its emphasis on intervention and its concern to create innovative sources of investment funds are not at all arbitrary. Similar suggestions were made by Keynes in the 1930s and deferred only because of political squeamishness. The easy road to anti-recessionary policy that was available fifty years ago (rearmament) is no longer so attractive; we need to make explicit, political, decisions concerning the structure of our economy, the content of economic activity and the direction of investment. The government’s preference, to ‘get the fundamentals right’, meaning to re-impose flexible adjustment mechanisms and to allow Australia to take whatever capricious place is ceded to it in a reorganized international division of production, is the route to permanent marginality. Far from
being irrelevant to the processes of industrial adjustment, the researches of non-economist social scientists have produced results which are encouraging for the advocates of 'strategic unionism'.

Over the past decade, political science and sociology have been comparing the performances of different countries' economies during the recession. It has become apparent that the explanation of differential success in controlling unemployment and inflation is political and institutional. For example, Australia is one of a group of countries where small public sectors, low taxation and a generally non-interventionist approach to investment has been accompanied by quite poor macroeconomic outcomes. Another group, including Sweden, Austria and Norway has large public sectors, high taxation, active market interventions and low levels of unemployment. Quite clearly these differences cannot be explained in terms of laissez-faire or orthodox economists' presumptions about the virtues of market mechanisms. In general, movement away from market modes of regulation has produced better, not worse, results. In only two countries, Switzerland and Japan, is good economic performance associated with small government and low taxation.

The ACTU has ever reason to be interested in this reality; it would be irresponsible for a labour movement not to examine closely the global empirical evidence that conservative policy makers (including those in the ALP) are incapable of apprehending, to its credit, the ACTU-TDC delegation went much further in its analysis than summary of bottom line results; it has made a sustained effort to understand the connections between the different arms of macroeconomic policy (taxes, wages, industry policy) and produced a strategy for its future negotiations and battles on these issues. This type of work was commenced in other

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<th>Average unemployment</th>
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<td>% 1975-85</td>
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Source: OECD Economic Outlook 40, December 1986

ingredient of a well-functioning labour market. Labour market segmentation is seen as a sign of inefficiency "because it lays to waste the creative talents of large numbers of workers".

The Swedish labour market compares favourably with the Australian on several counts. For one thing, female unemployment rates are approximately equal to the male, while in Australia the female rates have been consistently higher. Progress in overcoming labour market segmentation has been slow in Sweden. At the current rate of development, it will take an estimated ninety-four years to achieve an equal balance of the sexes in all occupations! However, the slow rate of progress "is at least backed by a national commitment to do more". Among the steps taken are:

- A comprehensive parental leave and parental insurance scheme
- Legislation requiring active steps by employers (both in the public and private sectors) to promote equality at work
- Collective agreements on EEO between peak union and employer organisations
- In-plant training projects to assist women to adjust to technological change

The report concludes that much more needs to be done in Australia to promote EEO and increase child care places. Its recommendations include:

- Tripartite co-operation to develop and extend parental leave provisions in all awards and workplaces
- Improved child care facilities, including government provision of a specified number of new places in an agreed timeframe, and the introduction of greater incentives for employers to provide work-based child care
countries decades ago.

OECD countries' performances during the recession are worth noting: They are summarised in Table 1.

It is clear from these figures that Australia's performance is significantly at variance with the profile of the Treasury line would have us accept. Not only is Australia one of the most unregulated economies in the world, the pattern of interventions we have developed has never been able to challenge the suspicions under which economic activity has been generated. The tariff system, to take the most notorious example, has never been buttressed by concerted attempts to plan the processes of economic development; it was not an instrument of structural rationality. This abrogation of responsibility, commensurate with the squandering of opportunities for more deliberate and effective forms of public control of the economy, is the primary characteristic of twentieth century industrialization.

Similarly, the arbitration system, long-time symbol for conservatives of the Australian economy's inflexibility, has only sporadically been a vehicle for the implementation of government incomes policy. When non-market imperatives have been applied to wage determination, the actual outcomes have not differed greatly in level or relativity, from what the market is likely to have produced; when market principles have been re-asserted, the resulting wages structure has not departed markedly from what a needs-based criterion would have produced. To this extent, the incomes policies of governments have been notional only.

In these two crucial areas (the control of industrial structure and the control of income distribution), Australia has failed in the past to develop the institutions that would be necessary to avoid the arbitrary and disheartening effects of laissez faire. As Bob Jessop said during his recent visit to Australia, we have had state intervention without an interventionist state. Reluctant and minimalist degrees of intervention have done damage to the idea of an expanded public sector in just those areas where it's been least attempted. This history of abrogation, a feature of public economic management in all Anglosaxon countries, is an imitation not only of the past failures of government, but also of the political weakness of labour. Insofar as the labour movement is now commencing its campaign for a more activist involvement in economic policy formation, it is also asserting a change in the farm of what used to be called class struggle.

The political and sociological enquiries that have prompted the ACTU examination of institutional conditions governing economic performance in Europe provide sustained empirical refutation of most of the detailed claims of economic orthodoxy. For example, not only are the deregulated economies not better economic performers, but small public sectors are no guarantee of low unemployment or inflation. Market flexibility is certainly not a condition for full employment without inflation; wage costs are not significant determinants of employment levels (compared with demand for the products); government spending does not in itself cause inflation; high taxation is nowhere an indicator of irrational economic activity; budget deficits in times of recession are neither burdensome nor irresponsible; and the active involvement of the labour movement in policy making is nowhere an indicator of irrational economic decisions.

This public failure of market principles, signalled by the poor showing of those economies which rely upon them, has not of course been accompanied by a lessening of their defenders' enthusiasm. It does, though, give the left, which is periodically bemused by its new role as defender of the economy, a rationale for intervention. This is simultaneously an explanation for the historical decline in the appropriateness of free markets. There was an era, beginning two centuries ago.

\textit{Sue McCreadie.}
when market, mechanisms were inaugurated, as part of the bourgeois revolutions’ charter of getting capital accumulation under way, to unleash entrepreneurial activity from the constraints of feudalism and mercantilism. Two centuries later, there is decreasing reason to suppose that markets are still such unambiguously progressive mechanisms. There is substantial reason to suppose that markets are still such unambiguously progressive mechanisms. There is substantial reason to suppose that a re-development of political, and democratic, criteria would produce higher living standards, less insecurity and more extensive public control over the economy. This is what, Marx, Keynes and the new political sociology have argued.

The transition from markets to politics is not only a prerequisite for economic recovery; it is a precondition for the erosion of exclusive managerial and ownership rights. Consequently, it’s a matter of conflict between capital and labour in a sense precisely analogous to the conflict between landowners and capitalists at the dawn of capitalism. All decisions concerning accumula-

**Britain Reconstructed?**

Is the British left about to embark on producing its own version of *Australia Reconstructed*?

In the wake of Thatcher’s third election victory, Eric Hobsbawm has argued that a new economic vision is needed for the left and Labour Party to have any hope in years to come of defeating Thatcherism (with or without Maggie). Hobsbawm’s statement is significant: it was he who began the agonising reappraisal of the British left with his speech “The Forward March of Labour Halted?” back in 1978. Since then, sharpened by the stunning successive victories for the Tories, the debate has come a long way and in many ways it parallels the Australian left’s more recent (and probably more successful) attempts at renewal.

Hobsbawm argues flatly that “the reason why we have not made headway against Thatcherism is that Thatcherism is still the only program on offer with the hope of changing the British economy”. (*Marxism Today*, October 1987.)

Yet while there is no alternative to Thatcherism on offer, its reliance on the free market is clearly not enough. The reason is simple, Hobsbawm argues. “Making money is the object of free enterprise and, in a declining country, there are demonstrably better and, above all, faster, ways of making a lot of money than in the long term and expensive business of restoring the fortunes of Britain.”

Hobsbawm reinforces this call, familiar to those aware of the refusal of capital to make large productive investment in Australia, by arguing that education is one key to economic reconstruction.

“I know of no poor or backward country that has ever fully transformed itself into an advanced one without an educated labour force at all levels,
ion and distribution are matters of class conflict; this, in the economic sphere, is what class conflict is. Therefore, struggles to change the auspices under which accumulation occurs, are certain to invoke resistance.

Labour-capital conflict is, therefore, not exhausted by overt industrial militancy; different forms of labour-capital conflict are necessarily evidenced in this process. They include conflict over accumulation decisions, conflict over government policy (taxation, wages, public spending, industry policies), the organizational activities of employer associations and employee associations, resistance to the use of profitability as the main criteria for investment and resistance by unions to wage fluctuations in response to fluctuations in profitability (implying that labour be treated as a commodity like any other).

In an era when discussion of social conflict has become unfashionable, it is important to recognize that the strategies implied by 'strategic unionism', attempts by unions to coordinate their policy struggles with both national economic requirements and the expected responses of other groups (governments, employers), cannot possibly be consensual. Whatever the tenor of political rhetoric, the reality of industrial renewal is one of conflict.

This is a neglected aspect of the left's evaluation of 'corporatist' strategies since 1983. Winton Higgins has taken some trouble to point out that the world 'corporatism' does not describe what is or needs to be done. For a start, tripartism has been used (in the UK) to suppress real incomes and to isolate key sectors of the economy (and the workforce) from others. Some of the institutions, furthermore, don't need to be tripartite at all. Wage negotiations in Sweden, for example, are highly centralized but do not involve the state. The real purpose of 'strategic unionism', 'political unionism', 'corporate unionism', 'economic democracy' or 'political class struggle' (call it what you will) is that it seeks to collectivize the decisions which affect our fate. The capitalist countries that have done this have not only eroded the hegemony of market prerogatives, they've made their populations more secure, more affluent, less segmented internally and more able to cope with externally induced change.

Whatever it's called, the strategic environment of Australian unionism from the Accord to Australia Reconstructed is a sign of a maturity and sophistication in our trade unions that is necessary if we're to extend democracy in the direction of economic democracy.

Although there are significant quibbles one could have with some of its details (for example, it seems to accept too readily that Australia's re-industrialization can be achieved by identifying export 'niches'), the central assertions of democracy are the most satisfying aspect of the report. The Swedish experience shows that parties of labour need to be pushed by a well educated, highly mobilized, research-backed union movement. Some of these conditions do apply in Australia; but institutionally the Swedes are a long way ahead of us.

The distinctiveness of the Swedish model comes from the gradual imposition, over a fifty year period, of political controls on the economy. At each stage — counter-cyclical policy in the 1930s, union battles for control of superannuation, pension & other investment funds in the 1950s, the inequality-inducing, centralised, solidaristic wages policy of the 1960s and 1970s and the more recent, acrimonious attempt to institute a system of wage earner funds (finally legislated into existence in 1984) — the trade union strategy has been met with prophecies of economic doom from the economists. At each stage the economists have been proved wrong. Political control of the economy has still not been effected in Sweden, arguably the most politicized of all the capitalist economies. Yet the lessons are relevant to all other rich capitalist countries. The lesson, most simply stated, is that capitalist control of a capitalist economy is increasingly incapable of delivering low unemployment and high living standards the more complex the economies become. Trade unions, rather than governments, have the job, then, of urging the creation of the requisite new institutions.

This collectivist imperative remains whether the workforce is highly unionized or not. However, it is comforting to be reminded by the Swedish experience that unions' commitment to national economic
Hobsbawm comments "If Labour wants to modernise Britain it will have to be as ready to disrupt old habits and practices as Gorbachev is in his effort to modernise the Soviet economy". A plan for "reconstruction" (Hobsbawm uses this term) is "a way forward for socialists, even though it does not guarantee a socialist future".

Hobsbawm concludes that, in order to convince the seventy percent of Britain's population who are sceptical of public ownership and planning, "we have to show them concretely how and why public action, planning and policy, including common ownership, is better; not only for the victims of society but for Britain as a whole; not only to share the national cake out fairly, but to make a bigger cake to distribute; not only in the abstract, but in the existing, hard, international competitive system".

Wealth creation, succeeding internationally, and greater science and technology education all have a familiar ring for an Australian left also facing a crisis of relevance and grappling with the free market right.

David McKnight.

recovery is compatible both with their traditional struggles for full employment and their underlying (if frequently postponed) interest in ensuring that neither fluctuations in wages nor the deliberate creation of unemployment are used as surrogates for economic rationality.

The View from the Community Sector

With the dust of the stock market crash settling around our ears and the evidence for a deep recession in the first as well as the third world piling up, it's hard to take Australia Reconstructed's talk of growth very seriously. But growth, we are told, is what it's all about.

Recommendation 1.2 says, "This (the achievement of the national economic and social objective) is dependent on maintaining the maximum possible level of economic growth and development". In other places leading trade union advocates of Australia Reconstructed have put the point more bluntly. You can't, they have said, get redistribution (and equitable distribution is what the objective is about) without growth.

Whatever we might think of this assertion (and no one, I suspect, is arguing for a recession) we are left with a problem. What do we make of an interventionist strategy which can't live up to its basic goal? I raise this question for two reasons. First, because it helps us to understand the important role that Australia Reconstructed can play if we are clear that it is not really the blueprint it claims to be.

Second, the growth fixation is the beginning of a path up a blind alley. This dead end itself is a consequence of a view of how the union movement should play the game; a view which has meant that, as Peter Botsman put it recently, there is a chapter missing from Australia Reconstructed. Roughly, the document acts as though there can be a two-stage reconstruction — growth through manufacturing and trade, and later (in another document?) redistribution of employment and total income. Sadly, this leads not only to a distortion of the very structures that will be needed in this mythical second stage, but also to a distorted view of who the social partners in reconstruction should be. Hence the need for the "missing chapter".

So, what strategic use is the report now? The jury is still out on this. As with any interventionist strategy, the final verdict will depend on how well the left can use the opportunity. However, the report has provided a new benchmark for the labour movement's approach to the government and to the economy and social planning.

It is not really possible to exaggerate the importance of the fact that the ACTU has adopted a position which insists on an integrated approach to economic and social management, and on re-establishing a full employment objective (one which sees this meaning increased participation, particularly female participation); and which argues that wages must be considered in a broader incomes framework that calls for lower wage differentials; and finally, which demands broader social participation in economic and social management.

All up, the report has given the union movement new legitimacy and credibility in its pronouncements. But, in some ways more importantly, it has given other social forces a chance to open up discussions they would have found much harder before.

The down-side of this is already obvious in the huge changes in employment, education and training. Mr. Dawkins has been handed both legitimacy and the close assistance of some of Australia Reconstructed's mentors. The tragedy is that the document's training and labour market strategy has been lifted out of its context and is being chased up a blind alley by...