The Razor Gang: A hidden agenda?

by Gavan Butler

On April 30, 1981, the Prime Minister presented the Ministerial Statement on the Review of Commonwealth Functions to Federal Parliament.¹

The review is the report of the committee chaired by Philip Lynch and known generally as the Razor Gang. Many of the decisions which it covers have already been embodied in legislation. The preamble to the details of the decisions set out in the report employed the rhetoric of the "new conservatism", to which subject the last set of Economic Notes was addressed. It is clear, however, that — for all the rhetoric — the Razor Gang recommended only limited and very selective de-regulation. That has raised the possibility that the report is really a facade, that behind what can be immediately detected there lies a hidden agenda for the Fraser government.

The report of the Razor Gang

The decisions covered by the Report of Commonwealth Functions are listed under four categories involving (i) the transfer of functions to the private sector (ii) government regulation and assistance schemes (iii) the transfer of functions to the States, and (iv) the rationalisation of Commonwealth government activities. These Notes will deal only very cursorily with the last category but will then consider, in some detail, categories (ii) and (i) and (iii) in that order.

Rationalisation of Commonwealth Government Activities

The "rationalisation" of Commonwealth government activities involves some immediate steps and a number of reviews of activities.

The immediate steps include inter alia, the postponement of certain major capital works, reductions in funds available to departments and authorities, the termination of Mandata (the computerised staff management system), the termination of many advising committees, changes in the procedures of the Department of Social Security and the Commonwealth Employment Service, the reallocation of the that, and a fair payment for what they produce, farmers will continue to be
Australian Atomic Energy Commission's research establishment to the C.S.I.R.O., and the abolition of the Commonwealth Legal Aid Commission. The contribution which these moves were thought likely to make to a total reduction of over ten thousand persons employed by the Commonwealth was not stated; but whatever it was, it will have been diminished by the recent revolt within the Department of Social Security.\(^2\)

**Government Regulation and Assistance Schemes**

The reduction in the Commonwealth’s regulatory activities were as follows. The Prices Justification Tribunal has been abolished: presumably the need for justification of decisions by large corporations to increase their prices has passed. Another body has been created, though, to administer the Federal Government’s policies in regard to the pricing of petroleum products.\(^3\) The activities of the Trade Practices Commission and of the Trade Practices Division of the Department of Business and Consumer Affairs are to be reduced, among them the investigation of complaints and the monitoring of safety standards. Ostensibly, the activities which are to be reduced are undertaken by instrumentalities of some State governments. The staffing of the Industries Assistance Commission (I.A.C.) is to be reduced, although this may only amount to some rationalisation given the existence of a corresponding division in the Department of Business and Consumer Affairs. Twenty-seven collections of statistics by the Australian Bureau of Statistics (A.B.S.) have been terminated although it would be surprising if some industries were not soon to argue that some of them should be re-established (for example, production of minerals and mineral products).

Investment and special depreciation allowances are to be reduced minimally (by 10%) as are the rate at which allowable capital expenditure incurred in the development of a mine or oil field can be deducted from assessable incomes and the rebate available to holders of shares in petroleum companies.

The fate of the Export Expansion Grants Scheme is uncertain: it is to be reviewed. Certain forms of assistance for research and development and for productivity improvement are to be reduced.

**The Transfer of Functions to the Private Sector**

Eleven sets of Commonwealth assets were to be sold to the private sector. These include surplus land, property and storeholdings, four small enterprises within the A.C.T., the Bendigo Ordnance Factory and the Australian Government Clothing Factory which have already been advertised, the Wool Testing Authority, domestic airline terminals, the Housing Loans Insurance Corporation and the Experimental Building Station. It is not at all sure that, regardless of union threats, there will be any bids for the ordnance and clothing factories; the Wool Testing Authority is now not to be sold as a result of pressure by the wool industry;\(^4\) and the only likely contenders for the airline terminals are the domestic airlines themselves, which may have to be persuaded to do their duty. Additionally, parts of Telecom and Australia Post are to be sold or abolished\(^5\) and several “business authorities”, such as Commonwealth Accommodation and Catering Services Ltd., will relinquish some of their activities to private contractors. However, these moves must be put into context.

As of May 5, 1980, there were 39 separate, national, incorporated “business authorities” owned by the Commonwealth.\(^6\) This total does not include 39 subsidiaries of several of the authorities and those authorities with jurisdiction only within the A.C.T. It does include six authorities of primary concern to Aborigines. Some of the very large public enterprises overlooked by the Razor Gang include the Overseas Telecommunications Commission, the Pipeline Authority, the Commonwealth Serum Laboratories, the Australian Shipping Commission (except that the A.N.L. is to be “significantly deregulated”), and so on. In this context, it hardly appears that the Federal government’s divestiture of some enterprises significantly
contributes to reducing the size of the public sector in favour of the private sector; and whether or not any of the public enterprises involved (except the Housing Loans Insurance Corporation) is actually sold is unlikely to be of any interest to any fraction of capital.

Substantial re-allocations of revenue to the private sector are occurring, however, beyond the divestiture of enterprises. These include the progressive increases in the funding of private secondary schools at the expense of state schools and the recently announced programme to augment the salaries of private doctors and funds available to private hospitals.

**The Transfer of Functions**

The decisions regarding transfers to the States involve a more interesting and complex story than do the other recommendations of the Razor Gang. The most notable transfer was of responsibility for the management of public hospitals. In effect, State governments will be required to finance a higher proportion of the costs of public hospital treatment if they are to avoid implementing the “user-pays” principle for services provided. In education the reduction of the activities of the Schools Commission and the abolition of the Curriculum Development Centre and of support for education research are all explained on the basis of allowing the States to set their own priorities. At the same time, however, the Federal government has intervened more directly in tertiary education by way of promoting amalgamations of particular Colleges of Advanced Education, obliging Murdoch University and the University of W.A. to collaborate, providing funds specifically for “effort” in the areas of technology and business studies, and determining that schools of engineering at two Victorian colleges and at Deakin University be closed.

Other transfers identified in the body of the report include urban public transport, soil conservation, adult migrant education, the Glebe Estate in Sydney, the regulation and control of nuclear activities and previous responsibilities in the areas of regional development, decentralisation, rural extension and the Ord River Irrigation Scheme. Transfers mentioned only in the appendix include legal aid, the school dental scheme and translation services. Certain specific functions are to be transferred from the Commonwealth to the Northern Territory Government.

**The Report in Context**

In the last set of *Economic Notes*, I put forward some reasons why large-scale capital might support moves to de-regulate the economy. The first of these is an awareness of the fiscal crisis of the state. Each fraction of capital could be expected, however, to have a different view of where the state’s activities might most appropriately be reduced. The second reason is a concern to limit the development of any means other than conventional employment that could be capable of providing acceptable incomes, and hence to limit programmes of social welfare. It follows that the interests of corporations involved in, for example, construction associated with the provision of social services are likely to be more vulnerable than those of other corporations. The third reason is that any individual fraction of capital may believe that others are too highly protected by the state: many fractions of capital may fail to accept the generality of the need for protective regulation — that is, to accept that what is sauce for the goose is also sauce for the gander. The fourth reason is that many regulations apply to the impact of corporations on their workers and the public, rather than on each other. Such regulations cover industrial safety, health, the protection of consumers and the protection of the
physical environment. These are matters in regard to which it is possible to argue that self-regulation, or resort to agreed "good business practices", is adequate. They are matters in regard to which it is possible to argue, in other words, that both some of the state's expenditure in regulating, and some of the cost to capital in proving compliance with regulations, can be avoided without harm to the overall legitimacy of the conduct of private enterprise. The legitimacy of the conduct of private enterprise is perhaps hardest to establish among private enterprises themselves. Finally, most fractions of capital may believe that the functions which the state performs for them can be performed more efficiently.

The converse of the above is that large-scale capital can be expected to support only limited and selective de-regulation. The concerns expressed in recent times by two industry bodies, the Australian Industries Development Association (A.I.D.A.) and the Confederation of Australian Industry (C.A.I.) tend to bear this out.

The C.A.I. published in 1980 its first report on government regulation in Australia.9 That report is devoted to regulation by the Federal government. The C.A.I. defines regulation fairly narrowly: "Regulatory activity means actions taken by governments, whether under the authority of statute or as a result of administrative practice, which have the effect of controlling prices; entry into, or exit from, the market place; product standards and patterns of distribution and other significant aspects of economic activity in the market place".10 On the basis of this definition, the C.A.I. identified thirty-one regulatory activities at Federal level, not counting those which apply to the A.C.T. specifically. According to the results of a survey the C.A.I. conducted, the major costs to capital of compliance with regulatory activities were associated with those activities within the domains of the Minister of Business and Consumer Affairs (41%), the Treasurer (23%) and the Minister for Primary Industry (17%). The preponderance of the domain of the Minister for Business and Consumer Affairs was associated with its including the I.A.C., the Prices Justification Tribunal and the Trade Practices Commission. The Treasurer's domain notably includes the Foreign Investment Review Board some part of which was seen to be regulatory in function.

Although it is difficult to locate the C.A.I.'s sources of regulation within the Razor Gang's tables of functions by department, it seems likely that no recommendations were made in regard to somewhat less than half of the C.A.I.'s list. (This statement excludes regulations pertinent only to the A.C.T.) However, what must be borne in mind in considering the comparison between the recommendations of the Razor Gang and the C.A.I.'s sources of regulation is that some regulatory activities are simply to be transferred to the States and, anyway, that the C.A.I. defined regulation very narrowly. That is not to say, of course, that in the final analysis there will not be a significant loosening of regulation in the important areas of the protection of consumers, workers and the environment.

From time to time, A.I.D.A. has paid lip-service to the idea of a generalised reduction of intervention.11 Its real concern has been, instead, to bring about reductions in particular interventions while ensuring that others, such as the tariff, are maintained and new forms of intervention are affected as they are required by the manufacturing sector in general.12 The first set of decisions listed under Government Regulation and Assistance Schemes in the previous section would have won A.I.D.A.'s approval; the second set would not have.

Not at all surprisingly, there are substantial forms of intervention by the state which are left unaffected by the Razor Gang's recommendations. Reducing the activities of the I.A.C. only leaves the tariff itself more secure; and quota arrangements are not mentioned. The de-regulation of domestic airlines mooted before the report was published was quickly torpedoed by Sir Peter Abeles himself. The Federal government's major intervention in the pricing of petroleum products may become more mysterious but is
sure to persist: even the U.S. Administration is reported to be having disturbing second thoughts about its deregulation of the oil industry. Licensing arrangements such as for car rental at airports remain intact. The subsidisation of interest payments by the Australian Wheat Board is to be reduced but not abolished. While the Federal government is likely to adopt some of the recommendations by the Campbell Committee of Inquiry for de-regulation of the financial system, a new regulatory agency — The National Companies and Securities Commission — is about to come into operation. Most major forms of assistance to industries remain intact, although the “user pays” principle is to be adopted for some services previously provided free of charge.

Are we then to judge that the Razor Gang’s report is little more than an exercise in public relations? Or is there more to the report than strikes the eye — is there some sort of agenda hidden beyond the ostensible concerns of the report?

A Hidden Agenda?

It has been suggested that there is “a hidden agenda” of one sort or another behind the transfers of responsibilities to the States. One suggestion is that the transfers effectively move part of the burden of the fiscal crisis and of legitimisation to the States. A second suggestion is that the transfers to State governments, along with transfers to the private sector, are designed to deflate the people’s expectations of the state’s role in social welfare overall. Such a suggestion gives some meaning to otherwise unsatisfactory comments, that the Fraser government is mean, nasty and unenlightened. A third suggestion is that the Fraser government’s trumpeting its transfers of responsibilities to the States will make it more difficult for a future Labor government to centralise policy in any area. By the same token, the noise made by the Fraser government about the wisdom of transferring activities to the private sector, even though it transfers relatively little, may make it more difficult for a future Labor government to socialise the means of production — were a Labor government so inclined.

Reflecting on the possibility of a hidden agenda, I was prompted to look again at a report for the Trilateral Commission on the “governability of democracies”. The report bears the title The Crisis of Democracy. The Trilateral Commission was formed in 1973 at the instigation of David Rockefeller of Chase Manhattan; its membership includes the leading industrialists, bankers and politicians of the U.S., Europe and Japan. The authors of the report concluded for these men (and in 1975 the Membership of the Commission was almost exclusively male) that “the trilateral societies” are rapidly becoming ungovernable. “The incorporation of substantial elements of the population into the middle classes has escalated their expectations and aspirations, thereby causing a more intense reaction if these are not met in reality. Broadened political participation has increased the demands on government. Widespread material well-being has caused a substantial portion of the population, particularly among the young and the ‘intellectual’ professional classes, to adopt new life-styles and new social-political values”.

The authors specify a number of “dysfunctions of democracy”, among them (i) the delegitimisation of authority and (ii) an ‘overload’ on government and the imbalanced expansion of governmental activities. The blame for the “overload” is laid upon several factors, including “the involvement of an increasing proportion of the population in political activity” and “an increasing expectation on the part of groups that government has the responsibility to meet their needs...(and)...an escalation in what they conceive those needs to be”.

In essence the Fraser Government’s hidden agenda is just what the report to the Trilateral Commission suggests, namely to reduce the people’s expectations of the state and to re-assert the legitimacy of the market as an instrument of social control. The state would remain responsive to capital, of course, and the market would be under capital’s control.
FOOTNOTES

3. Warwick Richards has warned, however, that the Petroleum Products Pricing Authority may have neither sufficient resources nor directions to be effective. In *Oil Pricing in Australia*, June 1981, unpublished.
7. On the other hand, the federal government’s failure to take up 100 percent of the ownership of the domestic satellite, in conjunction with the formation of a second common telecommunications carrier in the private sector does make a significant contribution.
8. What follows is an elaboration and expansion of what appeared in the *Economic Notes* in ALR No. 76.
10. Ibid, p. 27.
14. Total industry assistance was estimated to be $824.6m during 1980-81, of which $200m was to be attributable to export expansion grants. (See *Commonwealth of Australia, Budget Speech 1980-81*. This figure does not include assistance by way of tax concessions, which in 1978-79 amounted to something in excess of $766m. (See *Commonwealth of Australia, Budget Speech 1979-80*.)
15. Made by, among others, Ms Barbara Lepani of the NSW COSS (personal communication).

CORRECTION

In the preparation for publication of the article *Stalinism or Independence* a paragraph was accidentally dropped. This affects the meaning (See ALR No. 76).

The paragraph, which should come immediately after the quotation at the top of page 15, reads:

About three days before his final Central Committee meeting in 1956 Blake was called to a secretariat meeting and was informed that he was to be removed from any posts where his views could influence party members (in particular from Tribune, but even then not from peace activity or the peace movement).

The next paragraph begins: “Blake took the opportunity...”

ALR regrets this error.