Australian capitalism: in boom and recession


The main themes of Catley and McFarlane's latest book are the extent to which Australia's economic development has been shaped by the pressures of the international capitalist economy and by the role of the public sector (and thus, in turn, by political decision-making rather than "free market" forces). They trace these through three historical chapters (one on the 19th century, one on the period from 1890 to 1945, and one on the Menzies era) and focus on the present in the next three (one each on the impact of the "New International Economic Order" on Australia, the policies of the Whitlam government, and on Fraser's government). A closing chapter deals with "Options for the 1980s".

Given the direction economic debates have taken in Australia over the last decade, this could be a valuable book. Under the guise of "monetarism" the old doctrines of laissez-faire have been resurrected, and it is claimed that the economic stagnation of the last few years is the result of a public sector which is "too large". The dismal failure of market forces to revive the economy despite Fraser's vandalism in the public sector has shown in practice that these dogmas are misconceived, but it is still worthwhile to be reminded that they are without historical foundation as well.

As Catley and McFarlane emphasise, there never was a "golden age" of laissez-faire in Australia. On the contrary, throughout the 19th century the government played a major role in the economy — disposing of the land, importing labour (first through convict transportation and then assisted immigration) and importing and investing capital (borrowing on the London capital market to finance railways and other public works). The "golden age" of the Liberal Party under Menzies in the 1950s was not one of laissez-faire: directly contrary to Menzies' rhetoric, it was one of expanding government intervention and regulation in order to achieve rapid economic growth and full employment. As the authors remark: "The major Australian firms have never been committed to rugged free enterprise and the application of risk capital; they are committed to demanding subsidies, protection, tax concessions and an assured market.

Unfortunately, this is not the book that is needed. The main themes are submerged in a welter of detail as the authors feel obliged to pursue side-track they come across. Thus, we are told that "the root cause of the latest crisis" is the "restructuring" of the Australian economy by multinational corporations. They attempt to demonstrate this in Chapter 5, but it is a disjointed series of summaries and polemics from which the "conclusions" abruptly emerge, without any real justification. They take us through American Cold War policies, the OECD's 1977 McCracken report on the international economic crisis, the "Pacific Rim strategy" for American capital espoused by some businessmen in the late 1960s, the growth of export-processing zones in the ASEAN countries, internal developments in China after the downfall of Madame Mao, and the Viet Nam-Kampuchea war of 1978-79. Along the way, theories of "long waves" of economic growth, the dispute between "neo-Ricardians" and "Marxist fundamentalists" and the displacement of Keynesian economics by so-called "monetarism" are all dealt with.

"Strategy"

From this mish-mash it is concluded that calls from Third World governments for a "New International Economic Order" (involving increased foreign aid, export price-stabilisation and industrialisation in underdeveloped countries) are really a "strategy" of the Rockefeller-sponsored Trilateral Commission for the "further expansion of capitalism into the peripheral areas" of the world economy and are thus a "fraud". It is alleged that Australia's part in this "strategy" is the "development of new mining and energy industries under the control of multinational capital", and that (for unspecified reasons) a reduction of tariff protection and the "growing de-industrialisation" of the Australian economy is the "other side of this coin". Needless to say, no evidence of this "strategy", let alone of the role assigned to Australia in it, is produced. The paranoia too typical of leftwing nationalism has taken over from rational analysis.
The authors are better when dealing with internal Australian developments. The most useful chapters are probably those on the Whitlam and Fraser governments. The authors give a blow-by-blow account of policy decisions, economic events and party in-fighting, much in the manner of the financial press. But once again the basic argument is submerged by the detail. Essentially, they argue that Labor got in by formulating a "rival package which could more properly ensure the process of the expanded reproduction of capital" — or, to put it more simply, they promised business more growth and more profits at a time when the Liberals were in disarray. But Whitlam and his colleagues were manifestly unprepared for the inflation and recession that gripped the Australian economy in 1973-74; business rallied to the Liberals once more. The Whitlam government faced a "united phalanx of business opposition", and senior public servants and the mass media also threw their weight against it. The government was already disintegrating rapidly in the face of a hostile ruling class when Kerr dismissed it. Catley and McFarlane briefly discuss the claim that the sacking was the result of CIA/ASIO machinations. The evidence in support of this allegation is only circumstantial (CIA officers referring to Kerr as "our man" in Canberra, etc) and they are surely right to conclude that "it is not necessary to rely on CIA complicity to account for Labor's thrashing".

Fraser got the Liberals back in by promising business more growth and more profits — to be achieved by reducing inflation, cutting real wages and distributing the national income from wages to profits, cutting expenditure on welfare, health and education, and touting the mineral boom to attract foreign investment. But, five years later, he had still failed to deliver the goods in terms of higher growth rates and there were signs of business restiveness.

Catley and McFarlane explain the rise and fall of governments in terms of the formulation and disintegration of what they call "policy packages", supposedly "both appropriate to the needs of capital and politically feasible given the level of class struggle". They show a considerable passion for unearthing conscious design behind the pattern of events; even what the authors deride as the ad hoc policy-making typical of the Liberals is treated as such a package. They do impose some intellectual order on the chaos of events they describe by means of this device, but I think it is too neat and tidy. They identify some intellectual influences on governments (OECD technocrats in the Whitlam government; Friedman's "monetarism" in the Fraser government) and then attribute the coherence of these intellectual constructs to government policies. In their world, politicians are always choosing "strategies" and "policy packages" rather than making practical decisions under pressure of events.

One of the central problems of the book is that its theoretical approach is so eclectic. The authors invoke numerous economic theorists but make little attempt to explain their theories or how they fit together, let alone assess their validity. Thus, for example, on the central question of what went wrong with the Whitlam "package", they first summarise a paper by Professor Fred Gruen, one of Whitlam's key advisers, who saw it essentially as one of misreading the situation and making a succession of policy blunders as a result and, second, the AMWSU's Australia Uprooted pamphlet, which argued that the government's policies were deliberately wrecked by an "investment strike" by multinational corporations. Presumably they themselves would agree more with the latter view but they give no grounds for preferring one or the other. In general, they disapprove of "laissez-faire" economists, "rightwing" Keynesians and "dogmatic" marxists and approve of "leftwing" Keynesian theorists. The Polish marxist Michal Kalecki, and his theory of the "political business cycle", comes in for particularly favorable mention.

This eclecticism means they do not develop a coherent explanation and thus gives them little basis for reaching any definite conclusions about where things are going, except by way of historical analogy. In their final chapter on "Options for the Eighties", they summarise current views in the Labor and Liberal Parties (finding two "packages" in the former, three in the latter). They have little to say by way of assessment of these, nor do they spell out their own solution to Australia's economic woes. Their sympathies for the Labor left "package" comes through but they conclude that there is little chance of it being implemented. They end on a pessimistic note: "Even if, as in 1919, 1929, 1946 and 1972, the public mood were to swing to the left in the 1980s it seems unlikely that this would benefit the leftwing political parties [such as the CPA and its offshoots]... which seems likely to decline. Such a mood would be institutionally channelled into an ALP electoral victory. And if that happens the pattern of accommodations, political counter-attacks and defeats outlined earlier will likely again come into play. Such is the rhythm of the political development of Australian capitalism."