It is now over twelve months since the Labor government was thrown out of office and, since that time, this country has felt the effects of the most reactionary shift in the direction of its economy and society since the Second World War.

The Fraser government was put into power by those forces of capital which felt challenged by the rule of Labor. Labor had attempted to introduce reforms after a long period of conservative government. It introduced new policies to improve living standards by increasing government expenditure in areas of greatest social need - education, housing, social security and welfare, community development, etc. At the same time, it attempted to implement measures which would restore some national control of resources that are currently in the hands of the rich and powerful multinational corporations. In its social expenditure policies, Labor had achieved some partial successes; in its nationalist aspirations, it was defeated by those who opposed it.

The Labor experience was a profound lesson for the oppressed minority groups and the working people of this country. It showed the way in which the Australian and the international ruling classes - those who own and control the wealth in Australia - would use all the weapons available to them to mobilise against any measure they considered contrary to their own interests. The optimism of 1972, when progressive Australians welcomed a new era in Australian history, had by 1975 been translated into a deeper and more realistic understanding of the way our economic system operates.

However, the lesson that was learned from Labor did not end on November 11 or December 13. We are still learning it today from the twelve bitter months of reactionary government. For, since the coup, the forces of reaction have been strengthened by a government that is prepared to work hard to serve its masters. And what we have seen in this period is a concerted and vicious attack on the living standards of the vast majority of the Australian people - an attack which has far-reaching and horrifying consequences for the future direction of Australia's economic, political and social development.

The strategy of the Fraser government must be understood as having both short-run and long-run elements. It is the short-run dimensions which are having their effect
today and which are going to have even more of an impact in the coming year. These are the assaults on the economically deprived groups and the workers of Australia. These assaults have been through the destruction of Medibank, through the Budget and through the Arbitration system and they are an attempt to solve the economic crisis in Australia by hitting hardest those who are in most need.

The longer-run dimensions of the government’s strategy are, in many respects, more dangerous. This is partly because they are least recognised and understood, but largely because they will be irreversible if carried too far. These dimensions are those policies which are forcing the more rapid integration of Australia into the international capitalist system. These policies and the forces that are backing them would reduce Australia to a neo-colonial position whereby we would provide resources and primary products to the major imperialist centres - Japan, the United States and Europe - and at the same time, rely increasingly on importing industrial products as our manufacturing sector shrinks. The beneficiaries would be the gigantic multinational corporations and sections of the Australian ruling class. For the Australian people, it would mean a reduction of real wages, increased inequality, the dismembering of our manufacturing industry, a higher level of permanent unemployment, the degradation of our environment and the loss of control of the direction of our economy and society.

THE SHORT-RUN DIMENSION:
The Current Attack on Living Standards

Throughout the November-December election campaign and since that time, the Fraser government has persistently proclaimed its commitment to reducing Australia’s high rate of inflation. In pursuing this goal, it has implemented policies which have been designed to increase profits. To achieve this, the government has made every attempt possible to reduce living standards; firstly, by using its direct control of government spending, taxation, monetary policy, Federal-State relations and industrial policy to transfer resources to the private sector and, secondly, using all its influence to hold down the level of real wages. Let us consider these two aspects in turn.

The government’s strategy for transferring resources from the public to the private sector has comprised several components. The most important have been the policies directed at reducing government spending in the areas of greatest social need, increasing State responsibility in important areas of social expenditure (whilst, at the same time, failing to provide enough resources necessary for discharging these responsibilities) and providing special allowances to industry.

The May 20 mini-budget and the August 17 budget were the two major steps towards cutting social expenditure and dismantling the programs initiated by the Labor government.

As a consequence of these, we have seen:

* heavy reductions in the expenditure on health. Medibank has been dismantled as part of a deliberate strategy to force people into private health funds;
* social security and welfare being cut by three per cent* (in real terms). Women, migrants, aborigines and the unemployed received the most savage cuts; AAP, women’s refuges and health centres, self-help programs for Aborigines and special migrant programs are in the process of being, or likely to be, abolished;
* housing being slashed by 12 per cent (in real terms). Again, the severest cutbacks are on migrants, Aborigines and women;
* education being allowed to grow by only two per cent. This will hardly be enough to provide for new enrolments, let alone make improvements. The Labor government’s projected plans for increasing spending over the next three years have been completely discarded;
* urban and regional development being slashed by 45 per cent (in real terms). Any concept of forward environmental planning has been rejected;
* the ABC experiencing the most savage cuts in its history;
defence receiving the largest increase in government spending which is a magnificent reflection of the government's social priorities.

The dumping of social priorities has gone hand in hand with a philosophy of handing out money to industry. Here the record speaks for itself: on December 22, the government announced a 40 per cent investment allowance to business for investment in new plant. The projected cost for 1976-77 is $23 million. On December 23, the suspension of the February '76 instalment of company tax was announced. Six weeks later, on February 10, the superphosphate bounty was reintroduced at a cost of $50 million for '76-'77. In the budget, on August 17, it was promised that stock valuation adjustment which allows companies to reduce their estimated profits for company tax purposes would be introduced. Next year, this will cost at least $350 million and, when fully operative, it will cost over $700 million. The budget also contained lucrative subsidies to the mining industry. These included depreciation allowances with an estimated cost of $60 million in a full year and the removal of the export levy which will cost $33 million for '76-'77.

Turning now to the government's wages strategy, the most important point to be understood is that, today, we have in power the first government in the post-war period to abandon the long-established priority of full employment. Moreover, it has not only abandoned this priority, but the creation of unemployment has become the very centrepiece of the government's strategy to reduce real wages.

The Fraser government recognises that a high level of unemployment is a useful weapon for stopping the pressure for increased wages. Job insecurity, fear of the boss, the desperate need for a wage to support a family will all weaken the intensity of the struggle for a just wage. The government is trying to force workers to fight against one another in order to survive in this jungle. It would like to compel workers to be subservient, to accept any wage, to work under any conditions and to compete with one another for the approval of the boss.

The reality of such a strategy must be disguised and, to do this, the government has developed an elaborate publicity campaign designed to place the blame on the victims of its policies. In order to divert attention from the fact that its expenditure cutbacks have been one of the major causes of unemployment, the government has labelled the unemployed as "dole bludgers" and it has introduced measures to tighten up the rules for obtaining unemployment relief. The press has delighted in developing this "dole bludger" campaign and has provided numerous fairy tales about the luxury of living it up on the dole.

Unemployment has been the crucial weapon for holding down wages; the Arbitration Commission has been the main forum through which this strategy has been given legal support. This year, the Fraser government has intervened in every National Wage Case to argue that wages should not be allowed to catch up with inflation. The first intervention was made in February where the government was unsuccessful. After that, however, the government put enormous pressure on the Commission and in the two subsequent
hearings, it managed to ensure that there have been reductions in real wages. In its latest manoeuvrings, the government not only argued that there should be no increase in wages in the September quarter, but it specially timed an announcement on monetary policy so that it could return to the Commission to emphasise its position. This is why it was so angry at the latest decision which granted full indexation.

The government is also taking an active and provocative role in pursuing direct attacks on key unions, the recent intervention in the Fairfax dispute being an example of this. So, too, is the attempt to remove selected union leaders by discrediting them in the press and forcing secret ballots by means of postal ballot legislation. This campaign has been reinforced by the conservative state governments who have been passing some of the most aggressively anti-union legislation for decades. Here again, the media monopolies who have been well looked after by the Fraser government have been willing to forcefully support their friends in parliament. Daily we read statements in the headlines and editorials which are aimed at discrediting unions. Unemployment, inflation, low productivity, the crisis of manufacturing, you name it - unions are to blame!

WHY ARE LIVING STANDARDS BEING ATTACKED?

We are all feeling the impact of the Fraser policies. It is important to understand not only what is happening, but why these measures are being taken.

The government's strategy has been based on its adherence to the economic philosophy commonly known as Monetarism or Friedmanism. The centre of this school of thought is one of the most reactionary economics departments in the United States and its chief spokesperson is Milton Friedman, a professor who is famous for his friendly advice to the fascist junta in Chile. Friedman's economic theories have been taken up by rightwing forces throughout the capitalist world. This is because they make the pretence of being scientific explanations of how the market could operate smoothly, efficiently and free of inflation.

The essence of the Monetarist argument is that too much government spending, financed by the creation of money, is the cause of the current inflationary pressures in western capitalist countries. Friedman argues that since governments, unlike any other institutions, have the capacity to print money, they are able, and generally are pressured, to print more (through deficit spending) than the economy can satisfactorily cope with. This produces a situation where too much money is chasing too few goods and where, as a consequence, prices begin to rise. The increased prices eat into the pay packets of workers who then use their industrial muscle to push for higher wages. The higher wages then begin to squeeze profits and, so the argument runs, capitalists are forced to increase their prices. This vicious circle of wages chasing prices which chase wages is reinforced when governments accommodate the spiral by printing even more money.

Friedman argues that the solution to inflation is simple - all that is required is that governments ensure that the rate of growth of the money supply is fixed at a specific level (related to the rate of growth of the economy and the rate of inflation) and that it is not allowed to fluctuate. Such a policy would mean that the government would have to throw away the objective of full employment and make cutbacks in its spending.

This is precisely the course that the Fraser government has followed. In its numerous statements on monetary policy it has strongly emphasised its determination to maintain control over the money supply. In order to reduce the deficit (and thereby reduce the rate of growth of the money supply), the Fraser government has used Friedman's arguments as a rationale for the slashing of social expenditure and for abandoning responsibility for full employment. By basing these policies on Monetarist foundations, the government has been able to present its strategy as if it is grounded on a scientific analysis of the causes of inflation.

Monetarism is, however, far from scientific. It examines only one aspect of the causes of inflation and ignores some of the most crucial dimensions of the problem. The monetarists place all the blame on governments and it is not surprising that adherents to monetarism all, without
exception, are strong believers in what they like to call ‘free enterprise’. They tend to be the most outspoken opponents of government regulation of corporate behavior and are quick to deny that the dominating economic institutions of our time - the multinational corporations - have played an important role in creating inflationary pressures and transferring them across national boundaries. Moreover, in their explanations of the current economic crisis, monetarists only focus on inflation and they have very little to say about the other element, unemployment. The only arguments they do present on this question can be summed up in two points. Firstly, that governments should not pursue a full employment policy since this would create inflationary pressures and, secondly, that unions are a major cause of unemployment as they hold the level of real wages too high.

Contrary to the simplified monetarist propositions that governments cause inflation and unions cause unemployment, the causes of the economic crisis in capitalist countries are far more complex. The crisis has been the result of the situation where the changing structures of post-war capitalism have not been able to adjust to the slow down in economic growth that has taken place since the late 1960s. In the period up until this time, all capitalist countries experienced boom conditions which led to significant structural changes in world capitalism. The main aspects of these were:

1. The rapid growth of multinational corporations and the integration of national economies into the world capitalist system. Several years ago a journalist, Neil McInnes, pointed to this development: “Combine these two notions, the internationalisation of production and the dominance in it of very big companies and you get a vision of an integrated world economy dominated by a handful of giant corporations. That vision, or nightmare, has hardened into prophecy .... By the end of the century 300 firms will control three quarters of the assets of the non-communist world.” For Australia, where key sections of its manufacturing sector and the vast proportion of its mineral sector have come under the control of the multinationals, McInnes’ statement has had particular importance. It has meant that overseas inflation and recession would be immediately transferred to our economy, irrespective of the policy of the government;

2. The strengthening of the labor movement and the institutionalisation of class struggle. With the increased concentration of capital, unions have grown in size and strength in order to protect real wages and to improve conditions;
3. The increasing role of the state. Since the Second World War, governments have been more active in the economy and there has been a significant growth in state expenditure.

While economic growth was taking place, these structural changes did not lead to any economic crisis. For although there was intense class conflict, the rise in national income enabled both capital and labor to gain increases in income.

However, economic growth began to slow down at the end of the last, and the beginning of this, decade. Among the main factors involved were the saturation of markets for a wide range of products (cars, and consumer durables in particular), the intensified conflict between capital and labor, the international monetary crisis caused by the inflationary expenditure of the United States in Vietnam and the increases in the prices of raw materials.

With this downturn the capitalist economies began to move out of gear. The conflict between the capitalist class and the working class became even more intense as the decline in growth meant that either one side or the other had to accept a loss in income. And the increased strength of both the corporations and the unions meant that neither were prepared to give way easily.

At the same time, governments began to discover that Keynesian prescriptions, which were useful in the boom period, were no longer effective. Inflation and unemployment both increased together and this was a combination that seemed impossible to solve. Governments were lost for a course of action and they began to look for alternative theories.

This is when monetarism became so popular. Only a few years ago, a theory that was ridiculed by almost everybody in the economics profession except ratbags of the extreme right, suddenly shot up in popularity. The reason was that it provided an economic package for the ruling class in the current crisis by setting out policies which claimed to have the key to economic recovery. This ‘solution’ was, of course, nothing less than a prescription for a concerted attack on the working class and minority groups - an attack designed to redistribute income towards capital. This is what monetarism is about and it explains why the Fraser government has jumped onto the bandwagon. Here is a theory that can be used to justify dismantling socially necessary government expenditure, creating unemployment, bashing unions and allowing the ‘captains of industry’ to steer the ship in whatever direction pleases them most.

THE LONG-RUN STRATEGY: The Path to Neo-Colonialism

When we consider the implications of the Fraser government’s long-run strategy for Australia, we are looking at the price future generations of Australians will have to pay for today’s policies. And the price is high.

Australia is a country which is dominated by the giant multinational corporations. Despite the attention that has been drawn to this by political economists and unionists like Ted Wheelwright and Laurie Carmichael, the extent of the domination is still not fully realised. Yet the statistics are available. A 1972 Treasury survey found that 88 per cent of the value of production of the motor vehicle industry, 84 per cent of non-ferrous metals, 81 per cent of oil, 78 per cent of industrial and heavy chemicals, are in foreign hands. In the manufacturing industry alone, 25 of the largest 50 companies are owned and controlled by foreign interests, while foreign control in the mineral sector is about 60 per cent of the value of production.

While in office the Labor government and, in particular, Rex Connor, attempted to slow the rapid foreign takeover, especially of natural resources. This was part of Labor’s own plan for restructuring Australian capitalism around internationally competitive industries like mining and mineral processing.

However, the enormously powerful multinational corporations, with the support of the Liberal-Country Party opposition, used every means possible to stop the government from succeeding. Through its
control of the Senate, the opposition was able to reject time and again measures to promote national ownership and control of Australia's resources and industries. The climax came with the 'loans affair': here we saw all the conservative forces combine in an intense campaign to destroy a government which was attempting to 'buy back the farm'.

Labor's failure to implement its nationalist policies revealed the power of those forces in whose interests it is to further integrate Australia into international capitalism. If successful, these forces would be responsible for the gradual destruction of the manufacturing sector and the expansion of the mineral sector under the control of a handful of multinational corporations.

Barriers to the free flow of investment funds, such as tariffs, subsidies or investment controls, will be removed and investment will flow out of low profit areas into channels of high profitability. As there are enormous profits to be reaped from the extraction of the resources of this country, these policies would lead to a boom in the mineral sector. On the other hand, the Australian manufacturing sector is suffering from a long-run structural crisis. This crisis, as the Jackson Report pointed out, developed because Australian manufacturing has always geared itself towards the small domestic market and, over the last decade, this market has gradually become satiated. As a consequence, there has been a decline in profitability and a slow down in the growth of this sector as a whole. Unable to compete on the world market, the manufacturing sector would decline even further with international integration.

The line-up of forces pressing for further integration encompass a broad spectrum. They include:

1. the large mining multinational corporations who are politically linked with the National Country Party. These corporations would gain easier access to resources and greater control of exploration. And, since economic integration implies the reduction of tariff barriers, the inputs into production - i.e. capital infrastructure - would be cheaper;

2. the major sections of primary industry. Like the mineral conglomerates, they stand to gain cheaper inputs of production, larger export markets and the relative expansion of their sector compared to other sectors of the economy;

3. Australia's largest conglomerate, BHP, which is finding it profitable to join with the multinationals in resource extraction and which is trying to move out of manufacturing areas like steel and shipbuilding;

4. some of the most powerful sections of finance capital which are becoming increasingly aligned with foreign finance capital and other multinational corporations;

5. economists in key government institutions and economic ideologues in the universities and the financial press. The Industries Assistance Commission has become representative of this powerful group who believe that the international market for goods and services is the best test of the "efficiency" of Australian industry. If Australian industries can survive without assistance in the international market, then, it is argued, they are efficient. If, however, they cannot compete internationally they are said to be inefficient and, the exponents of this view assert, they should be dismantled. This efficiency argument, which is now being taught in all economics courses in schools and universities, is based on an old economic theory, the theory of comparative advantage. This theory was developed at the beginning of the nineteenth century and used by British imperialists as an ideological justification for the destruction of the growing industries of the colonial countries (such as India) in order to make Britain the industrial centre of the world. Today, we are seeing a repeat performance. However, this time the arguments are being used to destroy Australian industry for the benefit of American, Japanese and British imperialism.

On April 1, the government made a long-awaited announcement on its foreign investment policy. The lack of precise guidelines revealed more about the policy than anything else. Although it was
stipulated that some key resource areas would require 50 per cent Australian equity, the government indicated that projects could go ahead if a local partner could not be found. Furthermore, the Board that was established to screen foreign investment was clearly market-oriented in its approach. Since the announcement, government ministers have been flying from country to country urging overseas corporations to invest in Australia where, they have been at pains to emphasise, the government's approach is 'flexible'.

The Country Party, closely linked with the mining interests, has taken the most active role in attempting to encourage the multinationals. It has only tried to minimise equity restrictions, but it has successfully sought special benefits for the mining industry in the budget which, as we have seen, provided subsidies of millions of dollars.

This handout philosophy with respect to the mining industry should be contrasted with the Fraser government's approach to manufacturing. In dealing with the problems of this sector, the government has stressed its philosophical commitment to the 'free play' of market forces, its willingness to see the destruction of shipbuilding being an outstanding example of this. This approach has created a loud outcry from manufacturers and trade unions who see the destruction of manufacturing as the outcome of this logic. For they understand that if market forces are allowed to operate without government interference, then, in no time, the big fish eat up the little ones. They become bigger, develop a larger appetite, swallow more fish and grow even bigger. In short, the free market philosophy stands on the side of the big fish. It's a philosophy that would allow the giant international manufacturers to take over the Australian market and cause the disintegration of Australia's industrial structure.

What, then, are the consequences for the Australian people if these integrationist forces are successful? They would, as we have seen, lead to the decline of the manufacturing sector and the expansion of the foreign-owned mineral sector. This structural shift would lead to higher levels of permanent unemployment since workers, having been forced out of labor-intensive industries, would find few available employment avenues. Furthermore, the weakened industrial structure would diminish the power of the labor movement and lead to a reduction in real wages. Wages would be further reduced by the pressures for devaluation coming from the strengthened minerals-rural exporting lobby. The inequalities of income would be increased as the living standards of the majority of workers decline and those of a privileged elite in the capital intensive mineral sector improve.

By the end of the century, Australia would find itself in a position where, having had its most profitable resources taken from the ground, it had little to show for it. The country's industrial structure would be very weak, our dependence on foreign exports and investments enormous, and any chance of independent and self-reliant development shattered.

AUSTRALIAN LIVING STANDARDS: The unexplored potentials.

Before concluding, let us widen the discussion by trying to relate the Fraser government's attack on living standards to the broader features of our economic system.

The attack is more than an offensive on our material conditions of life. For living standards go beyond the amount of goods and services that our pay packets can buy. They encompass all aspects of the quality of
life: the nature of work, the degree of control of the workplace, the security and quality of our environment, the type of leisure, the potential for creative activity.

And in all these dimensions, Australia is a country of unexplored potentials. This is a country which has the material basis - the industrial base, the resource endowments, the level of education - to provide creative outlets for social activity.

Yet we have little of this. Despite our potentials, our economic system does not even provide the essential goods and services for 10 per cent of the population who still live in poverty. Migrants, women, unemployed, Aborigines and the aged are forced to live in degraded conditions, with little or no income and often as outcasts of our society. The lives of these people are in sharp contrast to those who are well-rewarded by the system. Luxury week-end resorts, spacious homes, a speed boat for weekend leisure, two or three latest model high quality cars, regular trips overseas - there is no limit to comfort, security and freedom provided to those who comprise the wealthy classes of our society.

And then there is work. We live in a system which provides work that is boring, isolated and meaningless. People are forced to accept repetitive, uncreative jobs in which they gain no satisfaction and they have no power. They are used to a division of labor which creates hierarchical lines of authority and which excludes all but the top strata from taking part in the decisions that affect their lives in the workplace. With all the great strides in technological development which enables much greater experimentation in methods of social production, we have seen no advances in this direction. In fact, the movement towards workers' control, where workers own the means of production and collectively determine the way in which production is structured, who performs particular functions and what type of goods are produced, has not only been slow; it has been positively and forcefully resisted.

What is clear is that, as a system which is meant to be geared to human needs - as every economic system should be - ours is a dismal failure. In all major aspects it provides a quality of life that is far behind that which could be developed with different economic structures. And the reason is quite straightforward: our economic system is not, and never has been, geared to the satisfaction of human needs. It is a capitalist system which has as its driving force the expansion of profit. If profits are increasing, the system will grow and thrive. If they are in decline, it will falter. As a system, its success is not determined by its ability to provide the requirements of the majority of people who live in it.

This is a simple point but it is essential that it is fully grasped. Let us illustrate it with some examples. Consider two of the major economic problems with which we are currently faced. On the one hand we have over 350,000 unemployed people in Australia. They are forced to queue up for unemployment relief, compelled to wait for an employment outlet and subjected to the insecurity and even humiliation that is attached to being jobless. At the same time, we have another economic problem: poverty. Almost 1 in 10 Australians lives below the poverty line without access to decent housing, health, education and other facilities. For an economic system that is directed to the satisfaction of human needs, the situation where these two problems lie side by side would be an absurd one. All that is required is that the unemployed would be put to work in the construction of new homes, hospitals and schools. It makes no sense to allow resources to lie idle when there is such an urgency for facilities that these resources could be used to build. It is not only wasteful but, from a social perspective, quite irrational. Of course, 350,000 workers won't provide all the social facilities needed least it would help alleviate some of the poverty.

But what does the government tell us? It says that we cannot afford more of these social facilities. And with this logic, it is cutting social expenditure and causing an increase in unemployment and poverty at the same time. What the government really means is that it is not profitable to direct resources to lie idle when there is such an urgency for facilities that these resources could be used to build. It is not only wasteful but, from a social perspective, quite irrational. Of course, 350,000 workers won't provide all the social facilities needed least it would help alleviate some of the poverty.

If ours was a socialist system where social needs were the criteria for investment, these activities could be redirected to more useful
ends. They could be used to produce a smaller number of pollution free, minimum energy consuming, safe and durable cars. The resources that are released could be channelled into the production of public transport facilities - buses, trams and trains. Our cities would be healthier to live in, transport would be more efficient and road carnage would be reduced.

FIGHTING FRASER

The full effect of the government's strategy is going to be felt in the coming year. All economic indicators point to a continuation of the current economic stagnation as the signs of increased activity which emerged earlier this year, have begun to fade. Only recently, the 24-nation Organisation for Economic Co-operation and Development (OECD) forecast a world recession with sharply increased unemployment for the second half of the year.

The Fraser government is going to do everything within its power to ensure that the crunch is felt by the workers and least well off groups within Australia. Consequently, living standards will only be protected if all groups join together to fight to defeat the government's policies. The success of this fight will depend upon two aspects. Firstly, it will depend upon the degree of unity which exists among the anti-Fraser forces. Secondly, the struggle will depend upon the ability of the anti-Fraser forces to open up and widen the contradictions which are inherent within the policies of the Fraser government.

The Australian ruling class has been strongly behind the government in the past year. However, the contradictions within its policies are gradually going to create such deep divisions that they could lead to ultimate destruction of the government. Two of these contradictions, in particular, are of crucial importance.

The first is related to the government's short-run strategy. The government, as we have seen, is attempting to apply as much pressure as possible to reduce real wages. It is doing this in order to increase profits. However, wages have two aspects to them. On the one hand, they are costs of production which means that any reduction in them will lead directly to increased profits. Yet, on the other hand, they are also incomes which are used to buy goods and services and any reduction in them will cause a decline in the revenue, and therefore the profit, of companies. And this is precisely where there is a major contradiction in the government's strategy. For what is happening in the Australian economy is that the very policies of attacking real wages are beginning to lead to a reduction in profit in particular industries because of lack of growth in demand. This is creating dissatisfaction with the government and increasingly we are hearing cries from building, manufacturing and other sectors that the government's policies are leading to the decline and even collapse of their industry. There is no doubt that these cries will get louder as the economy fails to move out of its stagnated state and as the conflicts between the government and its former business allies intensify.

The second contradiction is inherent in the government's long-run policies. This is the contradiction which is developing between the policies which represent the general interests of capital - that is, the reduction of real wages - and its policies supporting specific sections of capital - that is, the mining sector. The heart of this contradiction is felt within the manufacturing sector. On the one hand, it has a great deal to gain from the attacks on wages and it therefore aligns itself with the government's strategy; on the other hand, it is screaming with fright at the long-run prospects of the 'free trade' philosophy of the government, and it is looking for political allies such as the trade unions. As the long-run aspects begin to dominate, the manufacturers will direct more and more of their guns at the government. We are already seeing the beginning of this.

The Fraser government has managed to hold the upper hand in the past year and it has seen some significant successes in its strategy. Yet these contradictions indicate that there is no smooth path ahead of it. As they intensify, the government will find itself caught in deeper and deeper difficulties and this will set the groundwork for its destruction. However, this destruction will only finally come about if there is a general mobilisation of progressive forces against it. This is the task, and it is the first task in the struggle to lead Australia out of the grip of reaction.