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...erson to succeed him as secretary of the Railways Union was a man who happened to be a member of the Communist Party. Ross was a person who no-one in the labour movement could quite understand. He's someone with whom I have a lot of sympathy.

It seems to me that what Ross represented was the belief that the labour movement has a multitude of traditions, and many individuals with strengths and weaknesses, and that the important thing within the labour movement is to try to nurture that, and to try to encourage debate and understanding of the many issues with which we have to grapple. There are no definitive answers to the problems we face. If I were to sum up what I believe in, I would find it very hard to put it in terms which would label me a leftwinger or a rightwinger. In different respects I am a social democrat, a liberal, a conservative, in the various issues I confront. I think that I'm part of the tradition of the labour movement and its principles. To me our historic role, whether as part of the Left of the labour movement, however that might be defined, or as part of the movement's Centre or Right, is to civilise capitalism. I think that is an important task; it's sometimes been an heroic task for many of our forebears. It's a never-ending task, and one which I think we have a duty to share.

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A Culture of Honesty

Peter Baldwin argues that, in order to reconstruct itself, the Left needs to develop a new culture of debate.

I recently returned from eastern Europe; I was struck by the extent of the transformation that's occurring there. I represented the Treasurer at a conference of the European Bank for Reconstruction and Development, a financial institution set up in order to finance the reconstruction of the economies of eastern Europe and the former Soviet Union. It's interesting to see the extent to which any notion of a 'third way' has collapsed in those countries.

At present just about every major political force is thinking about how to bring about the most rapid transition to capitalism. This was epitomised for me by the Czech finance minister, Dr Klaus. Even our own Treasury officials were somewhat taken aback by his views.
I remember that at the time of the fall of communism in Czechoslovakia, the economic debate among the dissidents was characterised as a split between followers of Milton Friedman and followers of Friedrich von Hayek. Well, it seems that the von Hayek supporters have won out decisively. Dr Klaus’s speech condemned any hesitation or delay in the process of privatisation of the economies of those countries, and argued that they shouldn’t be worried about the distributional impacts of different approaches to privatisation, whether you have a kind of mass privatisation, or whether you seek partners in the international financial system. The important thing was wholesale privatisation and a change to a market economy. He was quite contemptuous of proposals even to provide soft loans to eastern Europe, on the grounds that this was a violation of market principles.

There is very little political constituency in those countries for any alternative to a rapid move to laissez-faire capitalism. That change in eastern Europe has had a pretty pervasive effect on the debate about policy and the viability of socialism and various alternatives to the current political and economic order. Whether we like it or not, what’s happened in eastern Europe and the former Soviet Union does form part of the history of that political, economic and philosophical movement which we call socialism. We can’t simply disregard that, we have to come to grips with it, and wrestle with the consequences of that reality.

We now face a situation where the Left lacks a clear conception on a range of issues which in the past it would have seen itself as having: issues such as the boundary between public and private ownership, and between the market and non-market components of an economy. I don’t think anybody could argue nowadays that the market mechanism has no role to play in the operation of a modern economy. On the other hand, I would certainly argue that the market mechanism in many areas fails, and there is a very strong case for the introduction of non-market mechanisms to deal with that. But we really don’t have a clear conception of where we think the boundary ought to be.

We also don’t have a clear conception of the criteria for public intervention in the economy: where is it justified, warranted, appropriate? I’ve seen that change in the overall political culture in the federal caucus. It’s increasingly difficult to draw conclusions about a given member’s position on an issue by referring to their notional factional position. There’s an extraordinary degree of overlap, whether you’re talking about attitudes towards macroeconomic policy, industry policy or whatever. There’s a lack of broad underlying principles to determine whether you’re of the Left or not.

Probably the nearest thing to a unifying position that the Left has swung behind would be the so-called social justice strategy which emerged over the last few years. Here the emphasis is on access and equity, and creating opportunities for mobility for disadvantaged groups. That certainly is significant and worthwhile, but it doesn’t accord very closely with the kind of positions people on the Left have traditionally associated themselves with in terms of the attitude to public ownership and the market.

In the last few years I think one would have to say that the Left’s political activities within the Labor Party and elsewhere have been marked by an increasingly desperate rearguard actions to try to protect what we have, so to speak, by way of public ownership and other social goods. And the Left faces the prospect of continuing political marginalisation, unless we think about some fundamental changes in the way we address issues.

All of this is fairly gloomy. Are there any grounds for optimism? I think there are a few. And I think there are a number of areas the Left ought to focus on in terms of formulating a Left position which has some sort of relevance for the coming period. That will require a degree of preparedness to engage in some creative self-destruction.

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of elements of the Left's traditional ideology and of its stances. And that will require in turn a transformation in the internal culture of the Left, a willingness to debate internally in a way which has not occurred before.

In doing that we shouldn't simply engage in an exercise of navel-gazing. We need to involve people outside the Left in that debate. What are the grounds for optimism then, as we look into the 1990s? One important point is that the central planning model is not the only political model which has undergone some pretty severe stresses in the last decade or so. Laissez-faire capitalism as practised in the anglo-saxon countries has also shown itself to be severely deficient in a variety of respects. There's an interesting convergence in those economies. They've each been unable to bring about the structural changes necessary to enable them to preserve their competitive viability against their potential rivals in the coming period. Australia in particular, is not achieving the kinds of structural economic changes that are going to be necessary. And the overall pattern of world trade is such that economies that rely on exports with a minimal degree of value-adding are likely to suffer a progressive decline.

A common characteristic of the anglo-saxon economies is their endemic short-termism: the fact that the major economic actors, because of the pressures that are brought to bear by the financial system, find it very difficult to develop long-term strategies, product and process innovation, and to develop market share throughout the world. That is a particularly marked feature of the Australian economy. The Australian Chamber of Manufacturers a couple of years ago did a survey of the chief executives of major manufacturing concerns, and they were asked what their time horizons were. 59% of them gave their time horizon as the next 6-12 months; that is of course absolutely inconsistent with bringing about any major structural change or the development of industries that in many cases will require considerable gestation periods to be successful. That is a clear case of market failure, and one in which solutions which transcend the market mechanisms may well be appropriate. There's a sharp contrast in that respect with the economies that have been sufficiently successful, such as Japan, the newly industrialising countries, and certain countries in western Europe.

There's also been a change in the nature of modern productive processes. Increasingly they require creative input from people close to the shop-floor. The Japanese have been able to achieve it through highly paternalistic firms. There ought to be scope for us to think about ways in which what enterprises that are concerned to develop long-term, patient capital partners for enterprises that are concerned to develop such innovations.

The orthodoxy of the 1980s is also coming under increasing challenge for its obsession with small government. Reducing the share of public spending to GDP has been regarded as a key indicator of success. That sort of mentality has led to a range of false economies. There is increasing evidence, for instance, that the productivity of the US economy has suffered significantly as a result of failure to spend on major public infrastructure, particularly in the area of transport. That also includes the broad issue of spending on human capital, that is the education and training system. There's no doubt that the capacity of an economy to change and to innovate and for the workforce to absorb that change is closely related to the level of expenditure and the adequacy of provision of education and training.

We ought to be thinking about how we can formulate an approach to economic involvement which is compatible both with ecological stability and also with social equity and social justice. There are good grounds for supposing that a market economy left to its own devices won't produce the results, but we need to do more than simply rely on shibboleths. We can't simply affirm public ownership, for example, as a good in itself. The case has to be made. We have to consciously acknowledge that a modern economy can't operate without a substantial degree of market determination. We need to have a debate that doesn't simply seek to make presumptions.

More generally, we need to go back to first principles, and this current crisis on the Left provides an opportunity to do that—to ask just what features we think go to make up a 'good' society, as distinct from one where the market mechanism operates in a fairly untramelled way. This debate needs to be intellectually honest. It's terribly important that we not allow ourselves to get locked into the situation which has been so common on the Left, where internal debates become increasingly characterised by position-taking by various groups, where people are criticised for adopting ideologically unsound positions, and where there's a reluctance, and even a fear, of taking an intellectually honest approach.

The perpetuation of that kind of approach represents the potential death of the Left. We have to resist it, and to foster a very different type of political culture. If we can do that, then there are real prospects for a regeneration.

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