Conservatives and RADICALS

Australian conservatives traditionally lauded stability, custom and tradition. The neo-liberals of the federal Coalition are after radical change, and nothing will stand in their way. Stuart Macintyre looks at the remarkable transformation of the contemporary Right.

At the heart of contemporary Australian conservatism lies a profound uncertainty: just what is to be conserved? Conservatives have conventionally resisted radical change and affirmed the importance of custom and tradition. Now, with certain conspicuous exceptions, they want us to break with the past and start anew. Conservatives have traditionally celebrated the national achievement and defended the core institutions of public life. Now, while still championing our absentee monarch, Elizabeth Windsor, they turn their backs on history and damn what has gone before.

The federal Coalition’s Fightback! manifesto sketches an attenuated account of the national predicament that has induced this iconoclasm. Its economic comparisons of then with now seldom go back further than 1983, and a discreet silence is maintained over the period before that when John Howard was advised by John Hewson in the management of the national economy. But there is a brief historical sketch that introduces analysis, in Chapter Two, of The Roots of National Decline. Here we find a statement that purports to explain how it all went wrong.

It begins a hundred years ago when Australia was the richest country in the world. That starting-point is taken as given with no indication of the circumstances or conditions of our good fortune. Then came the Depression of the 1890s “with its bank failures and great strikes”—again, they are simply noted with no suggestion of why they occurred. In response, those who created the new Com-
monwealth of Australia "were determined that the economic and social turmoil of that decade would never again be inflicted on Australians". Hence the introduction of tariff protection and industrial arbitration. "Tariff protection was meant to ensure that companies could afford to pay a 'just' wage while industrial arbitration was meant to guarantee that they did so." These, with the White Australia Policy and an extension of industrial assistance to rural producers in the form of subsidies, amounted to a system of "protection all round" that reinforced our isolation from the rest of the world. Here it is not the cause but the effect that is unproblematic: "We didn't know then what is glaringly apparent now: that it was inculcating a low productivity and inward-looking culture and steadily eroding the basis of our prosperity."

Every generation tends to condescend to its predecessors, but that last statement is simply and unequivocally wrong. The national economic strategy that Fightback! summarises as "protection all round" was the subject of searching
criticism and keen debate from the 1920s onwards. The emergent economics profession of this country cut its teeth on the problems of excessive protection. Bankers, politicians, academics, public affairs commentators—all warned repeatedly during the interwar years that Australia had to set its house in order and live within its means. These critics appreciated what the authors of Fightback! show no signs of appreciating—that this strategy was deeply rooted in Australian experiences, that it expressed social as well as economic aspirations, and that any alternative strategy needed to heed the lessons of the past.

Let us go back to that golden age when Australians enjoyed a uniquely high standard of living, before the disasters of the 1890s. It is indeed true that the Australian economy achieved impressive growth and a high per capita national income during the 19th century. It did so on the basis of an international trade in basic commodities, notably wool and minerals. These were produced more efficiently and profitably than rival producers because Australian producers enjoyed some crucial advantages.

First, they had free access to a plentiful supply of a crucial factor of production, land (whose indigenous inhabitants were forcibly expropriated) and the mineral resources under the land’s surface. Second, they were showered with support by the world’s leading economic power, Britain. British capital and labour flowed into the Australian colonies because British manufacturers were prepared to pay high prices for these export commodities; if today we lament our exclusion from the leading trading blocs, we were then part of the dominant one. Third, it was possible on the ‘greenfield site’ of the Australian colonies to practise the most advanced forms of enterprise. While the primary sectors of other economies were hamstrung by restrictive relations of production—rapacious landlords, impoverished tenants practising semi-subsistence patterns of cultivation—here we moved immediately to wage labour and specialised production for the market. Our woolgrowers, and later our wheat farmers, produced at a lower unit price.

If all this warms the hearts of the economic rationalists, then it is all to the good that those organs get some much-needed exercise; but there were further features of the 19th century success story. First of all, this was a high-wage economy. Indeed, the development of the domestic sector, the manufacturing and service industries, relied on the high level of demand made possible by consumer demand. Australians were buying convenience food and ready-made clothing, they were purchasing homes and engaging in commercial leisure industries well ahead of their European counterparts because they enjoyed high real wages. Second, the state played a vital role in this economy. It provided the bulk of the productive and social infrastructure—the transport, the utilities, the schools, the amenities. Half of the capital formation of the 19th century was public sector capital formation. Moreover, the state augmented the labour force with assisted migration schemes and was itself an important employer. Third, this economy relied heavily on foreign borrowing, and increasingly so after 1850 when the conditions of natural resource exploitation became heavily capital intensive while the absence of financial controls allowed rampant speculation.

It all came crashing down when a downturn in export prices triggered a sharp contraction of domestic activity. The bank failures and the great strikes of the 1890s were two sides of the same coin: Australia’s openness to the world economy meant that it had no defence against the withdrawal of investment, while the export producers pinned all their hopes on a reduction of costs at the expense of labour. The misery and the violence of that decade appalled Australians, not least because they threatened the aspirations to national self-sufficiency and national unity that the newly federated Commonwealth of Australia was meant to secure. Hence the introduction of the protective measures—the tariff, the system of industrial arbitration and wage determination, the immigration controls.

Fightback! sees these devices as isolating Australia from the rest of the world, lowering productivity and encouraging an inward-looking culture because they reduced competitiveness. Let us be clear about the limits of this system of protection. It regulated the inflows of labour and manufactured goods. It placed a floor under labour costs. It gave some encouragement to export diversification by assisting with the production and marketing of new farm products. This was hardly a system of “protection all round”, nor could it be. Over two crucial determinants of Australian economic performance, export income and investment, there was very little control. The first depended on the level of demand and prices paid for commodity exports, and these variables became increasingly fickle as other national economies developed their own primary industries. As for the second, governments had very little control over private investment or financial institutions until World War Two, while their capacity to borrow in order to assemble the public infrastructure depended on the willingness of lenders to make those funds available.

Australia, in short, remained an open trading economy highly vulnerable to external shocks. The purpose of protecting local industries was to give some security of employment; the function of arbitration and wage determination was to allow the necessary adjustment to sudden falls in national income without ruinous class conflict. The system could not insulate the national economy but it was meant to provide it with shock absorbers. And during the first three-quarters of this century the record is far from disastrous. Australia did achieve growth; the principal commodity producers remained highly efficient; there was increase in the per capita national income; wage levels rose; inequality was less marked and employment held up better than in most advanced economies; and when the great world depression of the 1930s struck, Australia escaped the worst of the social and political convulsions that destroyed democracy elsewhere. In short, this was—and still is—a good country in which to live.

No one would claim it could not be better, or that there were no missed opportunities. The very formation of the economics profession in the 1920s signalled a growing dissatisfaction with the national economic performance, and introduced a new way of analysing institutions and
debating public policy. Again, the readiness of *Fightback!* to dismiss the past blinds it to the complexities of these issues. The economists who investigated the effects of the tariff at the end of the 1920s could see that it had failed to foster efficient, competitive manufacturing industries in Australia. The failure of the manufacturers to achieve export sales was evidence of that, and their restriction to a small domestic market trapped them in a cycle of inefficient practices and increased tariff levels. They noted also that the collusion of the unions with the employers in this use of tariff protection allowed wage increases without increases in productivity, and thus imposed a higher cost structure on the rest of the economy.

### ‘This is a bizarre version of the creation of a settler society’

But not even the most deregulatory of these critics entertained the notion that you could solve the problem along the lines proposed in *Fightback!* They understood Australia’s options in terms of competitive advantage. Australia enjoyed an advantage as a producer of a narrow band of commodities; it was at a significant disadvantage in terms of distance, size, technological and capital dependency in the production of most other traded goods. The trick they sought to bring off was to use the advantages to build and diversify the economy, reduce its dependence and lead it on the path to industrialisation, while at the same time avoiding the imposition of too great a burden on its core staples. This was a task that necessarily required a national economic policy implemented through institutions that defined and regulated the operation of capital, labour and product markets. The challenge here was to ensure that the institutions served the strategy and were not captured for the short-term advantage of particular economic interest groups.

This, in brief, was the economists’ understanding of the possibilities back then. If, by some timewarp, the *Fightback!* package had been implemented at that time, the woolgrowers might have increased their returns through cheaper inputs, but most other industries would have withered as a result of export competition and the reduced income levels of domestic consumers. There would have been even less incentive for capital, technology and labour transfers into a distant, backward and polarised country of rich landowners and impoverished urban dwellers.

Leaving aside the economic objections to such a scorched-earth policy, earlier generations of conservatives had other reasons for pausing before they dismantled what had been so laboriously constructed. Above all, they appreciated that Australia was a democracy in which citizenship had a social dimension. There was an expectation among the wage-earning majority that all were entitled to benefit from the national wealth. All, in this context, tended to mean the white adult males organised through the trade unions and the Labor Party, and the benefits favoured the male breadwinner. But the expectation that work should be available at satisfactory wage levels was a powerful force, and the public institutions that served that expectation had considerable political durability. When Prime Minister Bruce panicked in the face of mounting economic difficulties in the late 1920s and coupled an assault on wages with a threat to dismantle the arbitration system, he was turned out of office. Malcolm Fraser’s threat to arbitration on the eve of the 1983 election proved equally unsuccessful.

Both conservatives and liberals sometimes wondered if democracy was consistent with sensible economic decision-making, if the state had not been subjected to too many demands; but in the end they had to accept democracy and the constraints it imposed. The operation of the market had to allow for social needs. If economics claimed to offer a scientific analysis of different means to given ends, then the means had to allow for the popular expectations expressed through the political system.

One searches *Fightback!* in vain for an acknowledgment of these complexities. There is no suggestion that the present-day conservatives are heirs to a political tradition from which they might derive an appreciation of their difficulties. Apart from a ritual gesture to Sir Robert Menzies, there is no mention of previous leaders such as Deakin who sought to define the responsibilities of the state in ways that could reconcile economic and social objectives; no awareness of the contribution made by practical intellectuals such as Eggleston to the shaping of the Australian political economy.

The nearest *Fightback!* comes to considering the problem comes in a closing flourish to the third chapter, under the slogan ‘Australia Can Do It’. Here we are told that the Coalition’s commitment to individual choice and private enterprise is one that derives from our own history.

The story of Australia has been the story of an arid continent becoming one of the world’s greatest breadbaskets, feeding millions in other lands. The story of mining in Australia is of dedicated pioneers defying odds and expectations to build a world-beating industry. The best stories of sporting Australia are of shy heroes who haven’t let fame go to their heads.

The greatest assets which our country has are the values which have been passed down by generations of Australians who came to this land seeking freedom, opportunities and self-respect for themselves and their families. These are not the values of some historic past. They are values of enduring importance to all Australians, and the task of governments is to make sure that they can be given full play.

This is an interesting appropriation of national history. It begins with the transformation of arid land (whose arid land?) into farmland, and passes over the processes that involved—the dispossession of its original inhabitants, the creation by the state of property rights, the special legislation that assisted farmers to take up farms, the provision...
by the state of roads and railways and port facilities, not to mention the schools, hospitals and other social infrastructure of these bush settlements, the tribulations of farm life and the long-term effects on the environment. Similarly, the story of mining is not a story at all—where is the argument over mineral rights, the creation of the legal framework for the mining company, the regulation of mining conditions, the turbulent industrial relations of the industry? In both of these key export industries, a mythical hero is constructed, the dedicated pioneer, and endowed with the qualities of a sporting hero.

From this imaginative reading of the past Fightback! derives the values of freedom, opportunity and self-respect that successive generations supposedly brought to Australia and passed down through their families. Again this is a bizarre version of what was involved in the creation of a settler society. The first settlers had no say in the matter at all, having been sentenced to transportation by British courts. The subsequent waves of immigration were orchestrated by colonial and later Commonwealth officials who repeatedly complained at the poor material they were forced to accept. Their reception was a recurrent cause of conflict. Their family formation was the result of active state intervention. The freedom, opportunities and self-respect they sought were never a matter of consensual agreement. Insofar as they achieved these objectives, they relied on the machinery of Australian social democracy, the public framework that Fightback! dismisses.

Fightback! constructs this mythohistorical national past in order to establish the existence of energies it proposes to release:

Above all else, the program put forward in this document is aimed at giving Australians the chance to show what they can do when the official, the regulator and the taxman get off their backs, and when they are once more guaranteed rewards for their achievements and opportunities for the taking.

It is a program based on trust and regard for the individuals and the families, the farms and the businesses, the teachers and the scientists, who hold the destiny of this great country in their hands.

But against this confident view of the national character is set the document’s gloomy account of the roots of the national decline. In its own words, “Australia’s history for the best part of a century, is a chronicle of missed chances.” Our system of “protection all round” we are told has resulted in an “inward-looking culture” that now has to be reversed.

There is much that might be said about the origins of this “inward-looking culture”. The forms assumed by Australian nationalism in the early part of the century were often insular and mistrustful of the outside world. The White Australia Policy closed the door to Asian and Pacific island migration; the establishment of the Australian defence forces expressed a regional fear of neighbours to the north; the ready support for Britain in the war that began in Europe in 1914 was a premium on the imperial insurance policy. But if we were to trace the growing isolation of Australia, we would need to note the way that Australian conservatives clung to the imperial protector long after Britain’s own decline became apparent. They insisted on an imperial preference trade policy; they kept our schools and universities, churches and professions as imitative as possible. They denounced all exotic influences—from American films to modernist art—as degenerate and dangerous. They prohibited the import of literature and forbade the entry of dangerous foreigners. They held Australia in a condition of dependence—economic, strategic, social and cultural dependence—from which it has yet to fully emerge.

But rather than argue over responsibility for this state of affairs, it is more useful to note the form in which it is described: an “inward-looking culture”. Culture has become an increasingly popular term in the Coalition lexicon. If you listen to Dr Hewson talking about how the country needs to be “turned around”, you will usually hear some reference to the new ‘culture’ that has to encourage enterprise and wealth creation. ‘Culture’ here is an up-market synonym for attitudes. Fightback! tells us insistently that “As much as a fundamental change in policy direction, Australia needs a change of attitudes”.

It’s an odd admission for an economic liberal. According to their own theory of human behaviour, society is simply an agglomeration of rational, calculating individuals, each seeking to maximise personal advantage. If you remove the regulations and protective devices that hinder the efficient allocation of resources, and scrap the opportunities for free loading and bludging that stifle enterprise, then according to this theory all of us will automatically behave as acquisitive profit-maximisers. Attitudes, according to this utilitarian calculus, are simply habits, responses to stimuli: create the right incentives and the appropriately competitive behaviour will follow.

The admission that policies alone will not work and that changed attitudes are also necessary signals the limits of economic liberalism. The authors of Fightback! sense that it’s not quite as simple as their economic program suggests, that Australians are attached to forms of behaviour that defy this primitive view of human nature. Perhaps they sense also that a nation is more than a business enterprise, that politics involves more than economics, and that there are values embedded in Australian society that resist the logic of the market. Perhaps in time they will appreciate that a culture is not a collection of non-economic residuals that you can change at will. They might even come to understand the deep historical roots of our flawed but far from contemptible social democracy.

STUART MACINTYRE is professor of history at Melbourne University. This was originally published in Markets, Morals and Manifestos: Fightback! and the Politics of Economic Rationalism in the 1990s, published by the Institute for Science and Technology Policy, Murdoch University, 1992. It is reproduced here with permission.
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