No doubt virtually everyone in the Labor Party — and those on the left outside it — would agree that Labor's present economic policy contains no strategy for a transition to socialism in Australia. While some members of the ALP clearly regard this as a virtue, since, in their view, a socialist transformation of Australian society is neither possible nor desirable, others in the Labor Party retain a commitment to socialism. For them, a crucial question must be: what role can the ALP play in the development of a transitional strategy for Australia?

For too long, socialists in the ALP have given most ground to their rightwing opponents in the arena where they should have been strongest: economic policy. The left's successes, such as they have been, are nearly all in other areas. This is true, not only of the Whitlam government's initiatives in foreign affairs, social welfare and urban development, but also to state Labor governments, such as those now in office in South Australia and New South Wales. Economic policy in Hayden's ALP — or Wran's or Dunstan's for that matter — is dominated by the imperatives of capital accumulation. How far — and how fast — a Labor administration can go in implementing social reforms is seen as limited by what's happening at the economic level. The argument between the left and the right then becomes one over the tempo of change with both taking their cue from an economic reality both taken as given and fixed.

In these circumstances, it is important for those on the left, both within and outside the
ALP, to search for an adequate way of posing the problem of a transition to socialism in Australia. For this, we need to tackle head-on the question of economic policy.

ALP discussion paper

Recently, the ALP’s Committee of Inquiry set up after the last Federal election tried to do this in a Discussion Paper called “Economic Issues and the Future of Australia”. Both the Committee of Inquiry and the ALP’s leadership have been careful to point out that this document is not ALP policy but has been produced to promote discussion. Nevertheless, this initiative is remarkable for the way in which it is trying to shift the terms of economic debate in this country to include not just the option but the necessity of a transition to socialism.

The discussion paper, the sixth issued by the Committee of Inquiry to promote debate in the ALP within different policy areas, was drafted by Geoff Harcourt, Professor of Economics at Adelaide University. It argues that a Labor government should not confine itself to administering a capitalist economy. It “also must try to plan for a smooth path through the transition to a more just and equitable society”.

The current crisis in the Australian economy is deep-seated and long-term, the Committee of Inquiry argues. Present and past policies — including those of the previous Labor government — are not adequate to meet this crisis.

Unemployment is not just an immediate problem. “Manufacturing, indeed the industrial sector as a whole, is stagnant or even declining”, the Committee points out. The reasons are familiar: inefficient plant, small-scale production, a small domestic market and real wage rates that are still higher than in some other competing countries.

Some investment is taking place in this sector but it will not solve the problem, since it is likely to be labor-saving in character.

“In itself”, the Committee goes on, “the decline in employment in this sector because we are now able to meet our demands with lower overall labor inputs is not something to be regretted. In fact, it should be the source of a higher standard of living if the labor displaced could be channelled into other uses (which could include more leisure for all of us). The large question, which, to date, has not been tackled at all adequately is ‘where to?’ That is why the present composition of our workforce and the trends in it are so disquieting.”

This explains why, the Committee says, there is such deep-seated opposition to tariff cuts within the ALP and especially in the trade union movement. “If the Industries Assistance Commission efficiency-is-all approach is followed...those firms and industries which survived the long haul of tariff reform would provide rising real incomes for those who were still in employment...(but) this would be small comfort for the substantial numbers who would continue to remain in the reserve army of the structurally unemployed.”

“Especially would this be so if the community continues its present barbarous and uncivilised attitude to those who are unemployed, ably spurred on and indeed led by the leaders of the present government in order to distract attention from their mismanagement.”

The Committee, however, does not plump for the opposite course of propping up inefficient industries with as much tariff protection as they need to survive. This “inward looking” approach would mean “growth in productivity and real incomes could be sluggish or not-existent”. While “faced with a clear choice between efficiency and employment there seems little doubt that the bulk of the electorate would chose employment”, the question still arises: is there another way?

As the Committee points out, these two scenarios are placed in the same analytical framework as that adopted by the IAC. That is, they rely on market forces as the guides to the potential outcomes. “They are policies which would be adopted by an ALP which sees its role as manoeuvring within capitalism rather than trying to restructure an economy in transition”, the Committee argues.

“Capitalism has developed beyond the freely competitive phase, and beyond the monopolistic-competitive phase at the
national level, to a phase of monopoly capitalism dominated by internationally operating corporations. This has two important implications. Because the dominant mode of production is international capitalism, the national economy is dependent on the decisions of private corporations whose interests do not necessarily coincide with those of the national economy.

"Furthermore, the decisions are made by corporations acting at an international level. They therefore have no incentive to co-ordinate their decisions with the strategy of national governments (although they do manipulate the reverse co-operation); they therefore can frustrate individual government's policies and, indeed, entire strategies. This contradiction between national government and international capitalism leads to the conclusion that a trade policy which is purely protectionist cannot be effective even in terms of protecting employment for too long, as with accumulating pressure on the balance of trade and hence on the exchange rate created by such a policy, a multinational corporation can shift production to another base.

"The failure explicitly to recognise the inter-relatedness of unemployment, inflation and the international character of production and marketing has led to a great deal of inconsistent ad hocery in economic policy-making by governments of both major political parties."

Alternative approach

An alternative approach, the Committee suggests, is for a future ALP government to intervene in the economy by taking over the function individual corporations are evidently unwilling to perform: supplying investment funds.

"An open economy reliant on private capital's decisions is inherently unstable and tends to both inflation and unemployment", the Committee points out. "Counter-cyclical policies aimed at administering capitalism and protectionist policies aimed at isolating manufacturing from competition with the rest of the world eventually will be ineffective. Thus the government's intervention in a mixed economy must be of a changed nature.

"It needs to create institutions that can encourage the level of private investment it considers desirable while engaging in the production of a surplus through its own activities such that it can fulfil its redistributive goals and provide a social wage without having to create ever-increasing deficits.

"Incentive schemes which rely on private capital's response are attempts to make the 'market' allocate resources in a way it would otherwise not do. It is probably more 'inefficient' for the public sector to take the initiative directly, in these new pursuits."

Transitional policy

So far, most socialists would agree with this analysis and welcome the fact it is being put forward with such vigor from a perhaps unexpected source. However, at this point the Committee endorses a "transitional policy" which has always been treated with a great deal of suspicion in the working class movement. In calling for an "incomes policy in the transition" the Committee argues — correctly — that capitalist production bears no necessary relation to the productive service rendered. State intervention must therefore be of a different nature than just organising capital more efficiently. Its intervention needs to be of a nature whereby major private firms are taken into public ownership and investment expenditure decision in those firms made from that position."

Does it follow, however, that an incomes policy administered (as the Committee suggests) by the Arbitration Commission should be part of such a transitional strategy?

The working class has had too long an experience of incomes policies under capitalism — whether they have been called that or not — to accept a truce in the battle over the rate of exploitation without being convinced that exploitation itself had ended. In other words, until investment decisions which involve spending the non-wage portion of the national income are made collectively and democratically, workers will regard this part of the value they create as alien.

They will fight against any attempt to increase it at the expense of their wage
income, even if carried out by a government that they regard as representing them, and even if the consequent investment is all directed to nationalised projects. This is not because of selfishness. Rather, it is a recognition of the real role of work as a labor creating process and the consequence — either in capitalist or in state-owned enterprises — of the products of the labor process becoming capital which then, as dead labor, dominates living labor, the worker.

Today, this occurs as dramatically in state-owned enterprises, such as Telecom, as it does in capitalist firms. It will only cease when the products of labor — whether they are consumer goods or investment goods — no longer dominate those who produce them. This requires much more thorough-going institutional changes than the ALP Committee of Inquiry seems prepared to contemplate. In particular, there would have to be democratisation of whole areas of life now regarded as the job of private capitalists or government representatives.

The attitude of any political party that advocates a transition to socialism to this devolution of political power will be a key test of its sincerity — and competence — to participate in that transition.

Another test of any political party advocating socialism is its assessment of, and attitude to, likely opposition. We need only recall the events in Chile during the period of the Allende government, or the investment strike that occurred in Australia under the Whitlam government, to see that the more drastic changes suggested in the Committee of Inquiry’s scenario are bound to be met with vicious opposition from international capital.

What is the Committee of Inquiry’s response to this possibility? “The successful maintenance of a private capital sector will depend on whether Australian and overseas investors will be prepared to work within such a framework”, the Committee says, “or whether their income and capital withdrawals will be such as to put pressure on our balance of payments and exchange rate so as to make this approach impossible.

“Especially will this be so if it also means that they are unwilling to undertake even the much smaller amount of private investment expenditure that is envisaged for them.

“Their reluctance should be reduced by the greater certainty with which future expectations could be held, since the economy’s costs would be more stable and its level of output and employment also more stable.

“The taking over by the state of private firms was indeed hinted at by Keynes, namely, that investment may need to be socialised if the capitalist mode of production is to continue at all: what we must argue is that the economy would be a part of a more civilized society if the capitalist mode of production and the ruling ideas by which it exercises control became secondary to a more socialised mode of production.”

The Committee does not go on to discuss how this transition could be effected in the face of the violent opposition of domestic and international capital, but then that is a problem no grouping on the left, here or overseas, has adequately answered. It clearly raises the question of a political strategy to implement this economic policy. Maybe the Committee felt such questions were outside its brief. Certainly there are enough controversial issues raised in this document without treading on this even more sensitive ground.

Despite these limits the strategy put forward in this discussion paper deserves serious and wide-ranging discussion and comment. It represents a significant development in thinking on economic policy within the Labor Party, when compared, say, with the policy the left fought for at the ALP’s Perth Conference.

Revolutionaries outside the ALP are grappling with many of the problems raised in this document and will disagree with much of it. Nevertheless, it opens the way to a debate on points of disagreement about the transition to socialism such as the role of incomes policies, workers’ control of production and the place of state institutions such as the Arbitration Commission — and parliament itself. All sections of the left should welcome — and participate in — this debate.

— Terry O’Shaughnessy

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