ECONOMIC NOTES

On July 12, Australia had its first national strike - against Fraser's plans to dismantle Medibank. Further action against government policy - particularly economic policy - is likely in the next few weeks. These actions around direct claims on the capitalist state raise important questions of working class strategy. Some of them are examined below.

But first we look at prospects for recovery from the present recession and at the recession's ugliest expression - unemployment.

A RECOVERY .... ?

"Slowly but with some confidence .... The Upturn is On!", according to the Australian Financial Review of July 22. They point to a big rise in vehicle registrations and to an Australian Chamber of Commerce survey which is optimistic about trading and profitability in the coming quarter.

June motor vehicle registrations were up 9.4 per cent on the May figures. Retail sales also seem to be up, but the trend here is still not clear.

The Chamber of Commerce survey shows that 47 per cent of respondents expect capital expenditure to increase over the next 12 months, while 16 per cent expect a decline. Some, however, have had their fingers burnt in the last three months. Fifty-six per cent expect 'satisfactory' trading results in the coming quarter, compared with 62 per cent who began the current quarter with these confident expectations. Only 47 per cent of respondents recorded 'satisfactory' results this quarter.

Unemployment - no change

One interesting response, bearing on unemployment was that a high 74 per cent of respondents expect 'no change' in employment the next three months.

Since the June national accounts figures are not available as ALR goes to press, it is difficult to get an up-to-date picture of the recovery on an economy-wide basis. The March figures show the first significant increase in gross domestic product since September 1973. Gross domestic product, seasonally adjusted at constant prices, was up 3.2 per cent on the December figures.

International picture

The international picture is clearer. According to the Organisation for Economic Co-operation and Development, the world economy is well on the path to recovery, and already new inflationary pressures are beginning to appear. This analysis is contained in the OECD's latest Economic Outlook, No. 19.

Real production accelerated from an annual rate of about 4½ per cent in the second half of 1975 to about 6½ per cent in the first half of 1976, according to the organisation.

"The rapid expansion in the US since mid-1975 has provided a considerable boost to recovery in other countries, especially Japan. OECD industrial production is now close to the peak reached in late 1973.

"With some of the temporary factors boosting demand in recent months diminishing or disappearing (they refer to the accumulation of stocks) the expansion may slow down to around 5 per cent over the 12 months to mid-1977."

Slow Australian recovery

Australia, according to the OECD, will recover more slowly than the rest of the capitalist world. They predict only a 3 per cent rate of growth of gross domestic product in real terms over this calendar year.

While production may be recovering, both unemployment and inflation persist. Unemployment in the OECD countries reached 5½ per cent of the workforce towards the end of 1975; it is now only slightly less than this - probably about 5 per cent. Inflation is about 7 per cent on average, but some countries are doing much better than others here. Many - like Australia - still have inflation rates of over 10 per cent.

The general fear is of a new bout of inflation, before the recovery has fully taken place. While the world capitalist economy will undergo future recoveries and recessions, it
seems from this experience that the parameters it operates within have shifted, with neither unemployment nor inflation being contained even in the ‘recovery’ phase of the cycle.

UNEMPLOYED .... TILL 1979

Most Australians do not think the Federal government is doing enough to control either inflation or unemployment, according to an ANOP poll conducted on two week-ends in July.

Unemployment is a bigger worry than inflation. Sixty-four per cent felt the government was not doing enough about unemployment, and only 24 per cent were satisfied with its efforts. Fifty-three per cent thought its anti-inflation efforts were inadequate, while 31 per cent approved of the policies.

Even among Liberal voters, the government’s approach to unemployment was rejected. While 17 per cent are prepared to give Fraser some benefit of the doubt - ‘he is trying but not achieving’, or ‘it is too early to tell’ - a massive 43 per cent of his own supporters felt he was not doing enough. Only 40 per cent of Liberal voters were satisfied with the government’s policies in this area.

And they have some cause to be worried.

Unemployment growing

Seasonally adjusted unemployment has been growing each month of this year and, in June, stood at 295,635 - just below the peak level of 303,715 in September 1975.

Unfilled vacancies reached a new low of 21,712, leaving 14 people out of work for every vacancy - a stark refutation to the charge that the unemployed are in any way to blame for their situation. In the Penrith-Parramatta-Liverpool triangle in Sydney’s western suburbs, there are only 519 vacancies registered with the Commonwealth Employment Service. But more than 18,000 people are listed as unemployed in the same area - 35 unemployed for every vacancy.

This situation is likely to continue, according to the Institute of Labor Studies at Flinders University. “The recession has been so protracted”, they say in the May issue of their Australian Bulletin of Labor, “that it cannot be expected that unemployment levels are rapidly going to diminish, even with a sustained recovery in production.

Restore profit levels

“As a consequence of the slow recovery in employment levels in the early phase of a continuing recovery in production (assuming it does continue), there will be substantial gains in productivity during 1976 and early 1977. These gains will serve to attenuate the impact of wage increases on price increases and to restore the share of profits to levels considered more customary in this economy”, according to the Institute.

“It is our view that it will take much longer than many people expect to reduce the unemployment rate to ‘full-employment’ levels of 1 to 2 per cent. The basic reason for this is the protracted length and depth of the recession and the effect such a recession has on the levels of ‘hidden unemployment’ in the society.”

“As a result, not only do the currently unemployed have to be absorbed, but also those who have withdrawn from the labor force temporarily (the hidden unemployed or ‘discouraged workers’), either by staying longer in full-time education, or by staying at home rather than seeking employment.”

No quick solution

The Institute of Labor Studies estimates that in February 1976 there were between 290,000 and 380,000 “unused labor resources” available in the economy. Setting themselves only the task of reducing unemployment to “normal”, “full-employment” levels of 2 per cent (leaving 120,000 out of work) they conclude a quick solution to the problem is “not on the cards”.

The Institute assumes “optimistically” (!) that a rapid economic recovery will be under way by September this year, with output growing at 8 per cent per year. They ignore structural difficulties, including likely mismatches between workers’ skills and the demands of industry that will delay employment growth, and perhaps even the recovery itself.

Even with these assumptions the Institute predicts it would reach its “target” of 2 per cent unemployed only in September 1979 - over three years away!
**AFTER MEDIBANK**

In the first half of 1976, workers experienced little success in wage struggles; for most, their only increases flowed from the two national wage cases. In the May national wage case, the Federal government succeeded in persuading the Conciliation and Arbitration Commission to abandon full wage indexation. The formula the Commission came up with was to grant the full 3 per cent March quarter Consumer Price Index increase only to workers on wages under $125. Workers above this got a flat $3.80.

The July national wage case is under way as ALR goes to press, and it seems likely that a similar, or even more drastic real wage cut will result, under a 'plateau indexation' formula.

"The last decision saved employers $340 million which workers lost in real purchasing power", according to Dick Scott, President of the Amalgamated Metal Workers Union. "If they do that this time, it will mean a greater ripoff for the workers."

However, during this same period, workers took unprecedented action against the government's plans to dismantle Medibank. What is the significance of this, and of other campaigns that make direct claims on the capitalist state?

**Economic or political?**

Much of the opposition to the Medibank strike, both from the capitalist class, the media, and from the extreme right of the trade union movement focused on its 'political' nature. Economic class struggle is OK, Murdoch and the National Civic Council were saying (though readers might cynically ask when these gentlemen last supported a good, old-fashioned strike over wages) but a 'political' strike is out.

However, during this same period, workers took unprecedented action against the government's plans to dismantle Medibank. What is the significance of this, and of other campaigns that make direct claims on the capitalist state?

Ian Gough, writing on "State Expenditure in Advanced Capitalism" in New Left Review No. 92, makes the point:

**Part of class struggle**

"The battle over the burden of taxation and the composition of state expenditure is now as much a part of the class struggle as the ongoing battle over wages."

Gough argues that the solutions to the economic crisis available to the capitalist class will mean these struggles will become even more important.

"The only solution for the capitalist class and for the state representing its political interests, is a decisive rise in the rate of exploitation. This would permit a reduction in the rate of inflation, a rise in profit expectation, and would release resources for investment and exports. To achieve this two separate strategies are identifiable, though in practice they are normally used in combination.

"The first is some form of wages freeze, which would directly achieve the three objectives above. The second is to deliberately allow unemployment to rise in order to indirectly bring down the rate of wage increases, though the unemployment level necessary would probably need to be extremely high by postwar standards.

**Fuelling inflation**

"To achieve this without fuelling inflation, large cuts in public expenditure would be essential. Within the total of public spending, aid to private capital would need to be maintained and cuts in military spending, through they cannot be ruled out, would not suffice.

"The burden would necessarily be borne by the social services, and this for two reasons. First, they constitute the most dynamic area of state expenditure. Second, they comprise the 'social wage' of the working class, and a cut in this would be interpreted by capitalists at home and abroad as a deliberate government decision to reduce living standards and raise the rate of exploitation.

"An integral component of this second strategy would therefore be an attack on social expenditure.

"But of course", Gough concludes,
"precisely what defines the crisis is the powerful opposition of contradictory pressures: the ability and determination of the working class to resist such a rise."

What kind of struggle?

While the struggle over state expenditure automatically assumes a political character - which we shouldn't deny or shirk from - it does not transform economic class struggle into political class struggle. The first is a struggle over the share of the social product going to the working class, and can be pursued vigorously - and even successfully from time to time - without bringing into the question the continued existence of capitalist relations of production.

For this, class struggle must reach a new level and become a struggle to transform capitalist relations of production into socialist relations of production, to abolish the wages system: the framework within which economic class struggle takes place.

The size or nature of state expenditure does not threaten capitalist relations of production; in fact, state expenditure, including expenditure on social services has grown in such a way as to preserve these relations of production. As Lord Balfour declared in 1895: "Social legislation is not merely to be distinguished from Socialist legislation, but it is its most direct opposite and its most effective antidote".

Ian Gough outlined two approaches to analysing the interventionist state, and state expenditure, in a paper he gave at the recent Political Economy Conference held in Sydney.

Strategic implications

Two groups of theories have arisen, he argued, in opposition to the theory of 'State Monopoly Capitalism'. Both seek to explain the relative autonomy of the state from the capitalist class and argue against the view that a 'fusion' has occurred between the state and any section of that class. The two approaches, however, proceed from different levels of analysis, and have different strategic implications.

The first approach, which Gough calls 'capitalist-theoretical', begins its analysis at the level of the capitalist mode of production. The autonomy of the state rests on the separation of exploitation and coercion under capitalism; in fact, capitalism requires 'free exchange' of commodities, especially labor power for its mechanism of exploitation to operate. Economic inequality requires political equality. The function of the state is to resolve the contradictions of capitalism. He includes both those who see the main contradiction as under-consumption (Baran and Sweezy, O'Connor) and those who stress the role of the falling rate of profit (Yaffe).

This approach derives a history of the capitalist state from the phases of capital accumulation - from primitive accumulation, through competitive capitalism, monopoly capitalism, and 'late' capitalism.

Class conflict

The second group of theories, which Gough calls 'class-theoretical' begin not with the capitalist mode of production, but with the existence of social formations made up of different classes. The relative autonomy of the capitalist state rests on class conflict, both between the dominant and the subordinate classes, and between different sections of the dominant class. Its function is to politically organise the dominant class, and disorganise the subordinate classes; to do this it must be relatively autonomous both from the economy and from the dominant class itself.

These two approaches view the welfare state differently. The first sees it as a response to the needs of capital, particularly in providing labor power and 'infra structure'. The second sees it as a response to class pressure from below, and stresses the role of reforms and especially of social-democratic parties in its evolution.

According to Gough, those who hold the first view see the welfare state as repressive; the implication of this is that the working class should not oppose cuts in welfare spending. The second view, on the other hand, regards the welfare state as an achievement the working class should defend.

Both views, he argues, have limitations, but both must be used. "An adequate theory requires an intermediate level of analysis, between the capitalist mode of production and particular social formations."

This way, we avoid either abstaining from the struggle over the social wage, or, in our enthusiasm, over-estimating its significance.

- T. O'S. - 29.7.76.