Moving into its second year of office the Fraser government is in serious trouble. Its economic policy stands in tatters before the realities of continued inflation and ever-higher levels of unemployment. Many who voted for Fraser in December '75 solely because they thought he would solve the economic problems - which the media said had been caused by Labor's blunders - are beginning to see that Fraser has no answers either. Meanwhile the crisis of ruling class policy is producing huge cracks in the conservative coalition. The blistering attack on Fraser by Queensland leader Knox, stems from an opportunist desire to dissociate the Queensland government from Fraser in preparation for state elections this year. But it also reflects real divisions and loss of confidence among conservative forces who represent the interests of capital.

Yet amidst the crisis of policy, the confusion and loss of confidence, these forces are pushing ahead with plans for a confrontation with the unions. They aim to shackle them by means of the provisions of the Industrial Relations Bill. At the same time the hunt continues for a policy which will work and an ideology which will sell and justify that policy to the people. The government, business and media maintain their campaign on the key themes of wage restraint, hard work, higher productivity, increased profitability, cuts in public spending, less 'big government' and so on.

Last December The Australian ran a series of five editorials on the theme: 'Australia: the Way Ahead'. Vague and meandering they came up with little that was concrete. Mostly they proposed 'solutions' such as optional retirement at 60 instead of 65 to reduce unemployment. But two strong points emerged. One was a polemic against high taxes, big government and public spending. This was quite shamelessly linked with the proposal, pushed strongly by industry employers, for tax cuts so that people could spend their money in purchasing the goods produced by the private sector rather than having it spent for them on things like education.

The second point is the recognition of the increasingly important role of primary products and raw materials in the Australian economy. The first editorial in the series pointed out that:

"Today some 12 per cent of the people produce 80 per cent of the exports and they are out there in the outback, digging minerals or growing wheat, wool or beef etc."

This theme was taken up a month later in The Australian editorial for New Year's Day:

"We have the difficulty presented by a
manufacturing sector which has to be revived, if economic prosperity is to be restored, yet which presently finds itself unable to sell satisfactorily even to the domestic market.

Yet, on the other hand, we have a minerals-extractive sector whose assured performance is increasingly valued by the manufacturing economies of Japan and the United States. We have a rural sector which in the last half of 1976 has been so revived as to threaten to overtake minerals as the country’s major export earner, for the first time since the late 1960s.

And we have yet to come, the huge bonanza of uranium exports.

There is an increasing attraction for this fact of life to be enshrined as a policy by the leading group within the Fraser government.

While manufacturing interests are still pushing hard for their interests, and Fraser himself is probably not fully decided on his course, all the signs are that manufacturing industry will be let sink or swim on its own and that the main policy is towards turning Australia into a huge rural and mineral products ‘farm’.

Whatever else it might or might not do, such a policy would greatly distort Australia’s economy, produce huge unemployment and many social problems. It would make us dependent on the major capitalist powers, especially Japan and the USA, and make independence a myth. It would not and cannot solve Australia’s economic problems.

It is worth recalling that a strikingly similar policy was proposed nearly five decades ago at the beginning of the Great
Depression. It was put forward by Sir Otto Niemeyer, visiting Australia to represent the interests of British finance capital and impose on Australia a plan designed to serve those interests.

It is instructive to examine a criticism of this policy written in 1930 by none other than Billy Hughes. (“Bond or Free - Sir Otto Niemeyer’s Report, Reply by W M Hughes”). Hughes was far from being a socialist. Indeed he had ‘ratted’ on the labor movement, twice tried unsuccessfully to push through conscription for World War 1 and in general represented the social chauvinist views so strong in all sectors of Australian society, including the working class. His small pamphlet analysing Niemeyer’s plan did not put forward a socialist or even radical alternative. Rather it set out a nationalist and populist view and represented an amalgam of popular interests with those of the manufacturing sector of business (and more generally of that section of the bourgeoisie which wanted Australia to be more independent).

Hughes characterised Niemeyer’s advice to Australian government thus: When he lectured them upon public finance and economics, emphasising their many grievous errors; painting the future of Australia in a blackness that could almost be felt, and then wound up by telling them that their only hope was to turn over a new leaf, reduce the standard of the people’s living; put aside their ill-advised ambitions to encourage Australian industries, and concentrate upon primary production - in which case the bank would help them - they humbly thanked him! (p.2. All emphasis in original unless otherwise indicated.)

Hughes’ vision was of a strong, ‘free’ and white Australia. Mixed up in his case were racism, the special interests of industrial capital, and nationalism. It is nevertheless useful to follow his argument since it has considerable relevance to present circumstances.

Hughes was at pains to point out that Niemeyer represented ‘a private bank ... not the people of England, but great financial interests’. Dismissing Niemeyer’s talk about helping Australia with its British debt repayments, as a smokescreen, Hughes said that the real intention was ‘... to induce us to make a radical change in our national policy’.

Compressed into a few words, Sir Otto wants us to scrap our policy of building up Australian industries and to confine ourselves to producing raw materials. And in order to do this - which he tells us is the only means of economic salvation - we must reduce our standard of living. (p 5)

Putting it another way: We are to be “hewers of wood and drawers of water”! We are to produce the raw materials for Britain’s industry - and in order that Britain may be able to compete in the markets of the world, we must produce them cheaply - the cheaper the better. And this means, as Sir Otto very kindly pointed out to the heads of our Government, that we must “reduce our standard of living” and work harder, so that we may produce more raw materials at lower prices and yet contrive to exist. (p 5)

The comparison between this policy of British capital and the one being currently pursued by Japanese and American capital is all too apparent. Hughes pointed out that Niemeyer also recommended a lowering of tariff rates which would make it even more difficult for Australian manufacturing industry. Sir Otto even trotted out the line on productivity and living standards which is currently being heavily pushed by business and political leaders. In his own words, as quoted by Hughes:

There may be room for increased efficiency, but there seems to me little escape from concluding that Australian standards have been pushed too high relatively to Australian productivity and to general world conditions and tendencies. If Australia does not face that issue she will not be able to keep even those standards which she might hope to carry by taking timely action, and she will see an inevitable increase in unemployment. (p 6)

Arguing against Sir Otto’s call for Australia to produce more food and raw materials, Hughes pointed out that “unless other countries produce less, the extra quantity we produce will make things
worse for us rather than better”.

Noting that trade depression and unemployment are world-wide phenomena he says:

In the face of these facts, it is evident that the causes of unemployment are deep rooted in the system under which we live, and that the remedies which the people of Australia have been urged to adopt are worse than useless (p7)

Sir Otto seems to imagine that all that is necessary is to produce more wool, more wheat etc. But that is not the position at all. The trouble from which the world is suffering now is not under-production, but over-production. The reason why wool and wheat prices have fallen is because there is too much wool and wheat in the world - not too much for the world’s wants, perhaps, but for the world’s ability to purchase. And this applies not only to wool and wheat, but to most other raw materials and to goods generally. (p 8)

Therefore, Hughes argues, it would be fatal to Australian primary industries to produce more since this would only lead to even lower prices. He pointed to the paradoxical situation in Australia where trade was depressed, tens of thousands were unemployed and did not eat enough, yet around them there was profuse production in a ‘veritable Garden of Eden’. With a population of six million, Australia in that year (1930) would produce wheat to feed thirty million, wool to clothe 100 million ‘and meat, butter, dried fruits, sugar and other kinds of food and raw materials, including minerals and metals, sufficient for double or treble our present population.’ (p 9)

Given this, it was necessary to encourage Australian industries. Here Hughes threw in an appeal to racism, showing the peculiar fear of being ‘taken over’ by the surrounding coloured masses of Asia and the Pacific which was and is so much a part of the national consciousness. He called for a policy that would provide avenues of employment so that Australia could progress and be kept ‘white and free’. Despite this reactionary justification, his argument against Niemeyer was correct. Under Niemeyer’s policy, he said ‘barely one half of the present population could find employment, even if their standard of living were reduced to the level of, say, Britain. Growth of population would be impossible. (Growth of population was seen as necessary to stave off the external hordes - BA) (p10)

Examining the figures for 1911 and 1928, Hughes pointed out that while the population had increased by 39 per cent the number of people engaged in primary industries had decreased by 10.5 per cent. Yet this fewer number had produced a vastly greater quantity of primary products and cultivated 75 per cent more land. Given the problem of over-production it would not be possible to employ many more people in primary industry. Moreover, primary industry itself needed an expanded home market. This meant more people and greater per capita consumption, which could only be achieved if employment was provided for Australian and immigrant workers. Already, Hughes said, the manufacturing industries find employment for more people than the pastoral, dairying and agricultural industries combined. He concluded:

The welfare and progress of Australia are dependent upon the maintenance of a policy of encouragement of Australian industries. Instead of producing more of those things which have to be sold in the glutted markets of the world, we should concentrate on the production of those goods we want ourselves. (p 11)

Hughes also takes on the ‘wages are too high’ argument.

Money wages have increased, but real wages have remained almost stationary. During the last 18 years the real basic wage has advanced only 7.5d a day. In some cases wages have actually decreased. When one considers that these 18 years have been the most wonderful the world has ever seen, that during this period science and mechanical invention have very greatly increased the productivity of labor, it can hardly be contended that the workers’ share of the wealth produced is excessive. (p.13).

An interesting sidelight on this issue is an extract quoted by Hughes from a Report on Unemployment and Business Stability prepared by The Development and Migration Commission in June 1928:
The assumption frequently made that high wages is a major cause of fluctuations in employment in Australia is not borne out by the results so far obtained in this investigation, whatever effect it may or may not have on the average amount of employment over a period of years.

While today's circumstances are not the same as those of 1928 it is interesting to speculate on what light the above report might throw on the 'wage rises are pricing workers out of a job' line so much in vogue at the moment.

Pertinent to the argument of those who today claim that Australia's economic difficulties are unique and caused by too high wages is Hughes' observation that in Britain there were two million unemployed despite much lower wages than Australia. Another interesting parallel was the accusation against the Arbitration Court that it fixed artificially high wages. Hughes defends it against this charge, pointing out that when necessary the court was ready to reduce wages! Then, as now, while recognised as a very useful tool by business and the state at all times, the Arbitration Court in a time of crisis can often annoy sections of them by not taking what they regard as a hard enough line.

This excursion into history shows a number of things. Hughes did not provide a marxist analysis of the crisis - in fact some of his ideas, such as 'Demand alone creates values ....' are way out. Nor, despite some talk about the system being to blame, did he have any anti-capitalist perspective. His view was that things can be solved within the system to keep everyone happy in a land of plenty. Recognising that the crisis was international, he nevertheless proposed a narrow national solution for Australia as if it could cut itself off like a lost paradise in the southern oceans. His economic solutions were crudely consumptionist - reminiscent of the 'consumer-led recovery' theories today. He argued as if the highly developed manufacturing industry he desired could be created behind high tariff walls with workers paid high enough wages to buy the products. He seemed to ignore the big differences between the economic structures of Australia and America whose economic policies he set up as an example to be followed. Efficient industries like America's in a small country such as Australia can only be the result of conscious social planning to provide the investment funds. But precisely because of this his analysis has its uses.

In the first place, it should be remembered that Niemeyer's scheme, basically endorsed in the Premiers' Plan, failed to lift Australia out of the rut of the Depression. And it was NSW Labor Premier Lang's call for a moratorium on the Debt repayments (having voted for the Plan inside the conference) which led to his dismissal by Governor Game. Similarly, the plan to make us primarily a raw materials supplier for Japan, America and Western Europe cannot solve the current problems of inflation and unemployment.

All this illustrates that the special weaknesses of Australian capitalism have remained and provide the particular features of our economic crisis. We do depend more on raw materials exports and our manufacturing industry is weaker than in most other advanced capitalist countries. And the political weakness flowing from this economic weakness together with the semicolonial ties with Britain are as apparent now as they were then. In 1932, Lang's dismissal served the interests of British capital. In 1975, Kerr's use of relict powers had hardly anything to do with Britain at all. It was rather a useful instrument waiting to be used by all the forces, local and international, which thought their own interests demanded the removal of the Labor government.

These economic and political realities, as in the Depression years, are today forcing ruling circles to 'get tough' and expose the myths of classlessness, equality and democracy which are the ideological props of the system. Policies to overcome these special weaknesses of Australia's position must be one part of socialist transitional policies. Put in the right way such policies can attract people, and mobilise the class and national independence sentiments which are growing in opposition to Fraser's policies. They can also combat the narrow nationalism, bourgeois or populist, which may arise as a modern echo of Billy Hughes.

B.A.
9.2.77.