In this issue of ALR we continue our series on the ACTU/ALP Accord. We will be publishing further articles in future editions. In this article, Herb Thompson refutes a number of arguments commonly put forward to justify the Accord; he argues that the objectives of democratic socialism have been rejected in favour of capitalist economic management.

Herb Thompson

In 1975, Mr. Clyde Cameron, on behalf of the Labor Party, was able to announce that he had "... presided over the most massive redistribution of income in favour of Labour that Australia has ever seen in one year". To the year ended September 1974, the share of non-farm gross domestic product going to the labour force increased by 6.1 percent. This increase, of course, became part of what was later to be called a "wages explosion" and/or "real-wage overhang" (implying that wages were increasing at a pace more rapid than productivity) and was directly correlated with the recession and high rates of unemployment. Various arguments were then forthcoming to show that young people, old people, women, tradespeople and public servants were paid too much relative to their productivity. The resultant implications being that real wage reduction would offset an inflationary spiral, promote profitable production and reduce unemployment. The policies of the Fraser government from 1975 to 1982 were based on the premise that the real wage share of gross domestic product had to be reduced to pre-1972 levels if recovery was to take place; this culminated in the wage freeze instituted in December 1982.

A number of related and important questions were never to receive the same attention, during the Fraser years, as did the so-called "real-wage overhang". These questions would include: What is the relationship between unemployment and labour-replacing technological change? Given reductions in the real wage with increases in production, whence comes effective demand? How can profitability be maintained if effective demand is decreasing and prices are not rising? Assuming profit rates and the profit share are increased, how do we know those profits will be invested productively and not sent offshore or used for speculative gain?

During the crisis of recession throughout the 1970s and into the 1980s, the wage earner was to be burdened with the guilt of having created yet another capitalist crisis. In that Alice-in-Wonderland atmosphere of capitalist enterprise, where investment must continually increase so the economy can stand still, workers who demand a greater share of the cake when the economy i$ growing and healthy are accused of causing inflation; and in the bad times of recession, workers who fight to maintain their standards of living are accused of causing unemployment. High interest rates, labour-replacing technology, poor capacity utilisation of productive enterprises, declining effective demand for goods and services, unequal distribution of wealth, "bottom of the harbour" tax...
The Wages Accord

After only three months under a wage freeze initiated by the Fraser government, working people of Australia elected a Labor government to power. Immediately following the election, the rank and file and many of their representatives were confronted with a document entitled the “Prices and Incomes Accord”. Very few people had been involved in drafting the document and very little attention was given to mass worker participation in its structure and implementation. In fact, endorsement of the Accord was requested of Trades and Labor Councils across Australia by the ACTU before delegates had even had a chance to read it. (In Western Australia, for example, a member of the state executive of the Trades and Labor Council objected to endorsement of the Accord the night it was presented on the grounds that even he had not yet been given a final copy to read beforehand.) In this context, the argument that “99 percent of unions support the Accord” is laughable, to say the least.

Consequently, after six additional months of a wage freeze under the Hawke government, and the endorsement of the Accord, the Arbitration Commission brought down a decision on 23 September, 1983 to award a fully indexed payment of 4.3 percent from 6 October, and six-monthly indexation until October 1985, locking the union movement into centralised wage fixation for two years. In line with the decision, the commission placed unprecedented restrictions on wages, hours and conditions claims outside indexation. These included: virtual abandonment of the 9.1 percent wage catch-up during the period of the freeze; no further reduction of working hours below 38 hours per week for any reason whatsoever, and no productivity wage hearings before 1985. This decision officially satisfied the marriage between the ALP and ACTU in economic policy.

It is important to examine a few of the reasons given to justify the Accord, other than those mentioned above, by those who, among Labor, labour and capital see it as an historic document. Four main reasons are given to justify the Accord’s existence, some of which directly contradict others, which should not surprise us at this stage of our trek through Wonderland with Alice, Bill and Bob.


**Argument 1**

The Accord makes it possible for all workers to enjoy a higher and more equitable real wage than would have existed without it.

The process identified as full indexation appears to imply that real wages are maintained through centralised wage fixing. This appears, in fact, not true based on indexation hearings being held every six months. If one assumes that inflation occurs evenly over each six month period and that workers could get a one percent return on money spent on price increases during that time, then workers are actually receiving approximately 97 percent of total compensation due for inflation. Since cigarettes, tobacco, alcohol and petrol are indexed at the same time as wages, workers are never compensated for price increases for these products. Therefore, real wages are falling each six months since full indexation is really partial indexation.

Indexation, as it exists, without plateaus, provides for higher absolute monetary gains for high income workers as compared to low income workers. Assuming a "fully indexed" wage structure over time, by the time a worker earning $10,000 per year reaches $20,000, a higher paid worker at $20,000 will be earning $40,000. Relativities are maintained with no attempt whatsoever to provide for a more equitable wage structure over the life of centralised wage fixation.

Therefore, the argument that the Accord makes it possible for the existence of higher and more equitable wages than without the Accord, is pure speculation based on self-serving political rhetoric and flies in the face of a number of important facts: (1) The last major increase of workers' wages occurred during a tense debate at the ACTU Congress in 1983 when Bill Kelty and Laurie Carmichael teamed up to strongly criticise the Food Preservers Union for gaining $16 per week for its members from two major eastern companies. Carmichael gave delegates a strident warning about attempts to establish a second tier of wage-fixing: "Those who think the road to socialism is made of individual wages struggles in half a dozen factories ... have no bloody idea whatever". The irony is that neither Carmichael nor any other representative of the AMFSU complained when AMFSU members in the food industry accepted the flow-ons resulting from the struggle by the Food Preservers Union. Kelty argued that "the FPU could not have it both ways. The FPU is pushing a principle that would seriously undermine a centralised wage-fixing system. The FPU is introducing to the minds of workers an excuse for wage increases that is totally incompatible with the interests of all the workforce. Decisions had to be made according to the national capacity to pay". What Kelty left unsaid is that three months earlier, in June 1983, the full bench of the Arbitration Commission deferred a claim by the AWU for flow-ons of the Metal Trades Award to the pastoral industry, on the basis of an incapacity to pay; and then refused on 28 June, 1983 to endorse the oil industry pay agreement for 12,500 workers, despite the industry's capacity and agreement to pay. Obviously, both the commission and employers were permitted to have it both ways even though Kelty argued that unions could not.

One of the most pathetic examples of the Accord at work occurred during a tense debate at the ACCU Congress in 1983 when Bill Kelty and Laurie Carmichael teamed up to strongly criticise the Food Preservers Union for gaining $16 per week for its members from two major eastern companies. Carmichael gave delegates a strident warning about attempts to establish a second tier of wage-fixing: "Those who think the road to socialism is made of individual wages struggles in half a dozen factories ... have no bloody idea whatever". The irony is that neither Carmichael nor any other representative of the AMFSU complained when AMFSU members in the food industry accepted the flow-ons resulting from the struggle by the Food Preservers Union. Kelty argued that "the FPU could not have it both ways. The FPU is pushing a principle that would seriously undermine a centralised wage-fixing system. The FPU is introducing to the minds of workers an excuse for wage increases that is totally incompatible with the interests of all the workforce. Decisions had to be made according to the national capacity to pay". What Kelty left unsaid is that three months earlier, in June 1983, the full bench of the Arbitration Commission deferred a claim by the AWU for flow-ons of the Metal Trades Award to the pastoral industry, on the basis of an incapacity to pay; and then refused on 28 June, 1983 to endorse the oil industry pay agreement for 12,500 workers, despite the industry's capacity and agreement to pay. Obviously, both the commission and employers were permitted to have it both ways even though Kelty argued that unions could not.

The continuing idiosyncrasies of the Accord were portrayed vividly in September 1983, at the same time that Kelty and Carmichael were chastising the FPU at the ACTU Congress. With a $15-$17 wage increase spreading through the Victorian chemical industry, an arbitration commissioner questioned rank-and-file allegiance to the Accord. Confronted with 60 striking chemical workers seeking a wage claim, Commissioner Graham Walker questioned whether union leaders were "correctly representing the views of workers".

A money round began with Altona workers at the Union Carbide petrochemical complex receiving a wage increase before the wage freeze. Comparative wage justice ensured that it flowed next door to Hoechst workers who won $15 on 30 May, 1983, after a four-and-a-half week strike despite the wage freeze. Similar amounts were won by workers at four other Altona complex companies and Australian Carbon Black, Footscray Chemicals and Monsanto. Albright and Wilson workers on strike before the commission kept referring to the $16 won by the FPU from H.J. Heinz Company in Melbourne. Commissioner Walker waved a copy of The Age newspaper in the courtroom, which reported calls by the Prime Minister for unions to stick to their wage restraint side of the Accord. Walker suggested that the workers should "walk half a mile to the ACTU Congress and see for themselves whether in fact the ACTU representatives are representing the rank and file .... My hands are tied because of the actions of people representing the working people of this country. If they are not representing them correctly, I cannot do anything about it".

In late October 1983, 2,500 electricians in Western Australia walked off the job on construction sites where they were employed by contractors. The state Labor government indicated that the dispute was the most serious in Western Australia that year and posed a serious threat to the Accord. The strike was the result of a deferred wage agreement made in February 1982 with the Electrical Contractors
Association (ECA). A newsletter published in late 1981 by the ECA pleaded with ETU members to accept a $38 deal: "If you consider this package a fair deal you should vote to accept its complete introduction". The ETU members voted to accept the wage package which allowed for a series of wage increases — three six-monthly increments of $17, $18 and $20. This was the first time electrical workers had led the way in a wage agreement as they usually took flow-ons from metal trades agreements. The agreement was ratified in total by the commission.

Seventeen dollars was received on 1 July, 1982 and then Fraser's wage freeze made the next two increases illegal. An increase of $18 on 1 January, 1983 and $20 on 1 July, 1983 were both deferred by the commission on application of contractors. The ECA spokesman, Mr. Gus Ferguson, argued that the employers were not backing out of the agreement and that the workers would get the money in six months. Given this decision, the ETU went on strike on 12 October, 1983. Then on 20 October, 1983, Chief Industrial Commissioner Kelly made it clear in a state wage hearing that the ETU must abide by the new centralised wage system: "Any reinstatement of the $38 is likely to lead to similar demands for a flow-on from contracted metal workers."

On 4 November, 1984, the commission withheld the national 4.3 percent wage rise from the ETU which would have amounted to $13.50 had they returned to work. This only accomplished the hardening of their resolve. The employers then made an application to the Industrial Commission to cancel the award which would have cost workers redundancies and severance payments, site allowances and other specially negotiated awards.

On 11 November, 1984, the ETU argued before a full bench of the State Industrial Commission that wage guidelines should not apply retrospectively. Commissioner Bruce Collier responded: ".... the continuation of the stoppage seems to me to be the most fruitless exercise I could ever imagine", and informed the union that they had to answer a summons as to why the union should not be deregistered in a hearing to be held on 24 November.
The following week the WA state government went on the attack, warning the striking electricians that they could be blamed for demolishing wage indexation and the Accord if they did not return to work. State Minister for Industrial Relations, Des Dans, said: "no matter how valid the ETU's objectives looked, they should not be allowed to jeopardise the longer-term future of all other Australians". The state government's condemnation of the ETU was welcomed by employers. Employers indicated they were looking at the possibility of mounting cases under the secondary boycott provisions of the Trade Practices Act and other avenues of civil action. ETU secretary, Mick Beatty, responded to the criticism most succinctly by stating: "The WA government has already breached the Accord by increasing state taxes and charges to a record level and abandoning any serious attempts at price control. Perhaps Des Dans should look in the mirror".

Proceedings for deregistration began on 24 November with employers predicting that small electrical contractors would not survive the strike. On 29 November, the ETU was suspended by the commission and given eight days to return to work before deregistration of the entire union in Western Australia. The following day, Minister for Industry and Commerce, Senator Button, described the strike as selfish and told the Senate he would talk to the federal Minister for Employment and Industrial Relations to see what action the Commonwealth could take in the matter.

Further discussions took place before the commission and a new agreement was reached. The Industrial Commission agreed to omit the $18 payment and award the $20 payment in lieu of the 4.3 percent national decision. This amounted to $7 more than the 4.3 percent would have provided. The ETU, under severe pressure, agreed to return to work on 12 December, 1983. The entire dispute provides a most poignant example of the Accord at work. No matter how just the claim, workers must sacrifice their livelihood for the benefit of national consensus. The ETU organiser, Mr Wally Palmer, said, "We were starved back to work." Based on the principles of the Accord, it took the ECA, the State Industrial Commission, the state Labor government and the federal Labor government to do it.

In February, 1984, the Builders Laborers Federation decided to fight for a $9 increase rather than wait for agreements by building employers over a new superannuation package. This decision was a result of the Full Bench of the Arbitration Commission rejecting a negotiated national building award agreement. Once again, unions and employers had reached an agreement to increase allowances under the anomalies and inequities provisions of the Accord guidelines, only to see it rejected by the commission. Pat Clancy, secretary of the Building Workers Industrial Union, described the decision as a recipe for industrial anarchy but the commission was primarily worried about the potential for flow-ons.

However, when the BLF campaign got under way to get money "up front" rather than through a half-baked superannuation scheme, agents of the Accord flew into action. Bill Kelty of the ACTU said, "The union movement could not allow the central wage-fixing system to be threatened by the BLF campaign". The federal government was said to be considering moves to have the BLF excluded from all national wage increases and also threatened to initiate deregistration proceedings. Prime Minister Hawke said that the BLF was out of step with the ACTU, the rest of the union movement, and the government. "We as a Government will not tolerate a position where that union repudiates the ACTU." On 28 February, 1984, the BLF lifted bans on 100 building sites around Australia and declared that its $9 campaign was over. They agreed to get behind a revived superannuation campaign. Mr. Polites argued for the Confederation of Australian Industry that "there was no doubt that the $9, if won, would flow to other tradesmen's unions and from there into the supply areas of the building industry".

In April, 1984, the Federated Furnishing Trades Society won a claim in the aluminum window fabricating industry for site allowances of $11.90 per week, $6 to be paid from April and $5.90 to come later in the year. On 28 May, the federal cabinet endorsed a submission by Employment and Industrial Relations Minister, Mr. Willis, for tough action against the union's pay claim outside the Accord. The submission was understood to include punitive action against the 8,500 member union so as to prevent flow-ons to other unions such as the Federated Ironworkers Union. The National Director of the Metal Trades Industry Association, Mr. Bert Evans, said: "We are delighted to see that the Government is thinking about taking the union on." The ACTU then met with union officials to get them to withdraw the claim. On 31 May, 1984 the FFTS abandoned the claim to head off government action against the union.

The above examples are only a few to show that the Wages Accord is indeed working to prevent wages from being higher and more equitable than they would have been if the Accord had not been in place.

**Argument 2**

The Accord prevents money wages and real wages from increasing too rapidly so that employment can be increased.

The above argument contradicts Argument 1, but was implicit in the ACTU submission to the Arbitration Commission in June 1983 when Jan Marsh argued that, if full indexation was not forthcoming, industrial disputes would increase, wage struggles would heighten and the economy would suffer with increased non-deployment of resources. The argument is based on the premise that wage increases are directly correlated with unemployment. While trade unionists recognise that wage costs may contribute to unemployment, it must also be the case that international trade, high interest rates, declining demand for goods and services, technology, and even increased productivity also create unemployment. Keeping these other factors in mind, one must remember that, since the wage freeze and Accord were put into effect, unemployment in Australia has increased 66 percent. Unemployment is a more complex phenomenon than the simple-minded correlation artists would have us believe. Wage increases do not cause unemployment, although wage increases in conjunction with other factors may reduce employment.
The contradiction is that if real wages decline and the profit share increases, there is nothing to prevent those profits from being invested overseas, in labour-replacing technology, "rationalisation" processes or in speculative gain portfolios, which would also lead to an increase in the unemployment rate.

Gail Cotton, organiser for the Food Preservers Union, put the case well, so she is quoted at length:

"There are real changes occurring in this industry at the present time in terms of productivity connected with technological change, profitability and rationalisation that would allow this union to narrow the gap between haves and have nots. This union does not accept the principle of one person's wage increase is another person's job. Nor does it believe that by keeping workers in the food preserver's industry low paid and powerless we are really doing the unemployed a favour.

It is not a matter of not caring about the unemployed, nor failure to understand the Accord, or trying to bring down the system. It is a matter of improving the living standards of the working poor and allowing them to benefit, where circumstances permit, from changes in a particular industry and to benefit from the profit they work so hard to create with their sweat and often with their blood, for their employers. Abrogating our responsibility would have been to tell the workers, as the Heinz Company, the Arbitration Commission, and the capitalist press did, that as a union we would not support them because of the Accord. In the age of consensus, this position is called 'leadership'. I call it a 'sell out'. Supporters of the Accord who attack this union would do well to be mindful of the difference."

It is useful to remember, as the so-called "natural" rate of unemployment continues to rise, what one senior Arbitration Commission judge has said: "If a little union like the food preservers can break the Accord so easily, what effect do you think that is going to have on the so-called more militant unions"? So far, it remains to be seen.
The Accord permits a stable profit recovery in the present and will prevent a wage explosion when the gross domestic product begins to increase and profitability is secure. This argument comes much closer to the truth than either of the two previous arguments. The goal of both the Fraser and Hawke governments has been and is to push back the wage share of gross domestic product to pre-1973 levels. The increased wage share and reduced profit share which was generated by the Whitlam government in the early 1970s is now seen as a destabilising force for capitalist economic activity. It is also clear that there are those in the ACTU hierarchy who also share this philosophy. For instance, Bill Kelty used a forum organised by the Victorian Employers Federation in Melbourne to put his pro-growth, pro-profits position. He has been stumping the country recently with the message that unions should be seen as economic rationalists aligning their position with the political and economic position of the Prime Minister and Treasurer Keating. “Trade unions don’t shy away from the question of profit,” he said. “The trade union movement, not like some economic ideologues, accepts the world as we see it. This country needs productive capacity.”

Fundamental to Kelty’s position on profits is that, according to those criteria, the Accord is working quite well. The profit share of gross domestic product has risen from an historic low of 11.4 percent in the September quarter 1982 to 16.2 percent as of the March quarter 1984, the highest it has been since the end of 1973. Correspondingly, during the same period, the wage share has fallen from 67.8 percent to 61 percent, the lowest it has been since 1971. Calendar year 1983 showed a growth rate of 6.1 percent in gross domestic product with company profits increasing sharply by 39 percent. Over the same time period, award rates of adult wage and salary earners increased 4.7 percent. While real wages stagnate, a major recovery in profitability is under way. In a study by J.B. Were and Son, it was shown that, in the second half of 1983, listed industrial companies were performing strongly. Combined pre-tax earnings of 187 sampled firms were up 35.3 percent for the half-year to 31 December, 1983. Industry breakdowns show records being set in a number of sectors as the following summary indicates:

- **Beer and wine** (CUB, Castlemaine, Mildara and Seppelt) show pre-tax profit up 13.2 percent to a record $117 million.*
- **Tobacco** (Amatil, Rothmans, Philip Morris) increased 25 percent to $103.2 million.*
- **Automotive** (dominated by Repco) increased 62 percent to $58.6 million.
- **Retail** (Coles, Woolworths, David Jones, Myers) increased 52 percent to $297.5 million.*
- **Developers** (Lend Lease, Hooker, Leighton) increased 43.6 percent to $88.4 million.*
- **Building materials** (24 companies) increased 22.5 percent to $280.4 million.*
- **Engineering** (24 companies including ANI, NCL and Johns Perry) increased 40.5 percent to $133.6 million.
- **Media** (16 companies including Bell Group and Fairfax) increased 58 percent to $169 million.*
- **Paper and Packaging** (5 companies including APM) steady at $64 million.*
Sundry

• Food and Household goods increased 20.7 percent to $111 million.*
• Sundry (28 companies including Dunlop) increased 35.6 percent to $182.6 million.*

[Refers to a record performance in profitability for a six-months period.]

Additional selected examples which show the broad base of the profit recovery include: Western Mining Corporation recording a massive profit increase of 1,360 percent with earnings of $18.09 million for the period July to December 1983; Australia’s largest financier, Australian Guarantee Corporation reported a 20.3 percent increase in net profits to $50.5 million for half-year to March, 1984; Westpac reported a 42 percent increase of $143.5 million for half-year to 31 March, 1984; for the December half of 1983, EWI (seat belt webbing) increased 35.8 percent to $110,000. Nally Ltd. (plastics) recorded a 31.8 percent rise to $460,000. Softwood Holdings (timber) increase 132 percent to $6.8 million and Hartogen Energy posted a 62.1 percent increase to $10.1 million.

Along with the profit recovery has occurred a subsequent increase in dividend payments which have also outstripped wage growth. From January to June, 1983, dividends increased 13.7 percent (compared to the previous corresponding half) and they increased a further 19.6 percent in the December half of 1983.¹⁰

Not surprisingly, there has also occurred a flurry of salary increases for senior managers in the first three months of 1984. According to the Price Waterhouse Association, survey data covering companies with a turnover between $5 million and $500 million, showed annual base salaries for chief executives on $60,000 per year increasing 12 percent in the first three months of 1984. In 1983 they received increases of between eight and 10 percent. Finance executives earning $40,000 got increases of 13.4 percent; and senior production executives received eight percent, both in the first three months of 1984.¹¹

The above figures should be noted in the context of Clause 28 of the national economic summit which encouraged “non-wage income” groups to have their fees set by the Arbitration Commission; and the words of Mr. Willis, federal Minister for Employment and Industrial Relations who has said that “control over non-wage income is a major quid pro quo for union wage restraint outlined in the Prices-Incomes Accord”.

Speaking of prices and incomes, the federal government, in December 1983, introduced prices surveillance legislation into parliament, warning business to fight trade union sectional wage claims. Treasurer Keating said that the new Prices Surveillance Authority (PSA) would not hinder profit recovery and would examine price movements by only a limited number of powerful corporations and Commonwealth authorities. The bill contained no penalties against firms which snub PSA findings. The legislation was seen as establishing a “toothless tiger” by Cliff Dolan, president of the ACTU, shortly before it was proclaimed. In March 1984, Mr. Bill Kelty acknowledged to a group of leftwing union officials that the ACTU had not been able to reach agreement with the government on all aspects of the PSA. He said, “delays in setting up the authority which was a key part of the Accord have not been helpful in effecting the Accord”¹².

The PSA began formal operations on 19 March with its scope limited primarily to petroleum products, Telecom and Australia Post. It does have less teeth than its predecessor, the Prices Justification Tribunal, established by the Whitlam government. The great majority of Australian businesses will not be affected at all by its existence, irrespective of the delay in setting it up.

In the meantime, most state governments, particularly Labor governments, have failed to honour election promises of taxation restraint, and have since 1981-82 been increasing taxes and charges at a faster rate than inflation. Victoria and Western Australia have the poorest records. From 1981-82 to 1983-84, Victorian state taxes increased 40.2 percent; Western Australia — 33.1 percent; NSW — 29.5 percent; South Australia — 26.7 percent; Queensland — 15.7 percent; and Tasmania — 10.3 percent. These increases included duties on payroll, stamp, land, lottery, business franchises, statutory corporation payments and motoring charges.¹³ Direct taxes imposed on cigarettes, tobacco, alcoholic beverages and petrol, all of which hit those least able to pay were increased in the August 1983 budget and will be indexed to the consumer price index every six months. In Clause 25 of the national economic summit communique, it is stated: “In like fashion, governments agree to exercise, as far as possible, restraints in their charges”.

A Perth study has shown that the cost of feeding a family on a low budget rose 20 percent in 1982-83. The state Minister for Consumer Affairs, Mr. Tonkin, admitted that there was nothing the state government could do to contain prices. The Consumer Affairs Bureau’s price-monitoring unit is proving to be purely cosmetic in responding to complaints.¹⁴

Finally, it is important to note that in the August 1983 federal budget, the company tax contribution to total revenues fell from 17 percent in 1982 to 14 percent while PAYE taxes increased from 81.8 percent in 1982 to 83.7 percent of total tax receipts.

**Argument 4**

The Accord is part of an interventionist strategy of the trade union movement through which money gains are traded off so as to gain an intervening position in government policy. Specific areas of concern include economic planning, technology, occupational health and safety and industry policy, particularly in the metal trades and manufacturing sectors.

This argument is used by those sincere trade unionists who, correctly, have identified the role and power of the state in the present economic crisis. What those who argue this position fail to fully comprehend is that it is the responsibility of the state to reproduce the social relations of capitalism. If this can be achieved through co-opting the most militant trade unionists into exercises of “consensus planning”, then that course of action will be pursued. Throughout the world, income accords have exhibited important common elements. On the part of labour they represent acceptance of the logic of profitability as the guiding principle of resource allocation, international exchange, technological change and product development. In return, labour is assured of a minimal living standard and an attempt to control
unemployment by the state. Capital is offered a secure and stable investment climate in return for support of limited expenditure on social welfare by the state. According to Colin Crouch, this interrelationship is defined as "corporatism", in which there exists a hierarchical, non-conflictual integration of the state and organised groups representative of capital and labour.\(^1\)

The corporatist state is best understood as a network of bargaining, consultation and compromise aiming to promote consensus between "partners within a capitalist framework". Social conflict and antagonism is translated by the state into a policy of distribution which preserves the existing structure of power and control. Consultations simulate a public debate between classes and other organised interests, and participants see the absence of confrontation as a measure of efficiency and effectiveness. However, the most decisive aspects of the debate are hidden from public view. A distance is thereby created between those representing the interests of trade unions and trade unionists themselves. True representation with active participation is jarringly at odds with the pragmatics of simulated debate and consensus politics. "Simulated debate is, by definition, and exclusive affair; attendance is by invitation only."\(^2\)

Co-operation becomes a duty enforceable by the state, if necessary. Sectional interests must be subordinated to the "general will", as defined by agents of the state. Corporatism is hierarchical in principle. The state administers by using flexible "enabling act" models whereby aims are so abstract as to be uncontentious with content and specific powers to be filled in later. Agreements are then worked out in private negotiations between key individuals in government, business and union sectors. The Accord is the centre of the regulation process over trade unions. Once "voluntary agreements" have been reached it becomes the responsibility of trade union leaders to enforce the agreements and control the rank and file. Self-enforcement is part of the responsibility, and participation in the Accord provides for legitimation for co-opting potential dissidents into the committees of decision-making, defusing opposition, and turning the militants into agents of enforcement.\(^3\)

Argument number four is most indicative of a dialogue of the deal taking place between those sincere trade unionists who wish to transform capitalism and those who in the interest of profit, economic rationality and capital, wish to preserve the status quo. Argument number three is a clear indication that the function of the Accord is to raise the profit share at the expense of workers. Argument number two presumes that employment is only a function of lower real wages. This flies in the face of the clear indication that new investment in manufacturing will be labour-replacing investment on plant and machinery. And, finally, argument number one is speculation and obfuscation meant to con rank-and-file trade unionists. As one writer has concluded:

"Bringing unions into an agreement on incomes is the most important and effective way of tying them into a corporatist political structure. That is, an incomes agreement brings unions, employers and the state together to develop and administer a wage policy in which the union's principal task is to ensure rank and file acceptance."\(^4\)

The objectives of democratic socialism have been clearly rejected in favour of tripartite capitalist economic management and rationality. The sad fact is that the question was never put to the rank and file, much less debated.

References

11. As reported in Australian Financial Review, 14 March, 1984, p. 27.

---

Herb Thompson is a senior lecturer in political economy at Murdoch University.