The Left and the Economic Crisis

To a large extent, the current economic malaise, at the centre of which is the continuing drama of the national debt and the international financial markets, was a predictable outcome of a massive strategic contradiction within the policies of the Hawke government over its first three years of office. It is difficult to believe that the government could not have been aware from the beginning that its stated industrial and wage strategy, based upon the Accord and a program of sustained economic growth, was sharply at odds with its deregulatory financial policies, of which the deregulation of the dollar was the most visible — if hardly the most significant — expression. And, in fact, the strategy based upon the Accord and economic growth predated Keating's accession to the Treasury, and was to some extent beyond his control.

The policy of financial deregulation, by contrast, was Keating's enthusiasm from the outset. Historically, its ascendancy within the ALP Right in NSW could perhaps be traced to the party's debate over uranium mining before the 1982 conference, when right-wing numbers person Graham Richardson took the extraordinary step of inviting a US State Department official to argue a deregulatory line for the sale of uranium. The official stressed magnificently the enormous power of international capital over national economies, and the importance of not angering the financial markets by failure to honour contracts; on the N.S.W. right the lesson apparently had great effect. At any event, it was about this time that the parliamentary party's prospective strategy came to subordinate fiscal expansionism to the demands of the international financial markets.

In government this soon developed a circular logic. Financial deregulation in an expansionary environment served merely to exacerbate the private foreign debt, while the removal of exchange controls could only serve to encourage capital outflow — leading to a situation where record profits co-existed with levels of investment lower than the Whitlam years. This problem — which was far more significant for the economy than the fall in the terms of trade — was not only one of the government's own making, it was in fact a predictable outcome of the short-circuiting of the expansionary strategy by the deregulatory strategy.

The budget and the cloud hanging over the Accord have signalled that the two strategies are now at an impasse. The government's political strategy now — inasmuch as it possesses one at all — appears to be directed towards splitting the labour movement, detaching the centre and the right, and taking them over to the 'new' contractionary policies as the 'only solution' to the malaise. This appears also to be the aim of ACTU President Simon Crean, whose expressions of 'solidarity' at the recent ALP Conference can only be taken as a sign that he does not as yet possess the strength to make a move to take the centre and right over to the Hawke-Keating strategy.

The next few months will be vital for the prospects of left and progressive forces in general, and in particular for the prospects of the left within the trade union movement. It is highly important that the trade union movement is not split, and that it remains united around the only response which can retain the support of the movement as a whole. The so-called 'nationalist' economic response.

Broadly speaking, the nationalist response takes as given a number of factors - the balance of payments situation, low economic growth, and an appalling level of domestic investment. Inevitably it also takes as given the underlying structural fragility of the Australian economy, with the export sector heavy (and under Hawke and Keating actually increasing) reliance on primary produce and raw minerals. Moreover, the nationalist approach can be divided into clearly distinct short-term and long-term components. The short-term component is based upon the industry development proposals formulated by the ACTU and...
endorsed by the recent ALP Conference - proposals aimed at drawing an increased contribution from the industrial base, and from goods with a high value-added component, into both domestic and foreign demand. Within this short-term strategy it is clear that the elements centred around the import-substitution policies are quite well-developed, while those centred around the restructuring of export goods industries are a good deal more conjectual.

This short-term component necessitated a good deal of hard thinking on the part of the labour movement left. In particular, its adoption entailed a willingness to put up with more of the orthodox Treasury approach in the short-term, with the aim of securing in the meantime longer-term leverage over the structural changes at present facing the economy. It also entailed the recognition that, one way or another, Australian industry faces a bout of 'restructuring'. The choice lies not in whether or not this should happen, but in whether it is to be shaped purely by the pulls of the international financial markets, or whether the process will be directed by conscious government policy - and whether the labour movement itself will be in a position to play a decisive role.

In consequence, the strategy based around the nationalist response entails some quite enormous risks (as indeed did the original Accord strategy). The difference this time lies in the heightened awareness within the labour movement of the importance of an import policy in any expansionist response - and in a greater consciousness of the stakes involved. If the strategy fails, the third round will be one of straightforward conflict - a situation which would be costly both for the government and the trade union movement and progressive forces in general.

On one side of the current, orthodox 'internationalist' response, there is little difference in general direction between the leading sections of capital and the Hawke-Keating elements in the ALP. In the internationalist scenario, industry restructuring is based upon the assumption that new export structures will be able to trade their way out of Australia's export problems. There is little difference, too, in the level of blind faith in the willingness of international capital to invest in these new structures once the fundamentals have been put in place. Nor is there any appreciable difference over the strategy's basis - an I.M.F.-style 'crisis' response of slowing down the economy by cutting effective demand.

The difference lies rather in the extreme constraints upon Hawke and Keating's ability to manœuvre outside a basic range of responses. They are incapable of delivering the kinds of expenditure cuts which a conservative government would be able and willing to deliver; they are not at present able to deliver wide-scale cuts in public expenditure and demand; and they are clearly not able to deliver a program of privatisation to help fund the internationalist response.

This is a dilemma which ultimately Hawke and Keating could only resolve by decisively alienating every other sector of the ALP and the labour movement. Short of that, what they might hope to deliver is enough in the way of restored economic growth not to have to cut public expenditure further. Allied with this, they probably forsee a situation of almost automatic wage discounting for the foreseeable future. In any event, a large part of capital is possibly not fetishistic about the public sector - so long as welfare is funded through taxation (as in the case of the Medicare levy).

Without these constraints - with a change of government in other words - the other elements of the strategy could be expected to follow: deregulation of the labour market, initially around the edges; the destruction of wages policy and arbitration; attacks on the wages and conditions of marginalised sectors of the workforce; and the concomitant creation of a 'core' workforce resembling the old-style labour aristocracy.

Keating perhaps believes that if he can split the labour movement, and take the right and centre over to the internationalist strategy, then the government may be able to retain its 'natural relationship' with the movement, and thus also the ALP's pretensions to being the 'natural party of government'. If he fails, the government will have no other course to follow except increasing isolation from all of its natural supporters. In that case, all that would be achieved would be the laying of the ground work for the far more reactionary solutions of a Howard government dominated by the New Right. The only serious alternative in the immediate future is unity within the labour movement around the nationalist response, coupled with a much broader campaign on the part of all the left and progressive forces, welfare and community groups, leading off from the current 'Change the Direction' campaign.

(The above is based upon a talk given recently by Ann Catling, an economist with the Reserve Bank in Sydney - Ed.)

Testing Time for the Tories

The political fortunes of the Thatcher government in not-so-Great Britain are at a low ebb. The fundamental problems of the economy are unresolved, indeed worsened, by a monetarist-oriented policy approach which has produced relentless de-industrialisation and forced over 3.3 million people into the dole queues. Industrial disputation is rife, partly because of the concerted assault on trade unionism (though the legislation to require unions to hold votes on the maintenance of a political fund to support the Labour Party has backfired, all the unions to date having voted to do so).

There is an evident disillusionment in substantial sections of the electorate which has previously given the Conservatives such strong support. The most tangible expression of this was in May when two by-elections for parliament, and nation-wide local government elections, produced almost uniformly bleak results for the Conservatives. Both
parliamentary seats had been considered Conservative strongholds. The Tory candidate just scraped home in one, and the other was lost to the Social Democratic Party-Liberal Party Alliance. The swing against the government averaged 17 percent. In the local government elections, the Tories lost more than 700 seats and control of 29 councils, mainly to the Labour Party.

Of course, by-elections typically feature an anti-government swing. And this also spills over into local government elections where people typically "think nationally, vote locally", paying only secondary attention to the local issues with which the elections are formally concerned. However, the extent of the swing was striking. Labour Party leaders were cock-a-hoop, claiming to be "on course to form the next national government". The alliance leaders were "over the moon" with the prospect of holding the balance of power in the next parliament. The Conservatives acknowledged it as a dire warning; and the staunchly pro-Conservative Daily Telegraph ran an article, under the heading "Vote of No Confidence", suggesting that Mrs. Thatcher should resign now in order to give a less abrasive leadership time to prepare for the next general election. There is no indication that she will. Her immediate response was to give a firm assurance that there would be no change in the government's policies.

Explanations for the loss of Conservative support are many and varied. Some commentators have stressed long-term problems which have generated cumulative concern: most obviously, the chronic problem of unemployment and the deterioration in the availability and quality of social services, particularly health and education. A somewhat bizarre variant on this theme is the view that it is the very "success" of the Thatcherite economic policies which has intensified the demands for a greater trickle-down of wealth through expenditure on social services.

At the other extreme, other commentators have stressed personal problems within the Conservative Party — the conflict between Mrs. Thatcher and her Minister of Defence over "the Westland affair", his subsequent resignation and that of another minister who had misled parliament, the aggressive personal style of party chairman Norman Tebbit (famous for his advice to the unemployed: "get on your bike"), and so forth.

Then there is the Libya factor. Opinion polls suggest that about two out of three Britons did not support Mrs. Thatcher's decision to provide air-force bases for US planes to launch their attack against Libya. Quite simply, it is seen as having raised the risks of further terrorism directed against the citizenry. Moreover, it is widely seen as the act of a handmaiden to US interests. Unlike the Falklands war, it has provided no basis for jingoistic national pride. There is no glory in being the junior partner in the Atlantic alliance. Finally, and most recently, there was the Commonwealth Games where Mrs. Thatcher's intransigence on sanctions was seen as undermining the very basis of the Commonwealth itself.

Of course, there is plenty of time for reversals of party political fortunes before the next election. The British system requires a general election only every five years, so there is much more scope than in Australia for governments to pursue unpopular policies or otherwise suffer reduced popularity, but recover in time for reelection. But, on the basis of the local elections (and a previous by-election which saw an impressive victory for Labour in the London constituency of Fulham), the tide is running strongly against the Conservatives.

If a similar swing were reported at the next general election, the state of the parties would be Labour 300, Alliance 164, Conservative 159 and others 27 (compared with the 1983 election results of Conservative 397, Labour 209, Alliance 23 and others 21). But this is simply an arithmetical calculation, and more shrewd political assessments suggest a much closer balance between the support for the Labour and Conservative parties. Nudging the Tories into third place is beyond the wildest dreams of the alliance (trouncing the Labour Party would be a more typical, but even less realistic, dream). Still, the Alliance has established itself as a strong third force, more significant than the Australian Democrats have ever been on the local scene.

An inference which may be drawn from the recent elections is that there is a situation of two two-party systems in the U.K. In one system the Tories compete with Labour, and in the other with the Alliance. Mrs. Thatcher's government has aroused such strong feelings that electors are either clearly for it or against it; and, of those against it, many vote according to which party. Labour or the Alliance, is seen likely to be the principal challenger. This tendency holds a clear danger for the Labour Party since, at the last general election, it was second to the Conservatives in fewer than one-third of the Conservative-held seats. But the Alliance, lacking a coherent solution to Britain's economic problems, has...
the appearance of a rallying-point for protest votes. As the Daily Telegraph lamented, "it is all too comfortable for today's floating voter to float in and out of the Alliance without the soulsearching once needed to float between Conservatives and Labour". Meanwhile, the Labour Party has other problems on its hands. Despite considerable success in rebuilding the strength of the party, Mr. Kinnock's commitment to the expulsion of the Militant tendency is bound to further fuel internal divisiveness. Kinnock's position makes him seem more middle-of-the-road in electoral terms, but at what price? The editor of The Militant argued in a letter to The Guardian that "the expulsion of Marxists is a prelude to turning the Labour Party into a second version of the Liberal/Social Democrats". After all, this is a country in which the Labour Party, for all its record of capitalist economic management tinged with reformism, is still widely known as the Socialists.

Finally, it is important to emphasise the regional character of the political situation. The United Kingdom is very far from united. In the south and south-east there is considerable prosperity, and support for the Tories remains generally strong. But in the rest of the country, from the Midlands to Wales, the north and Scotland, unemployment is acute and the level of support for the Thatcher government is minimal. The recent elections confirmed this duality, though there were significant losses even in the Tory heartlands. In the local government elections, the Labour Party successes have given it local control of all the major industrial cities. Even in the south, inner-urban areas have generally backed Labour: the first direct elections for the Inner London Education Authority gave Labour 39 of the 58 seats at stake. The relationship between class and region is not one-to-one, but recent events have been a reminder, if one was needed, of the polarising effects of the Thatcher program. There are no grand claims about the achievement of consensus in the UK.

Frank Stilwell

Multiculturalism in Jeopardy

It was in 1973 that the Whitlam Labor government introduced the policy of multiculturalism. This new-found policy proposed that all Australians should be able to maintain their own distinct cultural identity without fear of discrimination, and advocated that all Australians should have equal access to and be able to participate fully in social and institutional life. Multiculturalism, therefore, was a significant departure from the past policies of assimilation and integration which had been based on the assumption that all members of Australian society should adopt "a commonly accepted way of life". At the same time, it has also been the subject of considerable debate within the left — a debate focussing on the limitations (and possibilities) of multiculturalism in addressing social justice issues.

Since the introduction of this policy, successive Australian governments of different political persuasions have given support to multiculturalism. The recent budget decisions taken by the federal government have, in one moment, removed a number of key programs and services which support multiculturalism. Despite official statements to the contrary, it appears that there has been a significant change in the government's commitment to the social policy of multiculturalism.

Perhaps the most widely publicised decision concerns the merging of the Special Broadcasting Service with the Australian Broadcasting Corporation. Contrary to the recommendations made in a recent government report, the government has made a decision to proceed with the merging of the two bodies. While it is still not clear what this merger means in concrete terms, it appears that the separate networks will be maintained. However, it is difficult to imagine how SBS will be able to continue in its present manner when it is placed under the control of a much larger organisation which is, itself, encountering substantial funding cuts and which has shown little commitment to the principles of servicing a culturally and linguistically diverse population.

Along with this decision, the government has decided to abolish the Australian Institute of Multicultural Affairs and replace it with an Office of Multicultural and Ethnic Affairs within the Department of Immigration and Ethnic Affairs. Shortly after its election to government in 1983, the Labor government reviewed the institute. The review found that the institute had been largely ineffective and described it as "a costly failure". However, the review also argued that there "was a near-unanimous conviction on the part of all sections of the community that AIMA represents worthwhile ideals deserving of retention if they can be revitalised and redirected in proper channels". In June 1985 the government established a new council for the institute and amended the AIMA Act to enable it to move beyond a narrow concern with cultural pluralism into a broader concern with social justice issues. Despite these recent decisions to retain the institute under a new charter, the government has now decided to pursue a "new strategy" for multiculturalism — without any consultation with ethnic communities, organisations which had worked with the institute over the past 12 months, or the institute's council. It is not clear what this strategy will actually encompass besides the establishment of an office.

As a result of the budget cuts, the area of education in and for a multicultural society has been severely affected. The Multicultural Education Program which began in the late 1970s has been disbanded, while the English as a Second Language Program (ESL) has been reduced by forty-five percent. The Multicultural Education Program attempted to provide all students with the opportunity to develop an understanding of their own
and others' cultural heritage; acquire or maintain a language other than English; encourage parents, particularly those from non-English speaking backgrounds to participate in the education of their children; and also encourage schools to develop materials and programs which accurately portray the history of Australia's indigenous and immigrant people. In its weaker moments, this program supported initiatives which often reinforced stereotyping through what are commonly referred to as "spaghetti and dance" activities. In its stronger moments, it contested many of the cultural assumptions underpinning the mainstream curriculum which ensured that certain groups of students were excluded from full access to and participation in the schooling process. The disbanding of this program will certainly pose a problem for the continuing of this task.

The reduction in the ESL program is in line with certain recommendations contained in a number of reports produced for the Schools' Commission in recent years. The argument put forward in these reports was that as ESL was an essential ongoing activity of schools, it should no longer be funded as a Specific Purpose Program but should be funded through recurrent grants to the states. While there have been reductions in the ESL program, the states have theoretically been provided with enough funds to continue the same level of ESL. However, without mechanisms to ensure that funds which are intended for ESL, but are not specifically earmarked for the area, are used for ESL, there is certainly a real risk that states will make significant cuts in this vital area. Whatever the intention of the federal government in this matter, in the last resort it will be up to the states as to how they will use their recurrent funding. If the new strategy for multicultural affairs is to encompass issues of access and equity, as indeed it must, then cuts to ESL would indicate that such a new strategy will not progress beyond the level of rhetoric.