Welfare Wars


The most provocative charge you can level at the Labor Party today is that it has abandoned its traditional goals and values. A fair number of ALP members have left the party because they believe this to be true. In fact, everyone except Paul Keating seems to agree. It might be just a bit harder, however, to get a clear account of what those goals and values were.

If anything, you are likely to be told that they are embodied in Chifley’s “great objective — the light on the hill — which we aim to reach by working for the betterment of mankind” (sic). The great memorial to this is Australia’s welfare state, put in place by the Curtin and Chifley governments between 1941 and 1949. Since welfare states all over the world are under challenge; since the rightwing power brokers in the ALP government are eager participants in this challenge; and since on the left Social Security Minister Brian Howe has undertaken the first major review of the social security system in forty years, it is probably high time we re-examined those great Labor reforms.

That is what Rob Watts’ new book does. And he argues that those foundations were rather different to Chifley’s “great objective”. Watts makes two major claims. First, he insists that there is very much greater continuity between the policies of the previous conservative Lyons and Menzies governments and the Curtin/Chifley Labor governments than the cherished picture of a great outpouring of reform would ever suggest. And second, he argues that those reforms owe very much less to the claims of social justice than to the demands of the new Keynesian fiscal policies.

The serious charge here is that social security reforms were mainly the sweeteners for a much less palatable goal. This was to head off inflation by muzzling the increased consumption which would flow from full employment, a concern which was even more far-reaching than the parallel need to direct resources to financing the war. The main weapon was to be the dramatic extension of taxation to include all workers — even those on the lowest incomes.

The most interesting part of this story is the detailed attention to the crucial role played by the small group of Keynesians who formed the Financial and Economic Advisory Committee and later occupied key positions in government departments. The best known of these today is H.C. Coombs.

This is a much more complex story than the somewhat similar marxist critique of the welfare state which argues that the welfare state has not removed the destructive consequences of capitalism — poverty, homelessness, unemployment — but has provided an ideological justification for inequality by offering minimal financial support. It seems that Watts shares at least some of this view; but his book goes much further by trying to unravel the particular historical influences which made this post-war “settlement” with capital take shape, and most important, the details of its legitimation.

One of the keys to this was the acceptance of the need for social planning, which had gained momentum during the ‘thirties; and in particular the acceptance that capitalism could not be left to its own devices — that “unemployment and insecurity [were] inherent in the system and not mere excrescences that can be pared off from it”, as G.V. Portus put it in 1935.

But, despite this, social planning was blind to the class nature of capitalism. Its guiding principle was social reconciliation and the interests of the whole community. But as Watts (like the marxist critics of the day) points out, the inequalities which are the basis of capitalist production ensure that the sacrifices demanded by Keynesian planning in the overall interest are borne unequally. Probably the best example was the imposition of a taxation system designed specifically to drain off the increased earnings of workers, and a social security system whose payments were set so low as to avoid threatening the prerogatives of
the labour market and, in effect, to institutionalise poverty.

In this it was aided by two features of the labour movement. The first was our unique arbitration system, which encouraged the belief that social justice could be won by regulating the distribution of income within the labour market — a belief that was profoundly blind to those outside or marginal to the labour market. The second was the general belief of the period that the cause of poverty was mass unemployment, and that all energy was to be directed to restraining this disastrous propensity of capitalism.

What we were left with was a welfare safety net which was secondary to the work of Keynesian planners as they pursued this goal. And what they completely failed to do was to give any effect to redistribution. Worse, the taxation system, which may be their real legacy, was clearly regressive when it was introduced — a tendency which has dogged it ever since.

While Watts' critique is not new, his book is important for the insight it gives us into the unfolding of this logic in Australian political history. But what it doesn't give us is any sense of the other parts of the story. There is a startling lack of any sense of social struggle. Reading it you would think that the Australian welfare state — the post-war settlement with capital — was a good idea of a small group of Keynesians which happened to meet the fiscal and ideological needs of governments in the immediate pre- and post-war years.

They were certainly crucial. But they rode on a current of social struggle which drew together a diverse range of social forces — forces whose demands formed the strands which comprised the fabric of this historic "settlement". The Communist Party, the business establishment, soldiers, women workers were all caught up in its turbulence. While it was not Watts' job to examine this, we do need to know how the work of the Canberra social planners meshed with this political practice.

And while Watts notes the genuine commitment to social justice of people like Coombs and, of course, Chifley himself, this appears as a veneer on the real architecture of the welfare state. This leaves unexamined the effect of such commitment. His concern to stress the continuity between the conservative and Labor governments hides as much as it illuminates.

Finally, some promissory notes are left uncashed. Watts promises an account which will explain the current crisis of legitimacy for the welfare state. If the answer is there it is not made explicit, unless it is the common point that a system which depended on full employment cannot survive mass unemployment of a change in participation in paid work. Watts gestures at more than this when he points out that our welfare state was never a redistributive system.

However, he doesn't follow through with what this means for the current crisis. That is just what we must look at; because today's system is not only tarred with the brush of its origins. It has been forced, over the years, to become much more redistributive — at least within life cycles. The collapse of its full employment prop certainly means that there is a struggle over how the system is to be legitimated; and as Watts points out about its birth, this is an argument as much about economic belief as about equity. But it may very well be that the upshot will be a more self-consciously redistributive system. That, we must remember, is partly up to us.

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**Rural Rides**


This book demands a wide audience. Just as the state provided the substantial book Dairyfarming in Australia free to the 45,000 Australian dairyfarmers in 1949 to encourage their technical efficiency, so today's 140,000 farmers would equally benefit if this book were to be made available to them. All the more so as Lawrence argues that farmers, 40 years later, are being misled by wrong advice on boosting productivity and a host of other issues from farmer organisations, the National Party, Departments of Agriculture and academic economists.

The book does more than tackle the problems of farming in a narrow sense. By placing developments in the rural sector in the context of international capitalism it suggests the possible lines of Australian agricultural development. Its framework also embraces such issues as environmental degradation, the quality of food, the decline of rural towns, and the attacks on unions initiated by farmer organisations. One quotation is illustrative:

General trends in the agricultural economy will promote, over time, the concentration and centralisation of capital in agriculture, the removal of a large number of producers from agriculture, the decline of rural communities, the creation of a "reserve army" of the unemployed in rural regions and will exacerbate the problems of environmental pollution.

Each of these issues is tackled in depth. As the National Farmers Federation, with its $10 million fighting fund, has stated that its next targets include conservation and animal rights, the book has a particular relevance for activists in those movements. Lawrence is to be praised for using his analysis to take a stand on many topical issues including subsidies for farmers,