Privatisation is a crucial battle for the left. But before we can take it on, we need to get our own ideas in order.
The government's flying of the privatisation kite has met with a strong initial rebuff from the labour movement in defence of traditional policies and values. This provides good conditions for the left within and without the Labor Party to emerge from its long period of defensiveness and to reassert a radical challenge to the economic ideas and practices of existing society.

The adoption by the ACTU of *Australia Reconstructed* — a document which contests prevailing policies and attitudes on a number of important issues — can also make a substantial contribution to developing such a counter-offensive.

Some years ago the left held much of the high theoretical and moral ground on economic issues in its own view, and even in the view of many of its opponents. It has lost that position in the last decade or so, a period roughly coinciding with the end of the long post-war boom (which, ironically, many expected would create conditions for a swing to the left). It has been lost through the left's inability effectively to mount an offensive of the Right (and especially the New Right) has dominated against the radical ideas of the late '60s and '70s.

The reasons for left/socialist decline are complex, but stated in the most general terms they arise from the fact that the left has lagged in its responses to changed social, economic, political and attitudinal conditions, its thinking often dominated by answers which had worked, or appeared to have worked, in the past. It has not faced up fully to the lessons of the experiences of and "feather-bedding" within its enterprises and institutions, on the growth of the bureaucratic apparatus of government and on the cost to "the taxpayer" of sustaining it. Each of these contentions, pro and con, needs to be examined, but this should be done within the basic framework of planning/regulation versus market forces.

Frederick Engels began his book *Anti-Dühring* (1878) with the words: "Modern socialism is, in its essence, the direct product of the recognition, on the one hand, of the class antagonisms existing in the society of today between proprietors and non-proprietors, between capitalists and wage workers; on the other hand, of the anarchy existing in production."

The "anarchy" takes the form of fluctuating discrepancies between supply and demand which occur because in a society based on private ownership of the means of production, distribution and exchange, there can be no social plan to match them. These fluctuations periodically take on a generalised form, with most or all areas of the economy affected. These are euphemistically termed "business cycles" where a mad rush to expand production in boom times leads to general over-capacity (coal is the example of the moment), then sacking of workers and further reduction of demand, giving rise to a downward spiral. This spiral is only reversed when the accumulated disproportions are discharged from the system, and when new investment can profitably begin again on a higher technological level, initiating the boom phase of the cycle once again.

Some capitalists are ruined, which are of increasing weight in bones. We see this clearly in Australia today, and it is no accident that the "new money" people who are doing the bone-picking by takeovers and other means are the main proponents of the New Right philosophy. Nor, in the post '74 climate of economic crisis and recession is it any surprise that the free-market philosophy which endorses this cannibalistic restructuring process has been revived.

Major business cycles, economic crises, recessions or depressions spread worldwide because international markets, which are of increasing weight in economic life, as a whole are even less amenable to counteracting influences than are national, "home" ones.

And here it should be stated that, even if all the good recommendations in (*Australia Reconstructed*) were put into operation (as they should be), and Australian industry became as a
result more up-to-date, efficient and innovative, this would count for little in face of major international economic downturn, which almost everyone agrees — when they can bring themselves to talk about it — could occur at any time. More of this later.

The socialist answer to these problems has been public ownership of the means of production, and planning — planning so that supply can be closely equated with demand, and a planned balance struck between consumption and allocation of resources to further expansion of production and subsequent increases in consumption down the line. All this to occur with no class or section of society enriching itself at the expense of another.

This remains the ideal. But even the most blinkered of socialists (now including some of its previously most dedicated exponents in the Soviet Union) are being forced by mounting economic problems to recognise that the practice is a different matter. (It is interesting to explore the theoretical reasons for this, and I hope to do this in a later article.)

But for now we can note that the experiences of the socialist countries reveal the following phenomena, despite the fact that they may have widely differing economic starting points, histories and traditions, and may be in conflict with each other:

- Some disproportions have been removed, but others have appeared. Some of these are due to lack of intermediate inputs too detailed to be adequately taken into account by even the biggest planning apparatus. Others arise from the difficulty of avoiding fluctuations in the rate of new investment, giving rise to political as well as economic repercussions.
- Pricing problems, particularly those of getting a broad correspondence between prices and the actual costs of production, are of concern, however much prices may be modified for other reasons.
- Where governments fund any discrepancy between the expenditure and receipts of an enterprise, and where the incomes of those involved remain the same whether they work well or badly, have technological foresight etc., even an originally strong will to work for the benefit of society will be quickly weakened. This will be all the more so if bureaucratic control and nest-feathering at upper levels further alienates the workforce.
- Such factors have a major bearing on the quality of products, which becomes more important as living standards rise. Where there is no competition in which the participants do well or not so well according to the judgment of the customers on the actual social usefulness of their respective products, quality will suffer even if quantitative plans are fulfilled.
- Large state enterprises are

Joyce Stevens' new book, Taking The Revolution Home, is both a landmark document in the history of women in the Australian left, and an inspiring read.

A combination of historical account and personal recollections by ten women in the Communist Party in the period 1920-45, it brings a whole 'lost' era of women's involvement in the left into vivid relief.

Verity Burgmann wrote of it that it 'breathes fresh, feminist air' into issues such as contraception and abortion. Daphne Gollan calls it a work of 'meticulous retrieval' of women on the left as 'living, struggling, hoping human beings'.

As a special deal for new subscribers, ALR is offering Taking The Revolution Home at the special reduced price of $10.95 plus $2 post and packing (normal price is $15.95).

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particular unsuitable for the provision of such services as restaurants, repairs, many forms of entertainment, and so on.

• Agriculture is particularly prone to these problems and to others of its own, since results depend critically on specific natural conditions and the intense involvement of the people engaged in it.

It will be noted that market forces are rather well suited to dealing with many of these problems. There is nothing fundamental in socialist scripture which says that such forces, such economic means, should not be used. Even if there were, the problems must be taken on their merits. And in any case it should be evident that market forces are far from the same when private economic activity is predominant compared with when it is absent or plays a subordinate role.

So the general issue should not be approached on an all or nothing basis — markets or planning. The issue is the role to be played by each in the given conditions (history, tradition, degree of development of economy, international connections etc.).

In existing socialist countries the measures being taken to tackle these problems include allowing/promoting competition between enterprises (even if they are all state-owned) so that customers for their goods have a choice. Enterprises which perform badly then suffer losses and may eventually even be unable to carry on — in effect, go bankrupt.1 Various forms and degrees of self-management are being tested to promote workforce involvement in the fate of the enterprise, though the impact of such innovations and its connection with general openness and democracy within society is viewed by millions of bureaucrats with trepidation. More scope is being allowed for private and group initiative in filling gaps left by state planning and in provision of services. The whole battery of economic means including taxation, interest rates, etc. is being increasingly and more discriminately applied.

Since each country is starting off from a unique historically established situation, their individual experiences and policies cannot directly inform socialists elsewhere on the best concrete balance between plan and market, the most appropriate forms of self-management, or what the most beneficial forms and degrees of continuing private enterprise might be.

This is especially where economically developed capitalist countries are concerned. There, in general, the issue today is not so much how to design the future economy, but how to intervene more effectively in the existing non-radical climate so as to renew the socialist challenge in the course of responding to the actual issues and events of the times. Non-dogmatic, creative thought is the order of the day. For us in Australia, the issues include the privatisation thrust and implementation of major policy orientations contained in Australia Reconstructed.

The market

The fundamental philosophy of the market was elaborated more than 200 years ago by the Scottish economist Adam Smith. Briefly, that philosophy holds that the public good is not only served, but best served by pursuing private interest. This is a nice way of saying that not only is personal acquisitiveness good for you — the most important person in the world, as the ads have it — but that it is the best way to help your brother and sister humans. An invisible hand — that of the market — ensures this fortunate result.

This is not complete nonsense. Marx himself often stressed that the capitalist system constantly revolutionises the productive forces and enormously increases the sum total and range of goods, making them (in our day, at any rate), widely, though not universally, available.

Capitalism has done this by advancing self-interest, the making of private profit, and money in general to the dominating position in social life and society’s general outlook.

Marx notes with passion the way in which capitalism conquered societies of an earlier type:

The expropriation of the immediate producers was accomplished with merciless vandalism, and under the stimulus of passions the most infamous, the most sordid, the pettiest, the most meanly odious. (Capital, Volume I, Chapter 32.)

It was even worse with colonised peoples, such as the Aborigines, seen as inferior, if indeed human at all. And, in the Communist Manifesto:

The bourgeoisie... has left no other nexus between man and man than naked self-interest, than callous ‘cash payment’. It has drowned the most heavenly ecstasies of religious fervor, of chivalrous enthusiasm, of philistine sentimentalism, in the icy water of egotistical calculation. It has resolved personal worth into exchange value, and in place of the social consensus so dear to the social fabric, has set up that single, unconscionable freedom — Free Trade.

This is hardly the kind of ideological climate in which to realise the social consensus so dear to the Prime Minister’s heart. Still less is it
The present battle — a prelude to the more radical ones — did, stand for suppressing individual strivings and initiative. This, too, needs to be taken into account in renewing the socialist vision.

Returning now to a more concrete consideration of the role of the public sector, we should note first of all that the internationalisation of production, trade and financial operations (particularly) has proceeded at an exceptional rate.

Two and a half years ago, journalist Maximilian Walsh quoted Fortune magazine to the effect that the volume of funds “awash” in the international arena was two million million dollars. (The figure could have easily doubled since then, especially with the recent explosion of Japanese finance onto the scene.)

His conclusion?

That raises the prospects of reintroducing exchange and foreign investment controls. (SMH, 7 September.)

And even from Paul Keating and Bob Hawke we occasionally hear that “the markets” have taken a misguided, short-term or wrong-headed view.

Yet we are told every day how “the markets” expect/require that the budget deficit be reduced, wages cut, government expenditure on anything in general and welfare in particular slashed — or else. The “or else” is that the financial tycoons will sell their Australian dollars or withdraw their capital and we will be faced with a new crisis.

The economic prescriptions dictated to us in this way are presented as the conclusions of disinterested scientists like the astronomers who survey the heavens and tell us of the latest supernova discovery. In fact, the particular economic doctrines promoted for the time being are dictated by the self-interest of dedicated pursuers of private profit. They will change (and have repeatedly changed) when new conditions dictate new directions in policy to the same end.

This does not mean that economic doctrines are manufactured at will, with no regard at all for facts, common sense or logic, for that would only the more rapidly discredit them. Rather, particular aspects of an almost infinitely complex economic life are emphasised in order to lead analysis in particular directions. At one time it is Milton Friedman’s money...
Australia’s Foreign Debt

![Graph showing Australia’s foreign debt from 1980 to 1985]

Supply; at another it is Adam Smith’sinvisible, socially beneficial hand of the free market. Most often we are told that manufacturers cannot sell more because their costs — usually wage costs — are too high. Yet only a few years ago, surveys were reporting that “lack of orders” was the reason. This was buried because the causes for crises inherent in the capitalist system itself are naturally not a favored topic of discussion.

Of course, it would be very foolish to ignore the actual influence of interational capital whether that influence is due to upheavals unforeseen by anybody, to conspiracies and manipulations, or just the almost unconsciously held conventional “wisdom” as to what should be done. This is especially so for an economically small country like Australia which has always been so dependent on primary exports, foreign capital inflow, and so on.

But it is even more foolish, indeed reprehensible, to fail to mobilise all possible means for defending our economic/financial independence and developing our will and capacity to take the decisions we want to take. Here, the strength of the public sector and various forms of government and popular intervention play key roles.

In the case of the danger of a currency collapse last January, the Reserve Bank played the central role, even though it did so in a low-key way. But the Reserve Bank not only has the custody of currency and gold reserves. It still has extensive powers over the whole financial system, powers which are voluntarily being ceded or left inoperative in these deregulation days.

For example, the Reserve Bank could direct that a certain proportion of bank deposits be made available for certain purposes at certain interest rates. (This, indeed, used to be the case for savings banks in relation to housing, and there are still minor measures in this direction.

It would be possible to submit private borrowings, especially overseas borrowings, to scrutiny to minimise unproductive/speculative activity such as takeovers and maximise new, especially innovative, investment and the promotion of Research and Development.

The Reserve Bank also takes custody of the so-called Statutory Reserve Deposits, whereby a certain percentage of bank deposits have to be handed over at a certain (low) rate of interest. These, however, while retained despite a campaign for their elimination, seem now to have more the role of revenue raising than a measure for exercising a degree of control over the economy. Such measures — and others are available to the Reserve Bank — would, of course, be roundly denounced by financial magnates and others who assert that deregulation and the entry of foreign banks have greatly benefited all of us.²

The Commonwealth Bank is on the hit-list for privatisation, although it is Australia’s biggest bank and could play a much more substantial role than it does in promoting public policy. For example, by directing its loans, as a matter of priority, towards desirable productive investment and by increasing its already considerable housing loan activity.

It could do this and continue to make profits of hundreds of millions of dollars a year which could be used in part to extend its capital base as necessary and, in part, to fund other public sector activity.

A bank is an instrument for collecting lots of small and relatively small amounts of money into investible-size lumps. It is rather strange, then, when a major excuse for selling Australian Airlines is the difficulty of finding the necessary capital to make them more efficient and competitive, it is proposed that a major instrument for mobilising such capital is also slated to be sold for a “one-off” return.

A major proposal in Australia Reconstructed is to overcome the lack of private investment for industry development by establishing a development fund by an allocation of 20 percent of superannuation funds. This has aroused much ire from free
marketees who assert that the task of these funds is solely to make the most profitable investments, and nothing else — certainly not to make policy intervention in the investment area.

This is argued despite the fact that most mutual insurance companies (AMP, for example) dispose of huge amounts of "members" funds in ways often determined by their congenial business relationships, including their occupancy of various cushy directorships.

What they really fear is that, in this area, for so long the preserve of capital alone, there will be competition from an economically powerful area into which there could be a substantial input from the labor movement, both economically and ideologically.

When ethical considerations (investment in South Africa, or in environmentally harmful activities, for example) are also taken into account, as well as the fact that employees may wish their funds to help create jobs and a better life for their children and the country as a whole, it is nonsense to say that they should be compelled to adopt the anti-social values of the class they work for.

Employers often blether about how much they desire to have employees with a monetary interest in the companies in which they work. Certainly they want the employees' money, as well as the illusion of "partnership". What they don't want, however, is a set of objectives and priorities contesting their own from a position of some strength.

In raising this proposal, and in stressing the importance of industrial democracy, Australia Reconstructed meshes with the anti-privatisation campaign. In particular, it pinpoints the fact that "the market", left to itself, has not raised the level of investment in Australian industry despite the rapid rise in profit levels and the profit share of the Gross Domestic Product.

It stresses the fact that, without a rise in such investment, the increasingly brittle reliance on export of primary and mining products will continue, that there will be no bigger economic cake, that it will not be possible substantially to reduce unemployment and that inroads cannot be made into the balance of payments deficit through an increase in exports and a reduction of imports.

It should be added that overseas borrowings by the private sector, much of it for takeovers, is responsible for about two-thirds of the total debt. Tax deductibility of interest payments on these loans, moreover, has greatly diminished the revenue from company tax.

No ID card will catch these tax dodgers, for the dodge is sanctioned by present taxation law. There is, of course, a good case for tax deductibility of interest payments when the loan is used for productive purposes, since the interest enters into the cost of production. But there is no reason why such deductions should be allowed on the interest on loans for takeover or speculative purposes, since the interest enters into the cost of production. But there is no reason why such deductions should be allowed on the interest on loans for takeover or speculative purposes, and the borrowings themselves should be closely scrutinised to see whether they help or hinder national development, and increase or lessen the degree to which Australia is at the mercy of international finance.

Other important social benefits could flow from the public sector. For example, setting the pace in developing industrial democracy and beneficial technological innovation, both by the public sector itself and support through the purchasing policy of private sector enterprises pursuing this path, and by ensuring that its activities are environmentally sound in the areas upon which they impinge.

All large organisations tend to suffer from bureaucracy. Public sector enterprises and departments are no exception, though it is a myth that they are in general more so than are private enterprises. Anyone who has had to deal with a large private company, bank or insurance company, for example, will have experienced, from time to time, their bureaucratic officiousness, lack of concern for the small customer, and inefficiency. On the other hand, many public "servants" have at least some appreciation of the ideal of "public service", and consider the plight of the poor, sick, homeless, unemployed, young, in humane and society-oriented ways that are foreign to the free marketees.

However, while there have been some, probably beneficial, changes made in Public Service organisation and practice by the Hawke government, none has so far addressed the issue of combatting the bureaucratic/hierarchical way of doing things or of raising the level of employee involvement. Yet to do so would raise "public service" consciousness to a qualitatively new level, break down the campaign from the Right to denigrate the public sector, promote different values in society at large, and place pressure from this source too for the expansion of democracy at the workplace level.

The campaign against privatisation and to implement major proposals contained in Australia Reconstructed has only just begun. It has the potential to repel the New Right, to halt the government's deregulation binge, to benefit the Australian economy and to set the left on the path to formulating a new, relevant and viable economic program, thus making an essential contribution to the process of socialist renewal.

NOTES:

1. This, of course, should be taken as indicative, rather than prescriptive. There are circumstances where a limitation on competition will be more efficient economically than its promotion. To take one example close to home, only a monopoly on basic telephone services can provide the cross-subsidisation between city and country needed for equitable costing.

2. Banks do compete, as big producers of commodities. But they do so more in peripheral ways than in basic ones such as offering lower costs or interest rates.

ERIC AARONS is a member of the Sydney ALR collective.