Cain's Curse

Shortly after its historic third term re-election late last year, the Victorian Labor government now finds itself embroiled in a major political crisis following revelations of mismanagement and incompetence in the publicly-owned financial institution, the Victorian Economic Development Corporation.

The scandal has rocked the government which, up till now, has prided itself on its capacity to combine a reformist economic and social program with efficient and honest financial management.

Now, in a move designed to minimise the political fall-out, the government has announced the abolition of the VEDC (its functions are to be incorporated into the Rural Finance Corporation), and Premier John Cain has announced a review of the role of government in direct stimulation of industry, mooting the handing over of responsibilities to the private sector.

The spectacular failure of a public sector agency to assess private sector risks has given the Victorian conservative parties something to cheer about, after most of the decade spent in the political wilderness. The state opposition mounted pressure for the resignation of Deputy Premier Robert Fordham, the minister responsible for the VEDC, and achieved their objective, Fordham resigning at the end of January. It has also threatened the use of its numbers in the upper house to frustrate the government, and will not rule out the possibility of blocking supply. These tactics may well destabilise the government if decisions are not made to end the crisis.

At a more general level, the demise of an organisation like the VEDC holds important lessons for the left. In capitalist economies, the control of financial institutions is an important plank in a left economic strategy, with the ability to channel community savings into productive investment, particularly in manufacturing industry.
At first glance, the failure of a publicly-owned financial institution like the VEDC, echoed by the WA government's disastrous intervention into Rothwells, would seem to be a vindication of the position that governments shouldn't meddle in the affairs of the marketplace. Prior to looking at this in a bit more detail, it's worth looking at just what happened to the VEDC.

In his report to the government, the chartered accountant Fergus Ryan stated that, by November 1988, the VEDC had become commercially insolvent, with potential losses amounting to $111 million. Even the staunchest defender of the VEDC would have been waver ing by the end of Ryan's report. Senior management appears to have had little or no banking experience; finance was poured into pet projects of senior management without thorough economic analysis of their prospects; managers sat on the boards of companies which had borrowed heavily from the VEDC and became advocates for those companies; and there appeared to be little understanding of the 1987 stockmarket crash.

On the positive side, the Report of Inquiry found no evidence of corruption (although it wasn't specifically in the terms of reference), and Ryan did draw attention to the positive achievements of the VEDC. On the sensitive issue of the minister's role, the report drew attention to the poor advice provided to Fordham by his department, but criticised him for signing letters committing the VEDC to sub­under­taking (or picking up the tab if things went bad) for one of the VEDC's largest and most risky ventures, in support of Wallace International Ltd.

The VEDC had come to play a key role in the Victorian government's economic strategy. The thrust of the strategy is to identify key strengths and opportunities in the economy and employ the resources of the public sector to expand activity in areas that are rapidly growing and have export potential. This includes encouraging the expansion of a number of high technology activities in advanced manufacturing, information technology, biotechnology and communications. Due to the large amount of research required and their longstanding domination by multinational capital, support for the growth of these sectors is, by definition, risky. Yet, whatever one thinks of the merit of supporting high technology growth strategies, the fact of the matter is that active government support is a prerequisite worldwide for transforming mature industrial economies into economies with a big proportion of high technology activities. Countries as diverse as Sweden and Japan have developed industry policies to modernise their industrial structures, with emphasis on high technology.

In Australia, the Victorian government has gone further than any other government, state or federal, in intervening in the development of new export-oriented activities. This is not a socialist strategy; rather, it is a strategy to modernise capitalism. To the purists this in itself may be a reason for attacking the government and its financial follies. There is certainly much to criticise in the mismanagement of the VEDC. On the other hand, the Victorian economic strategy has clearly improved the position of working people compared with the position in the non-interventionist Labor and non-Labor states. Since 1982 Victoria has consistently had the lowest unemployment rate of all the states and while NSW has attracted the lion's share of foreign banks, and a range of property development, Victoria has been able to expand opportunities in the important knowledge-intensive and manufacturing sectors of the economy.

It is not yet clear to what extent the abolition of the VEDC will affect the government's ability to implement its economic strategy. It certainly won't help. The Premier now appears to be saying that the government has been the catalyst for a number of new activities, and has taken a number of risks in the past, and now it's up to the private sector to take its share.

The problem is that it is difficult to have an activist industry policy without the support of the financial system. Unlike the West German and Japanese economies, for instance, where the financial system is directed towards long-term industrial objectives, Australia is characterised by deregulated financing of new industries, there term investments and discriminate against long-term industrial investments.

The VEDC was poorly run and backed a number of ill-conceived projects. Yet Labor or, indeed, socialist governments, are always going to face serious dilemmas in setting up financial institutions to implement progressive economic programs. Firstly, there are few, if any, left-leaning bankers available to implement such strategies. Secondly, such institutions will still be dependent on private sector entrepreneurs to identify projects.

This is where the notion of planning becomes important. If the public sector is to be involved in the financing of new industries, there should also be a commitment to investigating how these industries are set up. Issues such as educational and training requirements, the role of workers, management and marketing all need to be addressed. Until the left is able to develop practical programs to confront issues relating to the setting up and running of productive enterprises, it will have little relevance to major economic debates.

In the meantime, the problems identified by the Victorian government remain. There is no immediate prospect at a national level of a financial policy aimed at promoting industry development. Until such a policy emerges, there will be no alternative to modest attempts by progressive state governments to supply finance in support of new industries — albeit hopefully with a more efficient and committed management than that revealed in the VEDC fiasco.

Julia Andrews
1975 and All That?

In the 1970s, Walter Lini, Barak Sope and Vanuatu's former president Ati George Soko-mantu were comrades in arms. Together they built up the South Pacific's most successful and democratic political party — the Vanua'aku Pati (VP). With a truly grassroots organisation behind them they led their country to independence from joint British-French rule.

After independence, Barak Sope became a roving ambassador supporting regional liberation struggles. He also built up personal business interests which have made him one of Vanuatu's wealthiest businessmen and, as Vanua'aku Pati general secretary, played a crucial role in maintaining the VP's organisational support and its electoral strength.

As Prime Minister, Father Lini had to deal with the secessionist rebellion on Santo and to build a nation out of 80 disparate islands speaking over forty languages, all suffering from the divided administration left by Vanuatu's dual colonial heritage.

In early 1987, however, after six years in office, tensions became evident within the Vanua'aku Pati government. Sope was critical of Father Lini's links with Vietnamese businessmen, of government-sanctioned monopolies on import of basic foodstuffs and of complacency among MPs which, he said, showed they had lost touch with the poverty suffered by many of their people. Fr Lini on the other hand was increasingly concerned about Sope's tendency to mis his work for the Vanua'aku Pati with his own private business interests.

After Fr Lini suffered a serious stroke early in 1987 a leadership battle of unprecedented proportions began. The conduct of that struggle showed a relentless ambition on the part of Sope and a willingness by Fr Lini to jettison basic democratic principles in an attempt to stay in power.

After Sope had made two unsuccessful leadership challenges at consecutive party congresses, Fr Lini began to move against his opponent's power bases. Charging Sope with mismanagement and raising the possibility of corruption, Fr Lini closed the Vila Urban Land Corporation (VULCAN) — a body set up to collect rent from land in the capital on behalf of the traditional owners. While an independent report on VULCAN's financial affairs confirmed Fr Lini's suspicions, it was not published in time to stop immediate fallout.

In Vanuatu there is no more emotive issue than land and Sope, who was on the board of VULCAN, responded by organising a massive demonstration in Port Vila. An afternoon of drinking and the intervention of the paramilitary police led to a riot which left one man dead and over a million dollars worth of damage.

For his part in the riot Sope was sacked from his cabinet post and from his position as secretary-general of the VP. Along with four other Vanua'aku Pati MPs, he turned to the French-speaking and virulently anti-communist opposition. Together they controlled 23 out of the 46 parliamentary seats and could deny Fr Lini the ability to govern.

In June last year an unsuccessful attempt by Sope and his new coalition to move a no confidence motion in the Prime Minister led to a series of manoeuvres which ended in the expulsion of all 23 of Sope's supporters from parliament. The opposition coalition responded with loud demands for a general election. They argued that having lost his majority on the floor of the house, Fr Lini was morally obliged to take his government to the people.

When Fr Lini called by-elections for the vacant seats, Sope and the French-speaking Union of Moderate Parties (UMP) were outraged. Vanuatu's electoral system, in which a number of MPs are returned from each electorate, guaranteed that Fr Lini's government would decimate the opposition's numbers.

Sope and the UMP stepped up their campaign for a general election and announced an intention to boycott the poll. The aim of the boycott, he said, was to prove that Fr Lini had lost the confidence of the people. Although the president had no powers to sack the government, the opposition began to press him to intervene and dismiss Fr Lini.

With elections looming, both sides turned back to the villages, lobbying for support. Fr Lini, however, had what he regarded as his ultimate weapon — control of Vanuatu's only radio station and newspaper. He unashamedly instituted unprecedented media censorship, instructing journalists not to report anything said by the political parties promoting the boycott.

Two weeks before the by-elections, Fr Lini went even further and banned a presidential address to the nation in which the head of state had intended to call for compromise and for general elections. The Prime Minister justified his actions by
saying that President Sokumanu, who is Sope's customary uncle, had lost the impartiality expected of the head of state.

At the by-elections on 8 December, only 37 percent of voters turned out, compared with a usual roll-up of around 80 percent. It was that result, along with a number of failed attempts at reconciliation, which led to President Sokumanu’s abortive attempt to sack the Lini government. After the president swore in an interim government led by Sope, he and the entire alternative administration were arrested.

With no legal backing for his action, President Sokumanu’s intervention amounted to an attempted coup. Having failed to approach the police for their support in advance, it was bound to fail.

With the advent of Christmas, Sope, President Sokumanu and five others were in prison awaiting trial on charges of inciting mutiny among the police and Vanuatu Mobile Force and of sedition. The Supreme Court had declared the president’s dissolution of parliament unconstitutional and the government had asked the Presidential Electoral College to impeach the head of state.

For Vanuatu it was a difficult year — and one that had spawned an underlying threat of serious violence.

The leadership battle heightened regional and island chauvinism, as the Vanua’aku Pati divided between Line and Sope supporters. In Port Vila, people from Fr Lini’s northern island of Pentecost, along with other Lini-supporting communities, bore the brunt of threats from breakaway group of Sope supporters. In the lead-up to the by-elections some Lini supporters were seriously beaten and government ministers and business leaders received death threats from an anonymous “Mr Black Dog”.

However, the threat of violence did not just come from the opposition. After the riot in May, the government turned to Australia to equip it with riot gear. Gas masks, tear gas and tear gas grenade launchers were flown in. With the assistance of Australian advisers, the paramilitary Vanuatu Mobile Force underwent an intensive training program.

When the opposition called a peaceful demonstration shortly after the December by-elections, that training was put to use. Armed with automatic weapons and Australian riot gear, the VMF sealed off Port Vila. Edgy and inexperienced, they succeeded in thwarting the protest but, in the process, accidentally shot a carload of tourists who failed to see an unlit roadblock in the dark.

When ALR went to press at the beginning of February, President Sokumanu had been sacked. With Sope behind bars, Fr Lini saw his way clear to announce that he intended to retire as soon as possible.

While the election of a new Prime Minister opens the possibility of a new period of reconciliation, it will also bring more uncertainty. Fr Lini has no obvious successor and, over the next few months, there will be some intense lobbying. On top of that, as a result of last year’s turmoil, the government has serious economic problems on its hands, and must steer the country through the trial of Sope and the former president without allowing the underlying tensions to turn into violence.

Diane White

Indonesia’s Political Shadowplay

One morning in June last year in Bali, the Japanese finance minister announced that his government was giving Indonesia $2.6 billion in soft loans to overcome its balance of payments difficulties. His Indonesian counterpart, Dr. Sumarlin, thanked him effusively, and then asked Japan to wipe out the entire Indonesian debt to Japan in the interests of “stability”.

Three months later, President Suharto announced the abolition of the cornerstone of almost a quarter of a century of intense political repression — Kopkamtib, the army’s Operational Command for the Restoration of Order and Stability. And, a month later still, two old men were led from their cells in Jakarta’s Cipinang prison where they had lived under sentence of death for more than twenty years, and were shot.

These three seemingly unconnected events issue from the ageing of Suharto’s New Order — economically, politically and ideologically. The regime is not in crisis, and there is no overt issue which fundamentally threatens it. Yet, in 1989, for the first time in more than two decades, there is a sense of the possibilities of change in the foreseeable future. The main players of Indonesian politics remain the same — President Suharto, the Army, and the government’s political party, Golkar — but their character and inter-relationship have begun to shift. After almost a quarter of a century of military dictatorship even small shifts and uncertainties are a welcome relief.

The heart of the changes in Indonesia today is economic, as the oil-fed rentier state begins to starve. The army’s overthrow of the radical nationalist President Sukarno in 1965-66 not only liquidated the left,
but set the Indonesian economy firmly back into the western-dominated international economy. Massive foreign aid from the Intergovernmental Group on Indonesia (IGGI) followed the restoration of "economic order" and an environment conducive to foreign investment.

More important still, the OPEC-forced jump in oil prices in the early '70s boosted Indonesian national and state revenues to unheard-of levels. In concert with large Chinese and foreign capitalist partners, an entire class of military officers grew rich renting the benefits of office. A booming rentier-culture changed the skylines of Jakarta and Surabaya, and fostered the growth of a middle class dependent on state spending. While a measure of the oil boom money reached the villages through government health and education programs, and petty traders benefited from the general expansion in trade, capitalist transformation had its normal effects of increased rural inequality, forced urbanisation and the repression of labour.

Opposition flared occasionally in student challenges in 1974 and 1978, but was for the most part easily contained. The memory of the killings of 1965-66 combined with a massive intelligence and security apparatus dominated by Kopkamtib pre-empted all but the most explosive challenges.

In the late 1970s, the Petition of 50 group of former generals and senior political leaders announced their dissatisfaction with the New Order, and called for the restoration of constitutional rule, and the rule of law. With only moral authority on their side, they nevertheless embarrassed the government to such an extent that it imprisoned a number of its members (including a Secretary-General of ASEAN).

However, the most potent political force in Indonesia today is Islam, particularly in its militant, socially critical form. While the left is, for all practical purposes, non-existent, Islam is becoming more important than ever. Over ninety percent of the country is nominally Muslim, though most regard their faith the way most Australians regard Christianity — a matter of births, deaths, marriages and the equivalent of Christmas.

While the devout minority were among the army's strongest supporters in the overthrow of Sukarno (and many young Muslims in Java killed communists with army consent), many now feel betrayed and outraged at the level of corruption and manifest injustice of the New Order. What the army fears most is the combination of this theological critique with urban unemployment and rural poverty.

The threat exploded first in 1984, when the largely devout Muslim population of the depressed port district of Jakarta, Tanjung Priok, demonstrated against apparently intentional desecration of a local mosque by the army. More than four hundred people were killed when soldiers opened fire, and many more were wounded. Since then the regime has worked hard with both carrots and sticks — trying to assuage the fears of moderate Muslim leaders, donating to Islamic charities on the one hand and, on the other, setting the intelligence agencies on to real and imaginary Islamic plots, forcing all organisations to accept the state ideology as their own, and sentencing prominent Muslim figures to long prison terms in show trials.

The collapse in oil revenues has led to real restrictions in all government budgets, even the military (though this did not stop a $400m. arms deal with the US for F-16 fighters). This in turn has weakened the government-funded patronage machine. As the terms of trade have turned against the oil producers, national income has declined, and foreign debt risen alarmingly. This in turn has made the Indonesian government more vulnerable to both foreign and domestic pressures for economic reform — particularly from the IMF.

The critics' key target is the dense network of import licences, official monopolies, tariff and other trade barriers erected in the past two decades by the Suharto government in the name of economic nationalism. In reality, the direct beneficiaries of this regulation have almost always been the military elite and, in recent years, particularly the fabulously rich Suharto family itself and their large Chinese capitalist partners.

In economic terms, Indonesia is in the Japanese, not the United States, sphere of influence, both in terms of investment and trade. The huge $2.6 billion loan this year was followed by larger than ever direct grants. Even the Japanese, however, were taken aback by the subsequent request for still further aid, even to...
the point of wiping out the debt. The foreign and domestic pressure for economic reform has resulted in some important changes towards a less arbitrary framework for corporate activities, and some pulling down of the maze of regulation. Even some military officers have signalled their distress at the apparently unending greed of the Sukarno children, expecting their father to call a halt to the rort.

The army leadership itself appears unsure of the direction it wishes to take politically. Throughout most of 1988, senior army officers led by General Moerdani campaigned vigorously against the election of former State Secretary Sudharmono as Vice-president. Ostensibly, they were concerned that Sudharmono had alleged communist connections in Sukarno's time, and they wished to save the president from this embarrassment. In reality, the army sees Sudharmono, a military lawyer and administrator, as someone who does not have the army's interests at heart, who is "not a real army man", and as a dangerous civilianiser.

The government's decision to abolish the de facto martial law command, Kopkamtib, was partly related to the need to negate international criticism of ongoing political repression — which had even surfaced in the staid councils of IGGI itself. Kopkamtib was replaced by Bakorstanas — the Co-ordinating Agency for the Maintenance of National Stability — headed by Moerdani's successor as army commander, General Try Sutrisno. Since all of the repressive Kopkamtib legislation and apparatus remain in place, in addition to the large and powerful military Strategic Intelligence Agency (Gais) and "civilian State Intelligence Co-ordinating Agency (Bakin), there is good reason for regarding the Kopkamtib/Bakorstanas change as cosmetic, at least for the present.

However, in a country where military power is almost absolute as far as most of the country's citizens are concerned, even the smallest signs of liberalisation are important. Unfortunately, scepticism was confirmed when, a month after the abolition of Kopkamtib, news surfaced of the execution of two army sergeants, arrested in 1965 and sentenced to death for their role in the internal army coup of 1 October 1965 (which was followed by the Suharto counter-coup). The two old men had been imprisoned in Jakarta's Cipinang prison for almost a quarter of a century, along with at least another thirty communist, army and Muslim political prisoners under sentence of death. Their killing was a way of reminding Indonesians that, despite all the surface liberalisation, the military still intends to rule. National stability and development, military-style, demand sacrifices.

Lucy Rae

Perestroika's Perils

The reforms aimed at eliminating the Soviet economy's over-centralised command system have run up against stumbling blocks. The attempts to remove the obstacles will be at the very heart of matters this year, when there is every reason to expect an intensification of the conflicts inherent in the struggle for change.

The main thrust of the reforms is to provide wide autonomy to the state-owned enterprises which dominate industry, transport, construction and trade, and which account for a significant part of farm output. Legislation which came into force in January 1988 has given plants more freedom to plan their output and use their income, but it has also preserved the authority of the ministries, enabling them to continue to pass orders down the line as if nothing much had changed.

There has been an outcry from many plant managers and workers, voiced in the press and at the 19th party conference in June. They are saying that the ministries should be given an advisory and consultative role at most. However, this demand has not as yet been met.

The big question is whether this will occur in 1989. Certainly, the elimination of the ministries in their old form is necessary for the success of the reforms, but it is unlikely that this will happen very soon.

The principal reason is that the leadership of the party and the government are pursuing two goals at the same time: reforming the system and maintaining an economic growth rate consistent with the current five-year plan, which ends in 1990. The worry is that it will prove impossible to reach the overall quantitative targets of the plan unless a high degree of centralised economic control is maintained. Therefore the ministries continue to exist, and the only way they know how to operate is by commanding the enterprises which are struggling to free themselves from controls.

A drastic change in policy is highly unlikely. The bureaucracy entrenched in the ministries is not ready to give way to the new economic order, and is sabotaging it in any way it can. Equally importantly, the economy is, in many respects, deteriorating — under the transitional, mixed order. Many plants, instigated and supported by ministries, are maximising their money incomes — not only by increasing physical output, but also by quietly raising prices and concentrating on high-priced fashion and luxury goods. Production of low-priced goods, including many essentials, is being minimised.

In this way, new shortages are created and the near-term goal of supply-demand equilibrium becomes less realistic.

The government will be using its central authority to promote the supply of products of mass consumption, and may use some of its new foreign credits to improve the
internal market. I do not believe that this will substantially improve things. The behaviour of the ministries is rooted in their dominant position in the economy. The ministries, virtually branch monopolies, have to be broken up into smaller units which should be compelled to compete among themselves in the market.

Why should we have the Aeroflot monopoly rather than several competing organisations in the tourist trade? The need to promote competition and break up the ministries is widely recognised, but there are no signs that radical changes will come about soon.

One way to promote competition is to stimulate private and cooperative activity, particularly in the production and marketing of consumer goods. There has been some progress in this area. However, if such enterprises are to become an important factor in achieving market equilibrium, they have to be much more numerous. At present they face too many administrative and other barriers to secure the supplies and other resources they need to enter into business. Indeed, the existing mini-co-operatives and private businesses are, in many cases, enjoying a virtual monopoly, and are thus adding to the inflationary pressures created by the inadequacies of the state-owned supply sector.

Some co-operatives have been infiltrated by members of the shadow economy seeking to legalise their own activities. The shadow economy has thrived in the past on the back of shortages created with the help of corrupt bureaucrats. It is far from ready to promote free competition in the areas where it prospers: there have been instances of force used against unwelcome newcomers to the field.

While this remains unchanged, co-operatives will add to inflation. They will be widely resented by the people and so will not be permitted to expand freely. This is a vicious circle which is likely to be broken in 1989 only if the government makes special efforts to give more material and financial support to co-operatives.

Until the forces of competition are institutionalised, there is no way that the envisaged price reform can work: it will create runaway inflation. Popular opposition led to the shelving of planned food price increases last year; for the reforms to retain popular support, it is essential that the price of food and other essentials remains under strict government control. Where necessary, subsidies should be used as a temporary measure.

It is important to realise that price increases alone will not help to boost supply unless producers are willing and able to use their additional money incomes to invest in output.

Acid Summer

Sydney’s Sun-Herald spotted it first: an ‘Acid House’ dance party in an inner-Sydney location, boldly titled after the dancefloor drug Ecstasy. What was this phenomenon, the paper asked, which brought drug culture back to the music scene and back (sic) into the lifestyles of Australia’s young?

Like most contemporary media panics over what used to be called ‘youth culture’, the scare was secondhand. The Acid House panic first hit the London tabloids with a splash in the last Northern summer—the season that with conscious or unconscious irony was labelled by the style arbiters ‘The Summer of Love’. Calls came from British Tory MPs to close down Acid House dance clubs; as a subversive influence on Britain’s young, Acid House had definitively replaced rap for the duration of the summer.

As a musical genre (if such it is), Acid House originated in the faddish British dance music scene. It’s an ‘eighties dance-floor pot-pourri with a psychedelic feel and it fits snugly into the tongue-in-cheek ‘Seventies Revival’ which resurrected such disparate icons as platform shoes and flares, psychedelia and the music of James Brown.

Yet Acid House isn’t music so much as ‘lifestyle’, in the late ‘eighties sense. The uniform is baggy T-shirts with Smiley faces, oversized board shorts or cut-down jeans, and bandanas. The ‘mood’ is the euphoria of Ecstasy, the philosophy the slogan ‘Don’t worry, be happy’.

It first arrived in Australia through the upmarket ‘alternative’ music scene, with its hitherto black style ethos. An irony this; while black was still a uniform on some Australian dance floors in the summer, in London and Manchester’s bitter winters the ‘look’ was Australian ‘100% Mambo’ beach gear, beach balls— even inflatable pools in the smartest venues. Yet the craze here soon crossed over from the chic clubs to the more democratic beach scene (where, one presumes, it always belonged): so that street-smart skateboarding beach kids in Sydney now wear bandanas and Smiley badges with their ‘100% Mambo’ shirts and flat-top haircuts.

‘1968 without the politics’, as one wit put it, it may well be. Certainly the rebelliousness of 1968 is as far from this ‘summer of love’ as the political mood of the late ‘sixties is from the conservative tenor of the late ‘eighties. However, youth hedonism, now as then, is more than a marketingfad: clearly, the ‘consumerism’ of the late ‘eighties doesn’t always take the forms the new free market gurus might wish.

David Burchell
The Industrial Relations Act (IRA) proclaimed at the end of last year is a good measure of the decline in Labor's reformist role.

The conciliation and arbitration system had always been seen as the Australian way of regulating class conflict; and by the labour movement as at least having the advantage of institutionalising the role of unions and the protection of workers by the creation of awards linking like occupations across an industry.

The new Act invites the striking of special agreements between employers and their employees in a new Section 115 which provides for certification by the new Industrial Relations Commission (IRC). Certification is possible providing the agreement is deemed to be in the public interest, and this is not disproved by being contrary to the national wage principles (normally sacred cows in wage settlements).

This provision to certify agreements is the ALP's response to the pressure of the New Right and Opposition against the arbitration system. Agreements can vary standards either upwards or downwards. Indeed, on this point the Act is less restrictive even than the Opposition's policy which at least provides for a "floor" below which wage rates should not fall.

While the IRA contains provisions which the ALP sees as advantageous in wooing business support, why were the unions so quiet about it? The answer lies in the promise it holds for rationalising the union movement into large manageable blocs under federal jurisdiction.

Unionism today is less than ever before to do with membership involvement in campaigning, at least in the eyes of the ascendant leadership of the ACTU. The issue is how to manage most effectively the expectations of members consistent with the national economic interest as expressed by Treasury. Thus the irrationality of consultation with the rank and file about high-level economic issues is apparent; far better to manoeuvre large units to placate interests, in deals from which the membership is largely or entirely excluded.

Section 118 of the IRA gives the teeth to the commission to restructure the trade union movement in a way that the old Act could not. In a new sub-section, IRA enables a union to represent and, by other provisions, enrol employees who would not otherwise be eligible for membership and to do so after taking account of any agreements dealing with coverage. This is the prize for which the ACTU was prepared to see the passage of the IRA despite the fact that it contravenes a raft of ACTU and International Labour Organisation (ILO) policy.

The IRA contains provisions which mean that fines, injunctions, imprisonment, award cancellation and deregistration are all possible against unions and officials seeking to represent their members, need it be said, peacefully. In other words, all the baggage of Menzies, Barwick and Fraser in the Cold War against the unions. Not that sanctions are the purpose of the IRA, but they are seen as a price to be paid for getting an otherwise desirable reform through the Senate with Democrat support in particular.

The persistence of these sanctions contradicts the ACTU submission to the Hancock Inquiry; the origin of the new IRA.

Legal sanctions that are directed towards limiting the power of unions to represent effectively the working men and women of Australia will never be accepted by the union movement.

They also contradict the Hancock recommendations and Hawke government promises, and a raft of ACTU policy and International Labour Organisation (ILO) Conventions such as Freedom of Association and Protection of the Right to Organise (87) and the Right to Organise and Collective Bargaining (98).

The role of political interests is widened in the form of the Minister's right to intervene in any Full Bench matter, and in any matter at all involving (federal) public sector employment. The likely effects of any decision on the level of inflation and unemployment must be taken into account. And, unless they are against the public interest, the commission must certify agreements which prevail over awards and operate outside the mainstream, although the commission may still be called upon to enforce these agreements. This avenue will be used for deals in areas of labour and skill shortages to be insulated from the bulk of the workforce.

It will also be a likely means of undercutting award conditions despite the prohibitions which prevent flow-ons from certified agreements. In Queensland, "voluntary employment agreements" are designed for this.

Simon Crean told the August Special Unions Conference that "no other union movement in the world has the status of the ACTU", and that "the game" was all about "positioning for relevance". When the Industrial Relations Act slips into the history of the Hawke government, it could prove to be an ACTU/ALP achievement better forgotten.

Rob Durbridge