Protection and the Labour Movement

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Protectionism has been one of the many ways by which the state has served the interests of private capital. Protectionism destroys, rather than creates, jobs and redistributes income from labour to capital. This article will look at the effect protectionism has upon employment, profits technology and wages, the distribution of income, and relations within and between capital. It is to be argued that the labour movement must re-examine its attitude towards protection and search for a more positive role in the development of policies for planning rather than clinging to the disappearing jobs provided by high levels of protection.

Before examining the impact of protection upon jobs, however, reference should be made to the question of just how significant protection is in 'protecting' local industry from import competition. The protective impact of industry assistance has been exaggerated ever since the 25% tariff cut of June 1973 which has been blamed for an extraordinary amount of the current malaise in Australian manufacturing and has occasionally been held responsible for the loss of 200,000 jobs in manufacturing industry. It was a potent political weapon for Malcolm Fraser during the Bass byelection of July 1975 and the general election of December 1975. Yet the empirical evidence now available suggests that the tariff cut was responsible for only a small proportion of the increase in imports in 1974 - as little as 11%.(1) By far a greater impact was made by a series of revaluations from December 1972 through 1973. These revaluations had been made necessary because a bitter fight between the Country Party and the Liberal Party prevented the dollar from being properly revalued in December 1971 with the result that massive inflows of foreign capital were fuelling a surge in inflation. On average these revaluations contributed four times as much to the increase in imports as did the changes in tariff levels, and contributed less than actual changes in demand caused by fluctuations in the economy during that period. The decline in employment in Australia in the period 1972-75 was no greater than that in other developed nations which were less adventurous in tariff policy than Australia.(2)

The experience of the 1972-3 and 1981 revaluations shows that a significant revaluation can effectively minimise or remove the supposed protection to most of our 'efficient' or even moderately 'efficient' industries. In such a situation only our most heavily protected industries - those receiving quota protection - remain 'protected'. Variations in the exchange rate are, for most industries, more important in affecting the 'competitiveness' of Australian industry than are variations in the level of assistance. However, the quota-protected industries are immune to changes in the exchange rate and force the 'burden of adjustment' to exchange rate variations disproportionately onto the less protected industries. In other words, they are able to force job losses due to currency appreciations (as occurred e.g., between January and August 1981) onto other import-competing and exporting industries.

The most highly protected industries were given substantial increases in assistance, mainly in the period 1974-6, which more than compensated for the 25% tariff cut. Between 1968-9 and 1977-8 the average effective rate of assistance for manufacturing industry fell from 36% to 26%, but the average effective assistance rate rose from 43% to 57% in the textiles industry, from 97% to 149% in the clothing and footwear industry, and from 50% to 61% in the transport equipment industry.(3)

The fact that protection does not preserve jobs in the long term can be seen in the distribution of the loss of jobs in manufacturing industry. Table 1 shows that between 1972-3 and 1975-6 the 'upper assistance' group of manufacturing industries,(4) which had received significant increases in assistance between 1973 and 1976, experienced a smaller increase in nominal import competition than the 'middle assistance' group and the same increase as the 'lower assistance' group of industries. Yet this most protected group experienced a 21% fall in employment between 1972-3 and 1975-6, compared with only 8% and 4% falls in employment in the middle and lower assistance groups respectively.

Table 1 : Protection, Imports and Employment, 1972-3 to 1975-6

	Average effective protection, 1972-3 (%)	Average effective protection, 1975-6 (%)	Increase in share of market going to imports 1972-3 to 1975-6 (%)	Change in employment, 1972-3 to 1975-6 (%)
Upper Assistance group - those with significant increases in assistance 1972-3 to 1975-6	88	94	+5	-21
- all upper assistance industries	73	57	+2	-10
Middle Assistance Group	39	33	+6	- 8
Lower Assistance Group	11	11	+5	- 4

Source: IAC, Annual Report 1977-78, pp 70-73.

As the most assisted industries were no more affected by increases in import competition than the less assisted industries who suffered much smaller job loss, it is not possible to blame the excessive loss of jobs in the most assisted industries on insufficient protection from imports.

Part of the problem has been that while these industries are able to be protected from imports, they are unable to be protected from consumers. The proportion of household expenditure devoted to clothing and footwear has been falling steadily for a long time; in 1976-7 it was only two thirds the level of sixteen years earlier.(5) The zenith of the automobile - particularly of the six cylinder petrol guzzlers the 'Australian' industry loved to produce - has long since passed in the wake of high energy prices. The drop in the total domestic market[6] for goods produced by Australian and overseas manufacturers between 1973-4 and 1977-8 was, in the quota-protected industries, a greater source of job loss than was increased competition.[7]

The crisis in employment in the most highly protected industries has not, however, been felt by the owners of capital. Profitability in the most highly protected manufacturing industries is higher than the average for manufacturing industry as a whole; this is shown in Table 2. Profitability has been particularly high in the clothing and footwear industries.[8]

Table 2: Profitability of Industry Groups, 1974-5 to 1978-9

	1974-5	1975-6	1976-7	1977-8	1978-9
Upper Assistance	13.1	14.5	14.9	15.2	16.1
Middle Assistance	13.3	14.4	13.3	13.2	14.6
Lower Assistance	10.1	10.4	11.2	10.1	14.7
Manufacturing Sector	12.1	13.1	13.4	12.7	15.1

Source: derived from IAC, Annual Report, 1979-80, p.186; Annual Report 1977-8, p.67-8; ABS, Manufacturing Establishments, Summary of Operations by Industry Class.

It should seem peculiar that profits can be so high in industries which are supposed to be in crisis. To understand why jobs have been lost while profits have remained high in the protected industries we must look not just at the declining output and markets of protected industries[9] but also at the role of technology in those industries. Real investment in fixed capital has been falling for a period of time. Real investment in textiles, clothing and footwear (TCF) industries in 1979-80 was 46% below the level in 1968-9; in transport and fabricated metals it was 16% below the level of 1968-9; while in all other manufacturing industries real investment in 1979-80 was 8% above the level of 1968-9. Overall the TCF industries, with 7% of manufacturing value added, now account for only 3% of manufacturing investment.[10] Coupled with low and declining investment, however, is a marked increase in the capital intensity of the protected industries,[11] reflecting a fundamental trend towards the replacement of workers by machines. This trend is also illustrated by the figures for labour productivity, which Table 3 shows has increased most rapidly in the most protected industries.

Table 3: Real Labour productivity, annual change industry groupings

	1968-9 to 1972-3	1972-3 to 1975-6
Upper assistance		
- increasing assistance	3.7	7.7
- all upper assistance	3.1	4.8
Middle assistance	0.8	2.6
Lower assistance	2.2	2.8

Source: IAC, Annual Report 1977-8, pp 69-70, ABS, Quarterly Estimates of National Income.

Despite the strong increases in productivity in the most highly protected industries real wages there have generally risen by no more than in other industries. The surviving workers have not reaped many of the gains of their improving productivity. Wages in the TCF industries are still lower than those in any other manufacturing industry.[12] The low wages in the most highly protected industries are matched by the worst working conditions, made 'necessary' because of the need to extract as much surplus as possible from workers. Outside the 'sweatshops'[13] and factories 'outwork' is common; it is a procedure whereby workers, invariably women, make clothing at home on a piecework basis, being paid the equivalent of $2.50 per hour or less with no leave entitlements and working as long as 65 hours per week.[14]

What causes this contradictory trend of declining investment and increasing productivity in protected industries? The answer lies in the particular nature of the technology introduced into the work place in highly protected industries. For decades capitalists in the TCF industries had been able to extract a high surplus from workers in these industries by employing women on wage rates well below those payable for males doing identical work. After the introduction of equal pay, accelerated introduction of labour-saving machinery became the only means by which capitalists in these industries could continue to extract high levels of surplus. Furthermore, the most highly protected industries have low or negative growth prospects. Technological change is then not used for innovation or for expanding production runs; instead it is used to replace workers with machinery in an effort to drive up surplus when other means of accumulation are unavailable.

In other, less protected parts of the manufacturing sector, even though the rate of investment is higher, technological change has not displaced as much of the workforce. Protectionism does not encourage technological change as such (in fact, as investment figures show, it can tend to discourage it). What it does is influence the form of technological change: it encourages capital-deepening rather than innovative capital-widening forms.

Overall the loss of jobs caused through technological change in the TCF industries is much greater than the loss of jobs caused through increased imports. Based on Healey's "highest" estimate,[15] between 1968-9 and 1976-7 an approximate <u>total</u> of 1300 jobs were lost in the textile industry and 800 were lost in the clothing and footwear industry due to increased imports from ASEAN.[16] On this basis it can be estimated that about 10,000 jobs were lost in these industries over these eight years as a result of increased imports from all of developing Asia.[17] But in the same period an average of 6.3% of jobs in the textiles industries and 4.8% of jobs in the clothing and footwear industries were lost each year as a result of productivity increases.[18] This is equivalent to the loss of approximately 3000 jobs in textiles industries and 5000 jobs in clothing and footwear <u>each year</u> due to improvements in productivity.

It is thus not correct to see protection as forming a temporary barrier allowing firms in 'trouble' to reorganise their activities so as to make them viable again. The drive for rationalisation is greatest within the protected industries because the threat of permanent decline forces capitalists in these industries to find ever new methods of pushing up surplus and reducing labour costs. At the end of the rationalisation process the overall level of employment in protected industries is permanently reduced. Additional temporary protection can do nothing to prevent this.

Like any attempt to decrease real wages and increase the surplus accruing to capital, protectionism has inherent contradictions. Money that consumers would otherwise be able to spend is taken up by higher prices for consumer goods to pay for protection for certain parts of capital. Hence the level of aggregate demand and of overall economic activity is lower than it would be with low or no protection. In the long term sustained protectionism minimises the potential for growth in aggregate employment in the manufacturing sector through its impact upon demand in the less protected parts of the economy.

Protection also reduces employment in the tertiary sector of the economy. The distribution stage is responsible for 51% of employment in footwear, 58% of employment in clothing and 60% of employment in motor vehicles.(19) The net reduction in aggregate sales in those industries associated with high protection reduces employment in the tertiary parts of those industries. Clearly, high protection has not prevented the long term loss of jobs in the industries it covers, although it may have a temporary effect in reducing the rate of job loss due to import displacement. Overall, however, job losses have been much greater than they would have been in the absence of decades of protectionism because its existence has created a particular industrial structure which is unresponsive to change, discourages innovation and expansion of output, encourages labour-displacing technologies, and constrains the potential for growth in non-protected industries. On the other hand, it has been argued that Australia needs protective barriers to maintain a 'broadly-based' manufacturing sector like those of Germany, Japan and now the ASEAN countries which were built up behind protective barriers.(20) The argument misses the point that protection was used in those countries to establish 'infant industries' as export-oriented sectors of the economy; protection was used as a transitional stage of an economic 'plan' with particular long-term goals in mind. This bears no relation to present Australian protection regime at all. Australia of the 1980s is not exactly about to embark on a bold new strategy of exporting textiles, clothing, footwear and automobiles.

Nor is a 'broadly-based' (or 'self-sufficient') manufacturing sector necessarily in the interests of Australian workers. These euphemisms are usually another way of saying 'our existing, fragmented, inefficient, technologically dependent manufacturing sector', or something closely resembling it, and are contrasted with the idea of a more specialised and more export-oriented manufacturing sector. Yet there must be a certain appeal to the idea of specialising more in the production of the goods the Australian manufacturing sector could be best at producing; the existing broadly-based, self sufficient manufacturing sector seems specialise in the production of goods that it is worst at producing.

Nevertheless, a major source of growth in Australian manufacturing over the past decade has been exports, and this is likely to be even more the case over the coming decades. Between 1968-9 and 1976-7 manufacturing employment fell by 10%. This figure, however, disguises wide variations between industries. The fastest growing quartile (25%) of manufacturing industries experienced an <u>increase</u> in employment of 21% or 59,000 new jobs over that period. Exports of these industries grew by 93% over that period and accounted for 63% of manufactured exports in 1976-7. These industries had an average effective assistance rate of only 17%. (By contrast, the quartile in greatest decline, with a 46% employment loss or 126,000 jobs disappearing, accounted for only 10% of manufactured exports, with export growth of only 12% over eight years and average effective assistance of 39%).(21)

The future for export growth is clearly not in sales to the advanced capitalist countries in economic crisis but to developing countries, particularly in Asia. Despite theories that trade with developing countries is leading to the deindustrialisation of Australia,[22] Australia's manufacturing sector presently receives substantial benefits from trade with developing countries of Southeast Asia. In 1980-81 Australia exported $360 million more manufactured goods to the ASEAN countries than it imported. By comparison, Australia has a heavy deficit in the balance of trade in manufactures with advanced capitalist countries. Between 1979-80 and 1980-81 Australian manufactured exports to developing countries increased by $119 million, while manufactured exports to the advanced capitalist and centrally planned economies fell by $123 million.[23]

Another aspect of protectionism is that it not only generally discourages export orientation by its underwriting of markets in Australia but may also have an impact upon overseas demand for Australian manufactures. It is unlikely that the governments of developing countries in Asia will allow large numbers of Australian manufactures to enter their domestic markets if Australian governments and workers will continue to allow Asian manufactures into Australia. It is unlikely that Australian manufacturers will attempt to produce goods for export to developing Asia while they have a secure market within Australia. Yet the developing countries of Asia are universally recognised as being the area with the highest economic growth for the rest of this century. By reducing the likelihood of access of Australian manufactured goods to the developing Asian market, protection unnecessarily jeopardises probably the major potential area for growth in the Australian manufacturing sector.

Who pays for protection to Australian manufacturing industries? One partially true answer is "other manufacturers," as tariffs and quotas are a cost that represents a higher proportion of total costs in manufacturing industry (4.8%) than in either rural industries (3.5%) or mining (3.4%)[24] even though the rural bourgeoisie and mining transnationals give the impression that manufacturing protection concentrates its crippling effect upon their own industries. Ironically, the highest cost of protection (12.2%) is borne by the TCF industries. However, in all of these industries the additional input cost of protection is more than made up for by the assistance received in the form of tariffs, quotas, taxation concessions and budgetary subsidies[25] (with the exception of a small number of rural and manufacturing industries.[26]

Ultimately the monetary cost of protection is borne by workers as consumers. The total net transfer of income[27] due to protection was $4001 million in 1977-78, greater than all Commonwealth spending on education, hospitals and aborigines combined and nearly ten times the net transfer of $301 million to rural industry.[28] Over one quarter of this assistance ($1014 million) goes to capitalists in the TCF industries[29] which account for only one tenth of employment in the manufacturing sector and about 2% of all employment in Australia.) The average household pays $235 per annum to capitalists in these three industries alone through higher prices for consumer goods.[30]

Tariffs and quotas are regressive in their impact, falling most heavily upon the poorer sections of society. This is especially the case because expenditure on clothing and footwear, being essentials, represents a higher proportion of household expenditure by low income groups than it does by higher income groups. Furthermore, volume-based protective quotas increase the prices of cheap clothing and footwear by proportionately more than they increase the prices of more expensive clothing and footwear.(31) Although they do not take full account of this latter regressive factor, IAC estimates of the incidence of tariffs and quotas are shown in Table 4.

Table 4: Incidence of tax effects of tariffs and quotas, 1977-78

income group $ per week	proportion of households %	cost of tariffs and quotas as a proportion of household income %
40	4.1	19.8
40-79	11.4	7.4
80-109	6.7	7.2
110-139	7.7	5.8
140-169	10.0	5.9
170-199	9.5	5.3
200-229	8.3	5.4
230-259	8.0	5.2
260-299	9.9	5.2
300-339	6.6	4.9
340-399	7.1	4.4
400+	10.6	4.1
	100.0	

Source: IAC, Tariffs as Taxes, Canberra, IAC Information Paper No.2, 1980, p.36.

People in the two lowest income groups (household income in 1975-6 under $80 per week, equivalent to about $150 per week in 1981-2) lost around 9½% of their income through the tax effects of tariffs and quotas. People in the highest income group (household income over $400 per week in 1975-6 or $750 per week in 1981-2) lost only 4% of their income, some receiving in return the possible privilege of a secured income from dividends from subsidy. The poorest 22% of households paid more in protection than they did in income tax. Every group except the richest paid more in protection than for any single tax other than income tax.(32)

Altogether the consumer tax equivalent(33) of tariffs and quotas is equal to half the value of the total revenue to the Commonwealth government from personal income tax and nearly a third the value of all taxation revenue. If the protection system were merely to take income from the various groups as described in table 4 and redistribute it evenly to each group it would be more regressive than the taxation system. By extracting income from workers as consumers and essentially transferring it into the hands of particular capitalists it acts as a mechanism for redistributing income.

Measures such as the consumer tax equivalent and the net subsidy equivalent of protection measure "transfers of income between different sections of the community" due to industry assistance.(34) The extent to which protection acts as a transfer of income can be seen in the levels of net subsidy equivalent per employee throughout the TCF industries. The average annual net subsidy equivalent of protection in the textiles industry in 1977-8 was $4600 per worker, over half the average wage in that industry. In the footwear industry the average net subsidy was $7200 per employee, compared to an average wage of only $7900 per employee, while in the clothing industry the average net subsidy was $7700 per employee, greater than the average wage of $7500. In some industry subgroups the annual net subsidy to capital is as high as $20,000 per employee(35) or approximately triple the wages bill. All these subsidies are transfers of income from consumers. Thus, in a number of the most highly protected industries workers as consumers are directly paying, through protection, more than the equivalent of the wages of workers as employees. This is not merely a case of redistribution of surplus between sections of capital(36), protection acts as a means of reducing the real income of workers and thereby transferring income from labour to capital.

Windfalls from high protection are not confined to manufacturers. The main source of protection in many of the TCF and automobile industries is not tariffs but quotas, which are responsible for about 28% of protection in textiles and 52% of protection in clothing and footwear; quotas protect over 90% of clothing and footwear items. For domestic producers they represent the best guarantee of profits, ensuring that no matter how much more expensive the domestic item is than the imported item, a secure inviolable market is found for it; they guarantee immunity from the competitive effects of exchange rate changes.

For importers quotas are an unearned windfall as they have the same effect on prices as higher tariffs but no extra customs duty has to be paid. "By allocating quotas freely to companies which have some historical claim to them, and allowing those companies to sell them on, the government is actually and literally making a free gift of taxation revenue to private individuals. The justification of such an extraordinary abuse of public finance is impossible to perceive".(37) The additional revenue to importers resulting from their monopoly over quotas was approximately $200 million in 1977-8.(38)

It has been claimed that the high cost of protection at least reduces Australia's dependence upon transnational corporations, or reduces the extent of our 'integration' in the international economy. However, transnationals are no more discouraged by protection than they are by free trade. The link between protection and local ownership is almost non-existent.

If we disaggregate the industry classifications into 40(39) manufacturing industry categories, among the industries that receive the 'best' protection (in the form of quotas) only one (clothing) has relatively low foreign control, one (knitting mills) has an intermediate level of foreign control and three (footwear, motor vehicles and parts, textiles yarns and woven fabrics) have relatively high foreign control. The money that is extracted from workers to pay for the imaginary protection of jobs is, as often as not, going into the profits of the transnationals.(40)

One example of this process is provided by the transnational ICI, which in 1981 threatened to cancel $900 million of investment if tariff protection of its chemical division was reduced. ICI's textiles division, Fibremakers, is one of the most inefficient firms in the TCF sector, and is "the only producer certain to have gone to the wall under the (1980) IAC recommendations".(41) On top of tariff and quota protection Fibremakers receives a $25 million per year subsidy from the federal government in the form of a bounty (the bounty was raised by 25% by the Fraser government in 1980). On a total capital investment of well under $60 million ICI receives a return from the taxpayer and consumer of about 40% per annum from this subsidy alone, between three and four times the average rate of return to the manufacturing sector as a whole. For each job 'provided' by Fibremakers its transnational owner receives a gift $20,000 per year.

The treatment that Australia has received at the hands of the protected transnationals is epitomised by the case of General Motors. In 1948 this 100% foreign owned company was given a $6 million grant by the Chifley government to commence production of automobiles in Australia. GMH's initial investment of $2 million in 1927-8 has been since returned over 100 times. This has occurred with the assistance of massive protection, protection which was increased in 1974 after GMH was able to virtually blackmail the Whitlam government into introducing quotas to protect its products from full-efficient Japanese imports. Yet in 1980 it announced the closedown of its Pagewood, NSW, plant throwing 1200 workers out of a job, on the grounds that the plant was no longer profitable - despite the fact that the parent company was $250 million the richer for its operations in Australia.(42)

Protection does not uniformly benefit the ruling class or uniformly disadvantage the working class. Some sections of the ruling class benefit from certain forms of protection at the expense of others; attempts to persuade or dissuade the Fraser government to reduce protection have by and large been an articulation of the struggle for surplus between different sections of capital. Moves by sections of capital to reduce protection have been seen by some to be part of the push by some sections of transnational capital to further integrate Australia into the international economy and in particular to integrate the Australian working class into the international division of labour.(43) However, the main role that Australia appears set to play in these transnationals' 'plan' is through the accelerated export of Australia's 'bargain-basement' priced minerals and energy resources, a process which will occur more or less independent of the level of protection afforded manufacturing industry. Indeed, to the extent that protection in Australia has discouraged export-based manufacturing industries and hence inhibited the processing of minerals into semi-manufactured or manufactured products, Australian exports under a sustained high protection regime will be comprised of a much higher proportion of unprocessed raw materials and Australia will play much more the role of raw material supplier than would be the case under a regime of lower protection.

In the meantime, Australia will continue to be further 'integrated' into the international economy by the increasing foreign control of Australian production. Afterall, transnational capital is as keen to make profits in protected domestic industries, as it is in export industries. The idea expressed by some people, that a protected 'broadly-based' manufacturing sector helps maintain Australian independence,(44) is simply not borne out by the Australian experience.

On the occasions where an extension of the international division of labour into Australian manufacturing is desired by transnational corporations, their position is often far from that of supporting a general reduction in protection. GMH, for instance, is pressing for reductions in barriers against its own imports of components so that its Australian operations can participate in the world car plan; at the same time it is campaigning vigorously against any reduction in barriers against imports of its competitors' cars. According to GMH, if it can import more, then thousands of new jobs will be created, but if its competitors can import more, then thousands of jobs will be destroyed! Neither claim has much credibility. Similarly Repco, an Australian company which is now producing many of its goods for sale to Australia in Singapore factories, was one of the key advocates of McEwen's protection scheme(45) and still strongly opposes any reduction in protection against components imported by its competitors. A different type of conflict was evident during the battle preceding the Fraser government's announcement of its seven year programme of continued protection of capital in the TCF industries; a breakaway group of clothing manufacturers advocated a reduction in protection for textile industries in order to assist the clothing industry, but wanted maintenance of protection for clothing.[46]

Protection's differential impact upon the working class is also worthy of examination. Generally the jobs most 'protected' are unskilled or semi-skilled jobs often occupied by women and/or migrants. It may be argued that protection provides employment for these otherwise marginalised sections of the working class. In reply, however, it can just as easily be argued that the position these marginal workers occupy in the class structure is a function of the Australian industrial structure which in turn is a result of Australia's policies on foreign investment and protection. By encouraging the development of a low-wage, labour-intensive enclave in the Australian economy protection has assisted in the segmentation of the working class - particularly as the workers in protected industries are often poorly organised and sometimes more readily mobilised against reductions in protection than they are mobilised against the bosses.

Certainly overseas experience does not suggest that a lower rate of protection would have resulted in the unemployment or non-participation of groups such as women who are presently considered marginal in Australia. Countries like Norway, Sweden and even Japan have both lower average protection levels than Australia and higher female participation rates in the workforce than Australia.

The analysis presented so far has indicated that the working class, despite divisions within it, is generally disadvantaged by the existence of a high protection regime, and that both the poorest consumers and the poorest workers are most disadvantaged of all. The corollary is not to move to free trade (there are all sorts of contradictions in this approach too, one of the most immediate being the fact that it would lead to an immediate increase in unemployment in heavily protected industries and consequently further depress demand and activity in the economy before any of the employment benefits from increased 'efficiency' would have time to take effect); it is to formulate a labour movement strategy for achieving a restructured manufacturing sector under a lower protection regime and in the interests of workers. The restructuring of Australian industry is occurring anyway, despite (or because of) past policies of protection; this restructuring is presently occurring solely for the benefit of capital.

An efficient industrial structure is essential if real and sustainable changes are to be made in the distribution of income, wealth and power. This article is not the place for elaborating on the components of a labour movement strategy. Readers are urged to consider the strategies described elsewhere in this issue.

The problems encountered as part of any strategy will be legion. The labour movement itself can hardly be described as a unified entity, and divisions between the political and industrial wings, between workers in protected and non-protected industries, between unions within protected industries, and between the perceived self-interest of workers themselves in different regions and industries will all hinder the development of a strategy. And the full force of many parts of national and transnational capital will be directed against any strategy for worker involvement in the restructuring of Australian industry.

But although the divisions created by protection may create problems with a labour strategy, clinging to protectionism is no alternative. We cannot use protection as an easy way out because protectionism actively worsens the position of the working class in Australia, especially in a depressed or stagnant economy. It is a recipe for accelerating unemployment and an instrument for redistributing wealth and income from the working class to some of the rich. By diverting our attention from central issues, such as "who makes the decisions about the future of Australian industry", it creates an illusion that we have achieved something positive if tariffs or quotas are raised, when the opposite is actually the case.

FOOTNOTES

1. See R.G. Gregory & L.D. Martin, "An Analysis of Relationships between Import Flows to Australia and Recent Exchange Rate and Tariff Changes", Economic Record, 52:137, March 1976.

2. In 1973 growth in industrial production (12 per cent) was higher in Australia than in three of her four major trading partners: UK (6 per cent), US (5 per cent) and Germany (5 per cent) and higher than the OECD average (8 per cent). Only Japan (18 per cent) fared better. In 1974 and 1975, years of declining industrial production throughout the world, Australia's performance in production (-2 per cent in 1974, -4 per cent in 1975) was better than any of her major trading partners: UK, US, Germany or Japan and better than the OECD average (-5 per cent, -8 per cent). OECD. Main Economic Indicators, Paris.

3. As the currency appreciates effective protection for these quota protected industries actually increases. See I.A.C., The Changing Economic Environment for Industry Development, Canberra, Discussion Paper No.1, July 1981. p.50.

4. See Table 1.5.2. I.A.C. Annual Report 1979-80, p.98.

5. The lower, upper and middle assistance groups were obtained by ranking manufacturing industries according to their effective rates of assistance in 1973-74 and dividing the ranked industries into three groups of approximately equal employment. Industries with significant increases in assistance since 1973 were defined as those industries which have more than 15 per cent of their output protected by quotas. I.A.C. Annual Report 1977-78. p.66.

6. From 9.9 per cent in 1960-61 to 6.6 per cent in 1976-77. T.J. Lee, D. Hart & M.D. Fitzpatrick, Future Demand for Textiles, Clothing & Footwear: An Australian Perspective, Canberra, Bureau of Industry Economics, Working Paper No.8, May 1979, Table A14.

7. See Table 1.1.2: I.A.C. Annual Report 1979-80, p.61.

8. See Table 4.1.9: I.A.C. Annual Report 1979-80, p.186; In 1978-79 the ratio of operating profit to funds employed in the clothing industry was 16.6 per cent and in footwear 25.1 per cent, as compared to manufacturing's average of 15.1 per cent.

9. ABS, New Fixed Capital Expenditure in Private Enterprises; ABS, Quarterly Estimates of National Income and Expenditure; ABS, Manufacturing Establishments: Summary of Operations by Industry Class.

10. See Table 1.2.1 I.A.C. Annual Report, 1977-78, p.69-70.

11. See I.A.C., Textile Clothing and Footwear (Report No.240) Part A: General, A.G.P.S., Canberra, 1980.

12. Australian Bureau of Statistics, Wage Rates, Australia Cat. No. 6312.0.

13. A Committee of the ILO has reported that sweatshop conditions in textile industries are not confined to Asia and Latin America but can also be found in many developed nations. Brij Khindaria, "ILO Warns on Textile Sweatshops", Australian Financial Review, 21 October 1980.

14. Denise Cusack and John Dodd, Outwork: An Alternative Mode of Employment? Centre for Urban Research and Action, Fitzroy, 1978, pp.33-37.

15. See Sandra Prerost, "Technological Change and Women's Employment in Australia", Second Women and Labor Conference Papers, Vol.2, Melbourne, 1980, p.861.

16. Dereke T. Healey, The Implications for Australia of Expanded Imports from ASEAN, Working Paper in Asian Studies No.7, Centre for Asian Studies, University of Adelaide, 1979.

17. The table in Healey's Paper (ibid) describes the number of jobs lost due to the existence of ASEAN imports into Australia. The figures quoted here have been adjusted to refer to the loss of jobs due to the increase in the share of ASEAN imports since 1968-69.

18. Based on figure in Bureau of Industry Economics, Industrialisation in Asia - Some Implications for Australia, Canberra, Research Report 1, 1978, p.25.

19. Figures derived from R.G. Gregory, "Structural Adjustment in Perspective: Debatable Issues and Policies", Economic Papers, 59, 1978, p.65.

20. Bureau of Industry Economics. Features of the Australian Service Sector, Research Report 5, Canberra, 1980.

21. Most recently by Hamilton in what is so far the only academic left justification of protectionism, Clive Hamilton, "Against Free Trade", Australian Quarterly, 52:1, Autumn 1980, p.102. See also Lionel Bowen, "International Trade and Australia: An Australian Labor Party View", World Review, 17:1, April 1980 p.76; Australian Labor Party, Platform Constitution and Rules. As approved by 33rd National Conference, Adelaide, 1979, Canberra, p.113.

22. I.A.C. Annual Report 1978-79 p.93, Table 1.4.5.

23. As implied in Hamilton op.cit. p.92.

24. ABS Exports and Imports, Australia: Trade etc. Cat. No. 5422.0. Manufactured exports assumed as SITC divisions 5,6,7 and 8.

25. I.A.C. Tariffs As Taxes Information Paper No.2, Canberra, 1980, p.35.

26. See e.g. I.A.C. Annual Report 1979-80.

27. ime. those industries with negative effective rates of assistance.

28. I.A.C., Trends in the Structure of Assistance to Manufacturing Information Paper No.1, Canberra, 1980, p.81.
assuming 'net subsidy equivalents' are identical to 'net income transfers'.

29. See Table. 1.6.1. I.A.C. Annual Report 1979-80.

30. I.A.C., Trends in the Structure of Assistance etc. op.cit. p.81.

31. I.A.C., Textiles Clothing and Footwear Part A: General op.cit. p.68.

32. By comparison with the 19.8 per cent of household income that the poorest income group pays in protection money, the incidence of other taxes upon the same income group is as follows: petrol excise 3.4 per cent, tobacco excise 2.4 per cent, beer and liquor sales & excise 2.3 per cent of income. Neil A. Warren, Australian Tax Incidence in 1975-76: Some Preliminary Results, Centre for Applied Economic Research Working Paper No.7, University of New South Wales, 1979, p.32.

33. The consumer tax equivalent is the "cost to consumers" of protection. It is equal to the increase in producers' gross revenue provided by assistance plus the increase in cost of imports resulting from assistance to Australian producers. It is thus higher than the net subsidy equivalent and, for manufacturing industry, equalled about $6600 million in 1977-78. See I.A.C. Trends in the Structure of Assistance op.cit.

34. I.A.C., Trends in the Structure of Assistance, op.cit.

35. I.A.C., Textiles Clothing and Footwear op.cit. pp.9 & 67.

36. As is implied in T. O'Shaughnassey, "Conflicts in the Ruling Class" Intervention 10-11, 1981.

37. Australian Financial Review,'Editorial' 18 March 1981.

38. Calculated from 'Scarcity rents' given in I.A.C. Tariffs as Taxes, op.cit. p.33.

39. i.e. Three digit ASIC.

40. See ABS 'Foreign Control in Manufacturing Industry". Cat. No. 5315.0 and I.A.C. Trends in the Structure of Assistance, op.cit.

41. Kenneth Davidson, "Parvenu Rulders Need Balancing Force", Age, 1 September 1980.

42. C.S. Shann Turnbull, "Eliminating Foreign Ownership", Growth, 26, December 1973, p.10.

43. See Hamilton, op.cit; Bowen op.cit.

44. Hamilton op.cit. p.102, ALP op.cit. p.113.

45. Ken Davidson, "McEwen's Protective Monster", Age 27 August 1981.

46. See various issues of Australian Financial Review, early May 1980.