# The Political Economy of Minerals

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An important element of the economic strategy of the Fraser government over the last three and a half years has been that which is concerned with promoting the further development of the multinational-dominated mining industry, as part of its attempt to bring about an 'investment-led economic recovery'. From the time of the mining boom in the mid-1960s, the mining industry has emerged as an increasingly important capital fraction, due partly to its position as a major source of Australian export revenue. In the late 1970s, with Australia undergoing a process of fundamental economic structural change, the mining sector has also assumed prominence as one of the sectors of the economy with the best prospects for long-term viability and profitability, particularly in contrast to the manufacturing sector, which is being contracted and restructured. Accordingly, the mining sector has, and will increasingly become, a focal point in the investment plans of Australian and foreign capital.

Precisely because of this long-term attractiveness of the mining industry to capital as an investment outlet, the government has placed great emphasis on policies designed to encourage the expansion of this sector. In the short term, because of the endurance of the world recession, the strategy has not been particularly successful, but it has led to important consequences for the Australian political and economic system. Among the more significant of these is the enhanced political power of mining capital, particularly foreign-based mining capital, which has resulted as mining companies have come to realise the strength of their political position in relation to a government committed to mining expansion. Furthermore, considered in the context of a changing economic structure, the government's strategy has serious implications for the future economic development of Australia, with the fulfilment of the A.M.W.S.U.'s predictions of a rundown of labour intensive manufacturing and a corresponding expansion of mining becoming an increasingly likely possibility.[1] The Fraser government's policies concerning the mining sector, as well as the reasons for, and the implications of the increasing political power of mining capital will be discussed in this article.

## THE FRASER GOVERNMENT AND THE MINING INDUSTRY

The economic policies of the Fraser government can best be understood by placing them in the context of recent Australian political history. In the early 1970s, the conservative governments of Gorton and McMahon experienced a period of internal political conflict and disunity, arising from pressures generated by the structural problems within Australian capitalism, and from the aftermath of the mining boom and subsequent sharemarket collapse.[2] Political disunity amongst the conservatives arose as a result of deep-seated conflicts within the ruling class over issues such as increasing levels of foreign investment and foreign takeovers, the exchange rate, protection policies and federalism.

During the terms in office of the Gorton and McMahon governments, this conflict was reflected in government policy, which was generally indecisive and incapable of resolving the basic tensions. This was best illustrated by foreign investment policies in a period when foreign takeovers were numerous, particularly after the collapse of the mining investment boom of 1970-71, when many mining assets fell under foreign control. Gorton, who was personally an economic nationalist, gave qualified support to sections of capital opposed to high levels of foreign ownership, while actually doing little to restrict it. McMahon, on the other hand, was committed to the traditional Liberal policy of an 'open door' to foreign capital, but was eventually forced to impose minor restrictions following the inflow into Australia of about $3 billion, much of it speculative, during 1971-72. The policies of neither Gorton nor McMahon were able to deal adequately with the foreign ownership issue, due to the necessity of preventing the alienation of important sections of the Liberal Party's support base. A similar process was also evident with respect to protection policy, as Australian manufacturing entered a period of decline in the late 1960s. This intensified factional conflict within the ruling class, causing further strains within the coalition government. These internal ruling class tensions led to the appearance of disunity within the coalition and rendered it electorally unappealing as the 1972 election approached.[3] Additionally, sections of the ruling class perceived the A.L.P., with its programme of economic rationalisation,[4] as a more effective vehicle for the representation of their interests than the Liberal Party.[5]

The Labor government, however, was unable to fully carry out its programme, due to the onset of the world recession and to the opposition which some of its policies engendered from the ruling class. The government's mining policies were perhaps the most important element in promoting ruling class opposition. With Rex Connor as Minister for Minerals and Energy the government attempted to radically alter the direction of Australian mineral development. Policies on Australian ownership and 'resources diplomacy' had as their intention the achievement of economic development based upon Australia's vast mineral resources, under Australian control, and under the direction of, and with involvement by, the state.

The policies of economic nationalism encountered the opposition, not surprisingly, of multinational mining companies, and partly as a result of this, levels of foreign investment in Australia dramatically decreased.[6] Ruling class opposition was also generated in response to the government's proposals for an extension of public involvement in the minerals sector (Petroleum and Minerals Authority, etc.), as well as by the attempts made to fund this involvement by petrodollar borrowings, which led to the 'loans affair'. The controversy over the 'loans affair', and the rising level of active ruling class mobilisation against the government, culminated in its dismissal and electoral defeat, ushering in the Fraser government.

In contrast with the earlier Liberal governments of Gorton and McMahon, the newly elected Fraser government exhibited a far greater degree of cohesion, both internally, and with the ruling class as a whole. This was partly a result of the ruling class drawing itself more firmly behind its natural political representatives in the face of the real or perceived threat of the Whitlam government, and also partly a result of a process of fundamental reorganisation of Liberal policy carried out during 1974 and 1975, which had attempted to resolve, or reduce the political consequences of, the contentious issues which had divided the party earlier in the decade.

In 1973 and 1974 a new Federal platform was drafted, and after the party's defeat in the 1974 election, working parties were established comprising shadow ministers, backbenchers, academics and business representatives to analyse party policies. In July 1975 the new leader, Malcolm Fraser, set up a Policy Co-ordination Committee with his Deputy, Philip Lynch, as Chairman, to co-ordinate the policies being formulated in various areas, and by the time of the Whitlam government's dismissal this committee had accepted fully developed policy proposals covering many areas, including foreign investment, economic policy and federalism.[7]

The set of policies which emerged were similar to those which had been advocated by Fraser throughout 1975, an early and philosophical version of which had been elaborated in his ANZAAS address in January 1975.[8] In this speech, which contained an attack on organised labour, a rejection of Keynesian economics and a commitment to reduced government spending, Fraser also outlined several strands of what were to become his government's policies relating to mineral development. He unequivocally supported the principle of states' rights, which was consistent with the new Federalism policy being evolved at the time within the party, and which was to have important implications for mineral development. He also signified, by his rejection of 'Connorism' and 'resources diplomacy', that a future Fraser government would adopt policies fundamentally different from those of the A.L.P., and more in accordance with the interests of mining capital. Throughout 1975 it emerged that one of the central planks of Liberal economic policy would be the encouragement of the further development of the mining sector in order to promote an investment-led economic recovery. A major emphasis was to be on stimulating the inflow of foreign investment into this sector of the economy which, unlike the declining manufacturing sector, offered a profitable long-term investment outlet for capital.

The policies formulated during 1975 represented a coherent basis upon which the economic strategy adopted when the coalition returned to power in late 1975 could be implemented. In order to promote the goal of a mining investment-led recovery the government initiated a set of policies which included creating the preconditions for an accelerated rate of mining activity, and removing impediments to the inflow of foreign capital into this sector. Creating the preconditions for a higher level of mining activity was to involve changing the nature and pattern of state activity in the minerals and energy sector, and implementing a series of policies designed to make foreign and domestic investment in mining more attractive. The removal of impediments to the inflow of capital was to be achieved by easing restrictions on foreign investment. These policies constituted a sharp break with those of the Whitlam government, and were intended to bring government policy into conformity with the interests of mining capital. They were both an indication of the ascendent economic and political position which mining capital has achieved during the 1970s and a cause of the further consolidation of this position.

## THE GOVERNMENT'S MINING POLICIES

### The Role of the State

In its minerals and energy policies the Fraser government committed itself to altering completely the nature of state involvement in the mining sector, where Connor's policy innovations had been seen as infringements upon the rights of capital. An important point must be stressed here regarding the government's often-stated desire to decrease the level of government spending and to reduce the role of the state in mineral development and in the economy as a whole. The government's intention has never been to preside over a diminished state sector, but only to change the pattern of government spending — away from welfare and the social wage. At the same time, handouts to capital have increased and tax evasion by the wealthy remains unchecked, resulting in a redistribution of wealth away from the working class. Propaganda attacks on government spending and exhortations about the need for economic 'responsibility' are necessary requirements for the justification of this assault on the working class.

In relation to the role of the state in economic development, it is again the *nature* and not the extent of the state's role which concerns capital and conservative governments. Capital, and particularly multinational capital, *demands* that the state provide sufficient inducements before investment and expansion will be undertaken. This applies especially to mining capital, which is certainly *not* opposed to the state having a major role in mineral development, as long as this role is confined to such areas as massive capital outlays for the provision of infrastructure, which private capital itself will not provide. The Fraser government's response to this was well illustrated during the November 1978 Loans Council meeting, when the government gave to the states the right to borrow funds from overseas to provide infrastructure for a range of natural resource projects. Loans totalling over $1.7 billion were approved, and the purposes for which they were intended included:

New South Wales — coal loader facilities ($89 million), power projects ($200 million);
Victoria — Loy Yang power station ($343 million);
South Australia — infrastructure for Redcliff petrochemicals project ($186 million);
Western Australia — Dampier-Perth gas pipeline ($416 million), infrastructure for Worsley alumina project ($41 million), Pilbara electricity projects ($111 million);
Queensland — coal export facilities ($75 million), power stations ($130 million)[9].

Plans for the provision of infrastructure on such a scale amount to virtual bribery on the part of the state to induce multinational investment. For example, following the Loan Council's approval of the borrowing by the South Australian state government of $186 million for the infrastructure requirements of Dow Chemical's Redcliff project, Dow's managing director announced that his company would now proceed with a feasibility study of the project, and that the approval of the fund raising 'made all the difference in the world to the project'.[10]

As Fraser promised in a speech in 1975, this provision of 'massive incentives for private expenditure', entailing a realignment of state expenditure, has been a consistent element of coalition policy.[11] From the time the 1976 Budget was handed down it became obvious that this would be particularly beneficial to mining capital. The 1976 Budget included substantial concessions to mining capital,[12] such as the removal or reduction of levies on coal and oil production, and a host of new mining taxation provisions (accelerated write-off of exploration expenditure, etc.), the aim being, as Anthony subsequently wrote, to 'increase the cash flow position of mining companies in the early critical stages of development and improve the attractiveness of projects to investors'.[13] Since the 1976 Budget, numerous other concessions have been made, one of the most important being the raising of oil prices to world parity, following the championing by Anthony of the oil companies' interests from 1974 onward. Additionally, individual companies have been given direct financial assistance in order to remain viable during a period of depressed market conditions.[14] Another notable concession to mining capital was the 17.5% devaluation of the Australian dollar in November 1976. Two of the reasons for this devaluation were the government's desire to attract foreign capital inflow, and direct pressure from powerful mining companies, such as C.R.A. and Broken Hill South, as well as from the President of the Australian Mining Industry Council.[15] Mining capital was in a position to play a major role in bringing about a devaluation, despite the widespread fears at the time that a devaluation would have serious inflationary consequences and would be damaging to the interests of capital as a whole.

State activity intended to attract multinational mining capital is not limited to inducements of the kind outlined above. The repressive powers of the state are also being utilised, as was illustrated when the Western Australian government provoked a national strike by arresting union officials for addressing meetings at Karratha in the northwest of the state.[16] Karratha is in the Pilbara region of Western Australia, the centre of Australia's iron ore developments and the natural gas deposits of the North West Shelf, the most important resource project now being proposed in Australia. To facilitate the development of this project, the Western Australian and Australian governments, by having union leaders arrested (the arrests, perhaps coincidentally, occurred the day after a long meeting in Canberra between Court, Fraser, Anthony and Bjelke-Petersen), have demonstrated to multinational capital that a hard line with workers will be taken in the region.

Anti-union measures of this type will probably intensify, particularly as uranium mining and export proceeds over the opposition of many unionists.

While mining capital favours the types of state activity mentioned above, it is, however, opposed to the state becoming involved, as it did through the agency of Connor, in the *ownership* of productive capital in the mining sector. Throughout the term of the Whitlam government, mining capital and conservative ideologists had continually criticised the nature of state involvement in mineral development, and when it attained office the Fraser government began reversing these policies. For example, in early 1976 the government divested itself of $20 million in mining assets in the Cooper Basin and other ventures where equity was held by the Petroleum and Minerals Investment Group within what had formerly been the Department of Minerals and Energy. It was also announced that the government would divest the Atomic Energy Commission's interest in the Ranger project, and that it would sell its interest in Mary Kathleen. The concept of government-organised funding of mineral development, which under the A.L.P. was attempted through the National Investment Fund and the A.I.D.C., has also been largely abandoned.

## Economic Policy

Complementing these forms of state activity, the government's economic policies also have been designed to maximise the level of domestic and foreign investment in mining. This has been attempted within an economic policy framework of restoring corporate profitability generally and reducing the inflation rate by directing concerted attacks on real wage levels and social services; Fraser euphemistically refers to this as the creation of a 'disciplined economy'. While of course this strategy constitutes a class response to the crisis suited to the interests of capital as a whole (by concentrating the burden of economic 'recovery' on the working class), it has also been the intention of the government to promote Australia as an economically attractive and stable investment outlet for multinational capital. Reducing the rate of inflation, for example, has effects such as making exports more competitive relative to other mineral-exporting nations, and reducing Australia's cost structure. In this the government has achieved a degree of success (although present indications are that the inflation rate is again rising), which Fraser has emphasised during talks with businessmen on his overseas trips. The government's anti-inflationary stance has gained the approval of representatives of foreign mining capital, such as Rod Carnegie, the chairman of C.R.A.,[17] indicating that the success of the strategy may be realised in the longer term.

## The New Federalism

One further government policy in particular, the New Federalism, has important implications for mineral resource development. This policy, which was developed during the process of internal Liberal reorganisation mentioned previously, had two aims. Firstly, there was a desire to return to the states a greater part of the responsibility for public sector expenditure and revenue collection (i.e. force the states to raise through state taxes part of the funds which they spend), in order to reduce public expenditure on social services, welfare, etc. Secondly, the government wished to avoid the turmoil which had surrounded federal-state relations during the Prime Ministerships of Gorton and McMahon.

In relation to the mining industry the most significant aspect of the New Federalism is that it implies a devolution of federal responsibility, including responsibility over mineral development, to the states, two of which in particular, the mineral-rich states of Queensland and Western Australia, are notoriously generous in their dealings with mining capital. The federal government has already relinquished claims to federal sovereignty over offshore minerals,[18] and in general, as Catley and McFarlane have noted, the New Federalism 'has made it easier for foreign mining companies to by-pass any federal restrictions and make contact directly with state governments for their infrastructure needs, mining plans, etc.'[19]

Several important consequences will arise from this trend towards increasing autonomy of the states. One which has already been manifested is the strengthening of links between the mineral-producing states and the major sources of foreign capital and recipients of mineral exports. Examples of this are the decision to allow the individual states to borrow funds overseas to develop the infrastructure for development projects,[20] as advocated by Sir Charles Court,[21] and the announcement of the Queensland government's intention to establish a State Agent-General's office in Tokyo.[22]

The New Federalism has further ramifications in the light of the *Australia Up-rooted* thesis of manufacturing decline/mineral development. Although royalty payments and government charges are low in Western Australia and Queensland, the localised spin-offs of mining development are sufficient to ensure that these mineral-rich states will have (assuming a new mining boom eventuates) a greater taxation base than the southeastern states reliant on a declining manufacturing base. This, in time, will result in greater regional disparities within Australia.[23]

## Foreign Investment Legislation

The removal of impediments to multinational investment has been a major aspect of the government's minerals policies. During the final months of the Whitlam government's term there had been a rapid retreat from its much-celebrated nationalist resource policies in a desperate attempt to increase the level of investment, and when the Fraser government came to office the existing policies on Australian ownership were sufficiently moderate to be retained virtually intact. The most important change was a reduction in the Australian ownership requirement for uranium projects from 100% to 75%. Elsewhere the *formal* commitment remained 50% Australian equity in resource projects.

This policy was harshly criticised by foreign mining companies and their domestic political representatives, particularly Bjelke-Petersen and Court, for being too restrictive, but in the application of the policy the government subsequently demonstrated that these criticisms were unfounded. In fact, the government's attitude to, and practical policy on foreign investment in resources was more accurately reflected in several statements of principle made by government Ministers. In a speech in Parliament in April 1976, Deputy Liberal Leader Lynch noted that 'The government firmly believes that foreign capital should play a bigger role than it has in the past three years...'[24] Also in early 1976, Anthony explained that the Australian ownership provisions applied only where Australian equity could be found, and wrote that although 'as a general rule' a policy of 50% Australian equity would be pursued,

> ...we have made it quite clear that if foreign companies genuinely try to secure 50% Australian involvement...but are unable to do so then we will not see worthwhile development held up. A lower level of Australian equity will not necessarily prevent a project from proceeding. But we would seek, as appropriate, satisfactory arrangements for Australian equity to be increased to at least 50% within an agreed period.[25]

Until June 1978 the formal guidelines as established in April 1976 were retained, with the only significant 'watering down' being the removal of the Variable Deposit Requirements in June 1977. The government continually emphasised that the equity guidelines were 'flexible', and its desire to encourage the operations of multinational miners was illustrated in episodes such as its refusal to take action against Utah in 1977, when it repatriated the enormous sum of $130 million to its U.S. parent; at a time when Australia was facing balance of payments difficulties.

Despite the government's 'flexibility', and partly due to the continuing depressed state of the world market, Australia was unable to attract what the government considered to be sufficient levels of foreign investment. Consequently, in June 1978 a new policy was announced. Under the new guidelines, mining projects were able to begin before 51% Australian equity had been reached, small projects of less than $5 million were no longer to require government approval, and exchange controls were relaxed.[26] The Opposition economic affairs spokesman, Ralph Willis, commented that 'The Government had jettisoned its 50% rule in a desperate attempt to get investment moving...'[27] Additionally, provisions were made for the farcical exercise of enabling foreign mining companies to 'naturalise', by granting honorary Australian status to companies 25% Australian-owned and committed to raising the level of Australian ownership to 51% over an unspecified period. The object of this was to allow foreign companies (C.R.A. in particular) to establish mining projects without being forced to offer participation to Australian companies.

The reactions to these changes in foreign investment policy made apparent the government's reasons for persisting with the 50% Australian ownership provisions for over two years, despite its obvious desire to stimulate foreign investment. The most important of these reasons was the effect such a reduction in the equity requirements would have on Australian mining companies, since Australian companies actually had a direct interest in having foreign equity in projects limited to 50%. Under the previous guidelines, as the government had incessantly stated, foreign equity would be allowed to exceed 50% *only where Australian participation could not be found.* This was beneficial to Australian mining companies, because investment opportunities in partnership with foreign capital were available if so desired. The new guidelines, however, enabled foreign companies to commence projects by themselves and thereby displace investment opportunities for Australian companies, by merely making what amounted to a vague commitment to increasing their level of Australian ownership, a commitment which could itself be easily circumvented due to the gaping loopholes in the proposals.[28]

The new policies were tailored to suit the interests of multinational mining companies, so as to attract further foreign investment, and represented a clear indication of the enhanced political position of foreign mining capital which has resulted from the Fraser government's economic strategy. It is interesting to note that the new foreign investment policies were adopted following consultations between Anthony, Treasurer John Howard, and executives from foreign and Australian mining companies, and that the negotiations developed into a confrontation between Gordon Jackson from the Australian company C.S.R. and Rod Carnegie from the British-owned C.R.A. It was ultimately Carnegie's views which prevailed and were transmitted into government policy.[29] The level of dissatisfaction with the new policies on the part of Australian mining companies can be gauged by the vigorous attacks made on the government and C.R.A. by the Australian-owned C.S.R. and Western Mining Company.[30]

The government's action to reduce the Australian ownership requirements strikingly indicated that its strategy was not succeeding,[31] necessitating a capitulation to the interests of foreign mining capital. By reinforcing the awareness of multinational miners of their political position, and by enabling them to increase the extent of their operations, this can only lead to a relative strengthening of the already significant power of multinational mining capital.

## THE ROLE OF THE NATIONAL COUNTRY PARTY

The role of the National Country Party (N.C.P.) in promoting the development of the mining industry derives from what has been termed its 'interest articulation function', by which is meant the unique ability of the party to represent effectively the interests of particular fractions of capital, stemming from its origins as the political expression of rural capital.[32] Unlike the other major parties, the N.C.P. has never sought to administer the capitalist state independently, and so is not required to balance the often conflicting interests which exist within the capitalist class. With its ability to gain control of strategic economic portfolios within coalition governments, the N.C.P. is in an excellent position to promote the interests of its supporters.

While remaining a rural-based party, under the leadership of Jack McEwen the Country Party engineered an alliance with manufacturing capital during the 1960s, as a tactic to broaden the party's support base in the face of the post-war decline in the rural industries. In order to maintain this rural/manufacturing alliance McEwen was forced to advocate a trade-off between generous subsidies for rural capital and high levels of tariff assistance for manufacturing. This contradicted a basic tenet of Country Party principle, that of opposition to tariffs, which added to the capital costs of rural producers, an inherent contradiction which provoked opposition from within the party's rural base.[33] With the retirement of McEwen in 1971 the alliance broke down.

Under the leadership of Anthony the N.C.P. has extended its 'interest articulation function' to mining capital, which has in turn provided an additional prop to the party's support base. Many of McEwen's former subordinates in the Country Party, such as Anthony, had never enthusiastically supported the retention of high tariff barriers,[34] and since both rural and mining capital are opposed to high levels of manufacturing protection because of its effects on their cost structures, and both are primary commodity exporters, the development of a rural/mining alliance seemed to present few obvious difficulties. Since becoming Deputy Prime Minister under Fraser, Anthony has continued periodically to attack manufacturing protection,[35] although in this he is constrained by Fraser's policy of affording protection to his own support base, which includes manufacturing capital.

The new alliance had its beginnings in fact while McEwen was still party leader, when the party began to receive financial support from mining companies in Queensland.[36] The alliance was consolidated with Anthony's rise to the leadership, particularly when the Whitlam government was in office, a period in which mining capital was experiencing the challenge of 'Connorism'. Anthony personally became closely associated with the oil producers, advocating higher petroleum prices from the time of the 1974 campaign. (This, incidentally, clashed with Snedden's almost exclusive concentration on inflation during that campaign,[37] as it does now with the present government's preoccupation with the inflation rate.)

From 1976 Anthony has retained the portfolios of most direct relevance to the mining industry, which is itself significant, as McEwen had previously preferred to control the portfolios with power over protection policy. Within a government already favourably disposed towards mining capital, the N.C.P. has consistently advocated policies aimed at benefiting mining capital. Anthony has on several occasions attempted to secure government handouts for ailing mining projects,[38] and it has been the N.C.P. Ministers within Cabinet who have generally opposed policies unfavourable to mining capital, such as the (now abandoned) proposals for a resources tax.[39]

Just as the rural/manufacturing alliance engineered by McEwen was not sustainable in the long term, there are already indications that pressure on the mining/rural alliance could be developing from within the N.C.P. Tactics such as Anthony's advocacy of higher oil prices are hardly likely to endear him to farmers, and more fundamentally, research by the economist R.G. Gregory suggests that if another mineral boom does eventuate it would have unfavourable effects on rural exporters.[40] Gregory has pointed out that a mineral boom such as that of the 1960s has the effect of greatly increasing the balance of payments surplus which leads to either higher inflation or upward pressure on the exchange rate, which in turn reduces the competitiveness of rural exporters. Therefore if the Liberal/N.C.P. strategy of promoting a mineral boom is successful, the N.C.P.'s traditional rural base of support could experience resultant economic difficulties. This has already been realised by sections of the N.C.P., such as the Cattlemen's Union, whose leader, Barry Cassell, has begun to articulate a sentiment within the party which is critical of the alliance with mining capital. Whether or not the alliance is sustainable will probably depend upon the ability of the N.C.P. leadership to uphold its impressive record of extracting government handouts and subsidies for rural producers, as well as mining companies.

## THE A.L.P.

Although it is not the purpose of this paper to examine the A.L.P.'s current policies towards mining capital, before discussing the implications of the coalition's policies it is worth mentioning briefly that the A.L.P. is now also gradually moving towards an accommodation with mining capital, particularly through the agency of Paul Keating, the party's Shadow Minister for Minerals and Energy. Since the A.L.P. lacks a viable socialist strategy and must consequently attempt to gain and exercise power within the existing economic and political framework, it is also subject to the constraints of that framework, one of which is the necessity of avoiding the open hostility of an increasingly important capital fraction such as mining. The Whitlam government's inability to avoid this hostility, which centred around Rex Connor's mineral policies, was instrumental in causing its defeat, and to regain office the A.L.P. must improve its relationship with mining capital, particularly in light of the fact that the party presently holds only four of the thirty-two House of Representatives seats in the mineral-rich states of Western Australia, Queensland and Tasmania.

## IMPLICATIONS OF THE GOVERNMENT'S STRATEGY

Prior to a discussion of the wider implications of the Fraser government's strategy it is necessary to note that the strategy has not been successful in the short term — the hoped-for boom in mining investment has not yet occurred. On the contrary, instead of a massive inflow of foreign capital, the government has had to contend with almost continuous balance of payments problems and has been forced to institute a massive borrowing programme. The major factor frustrating the government's strategy is the continuation of the global recession, with the effects which this has had on exports of most of Australia's minerals. The Japanese, for example, have been able to renegotiate contracts and cut prices for coking coal and iron ore. Additionally, there is a modification now occurring in the relationship between Australian mineral exporters and Japanese mineral importers, who are seeking to diversify their sources. There are, however, signs of an impending wave of development projects based on energy (steaming coal and natural gas) and alumina/aluminium refining. With further cutbacks in world energy supplies becoming likely, Australian steaming coal, used for power generation, is becoming more attractive to multinational miners. This relatively cheap form of power is also the motivating force behind an expansion of alumina/aluminium refining (which is highly energy intensive) indicating additionally that mineral processing may become more important in a restructured Australian economy — where, as in this case, it satisfies the global requirements of multinational capital.

As mentioned at the beginning of this paper, the government's mining policies take on a greater significance when considered in the context of the structural changes occurring within the Australian economy. (Structural changes, in contrast to cyclical downturns, imply a long-term alteration of the structure of the economy, i.e. the rise and decline of industry sectors, and so have profound effects upon patterns of employment, profitability and economic development.) The most important feature of the changes evident within the Australian economy since the 1960s has been the decline of the manufacturing sector as a result of, among other things, competition from emerging industrial regions of Southeast Asia, and manufacturing's own internal structural characteristics.[41] This has coincided with the rapid development of the mining sector since the mid-1960s, which itself had a detrimental effect on manufacturing.[42]

Under the Fraser government, changes in the structure of the economy will continue to occur not on any planned or controlled basis, but largely as the result of investment decisions made in the boardrooms of Australia's large companies, or as a result of the global strategies of multinational corporations. Large, diversified Australian companies such as B.H.P. and C.S.R. have already begun to centre their investment programmes around their mining operations. This is evidenced by B.H.P.'s 1977 *Annual Report*, in which it was revealed that of total group expenditure on new capital works and investment of $396 million, investment in natural resource projects accounted for $258 million ('by far a record for this section'), while expenditure on the company's steel operations was on a reduced scale.[43] G.M.H. has also notified its intention to reorganise its Australian operations and incorporate them into its world car concept, in order to maximise the benefits of using cheap and politically repressed labour forces in the Third World.

The consequences of such a process of unplanned structural change,[44] entailing an increase in the economic and political importance of the capital intensive mining sector, and the rundown of labour intensive manufacturing, would include high and enduring levels of structural unemployment and the integration of Australia into the international capitalist market as a raw materials exporting satellite. By concentrating on a mining investment-led recovery, the Fraser government is, in effect, hastening the approach of this situation.

Previously it was noted that, in contrast to the governments of Gorton and McMahon, the Fraser government's term in office has not as yet witnessed the degree of internal ruling class conflict which was evident during the early 1970s. The Whitlam government's policies and the economic downturn of 1974 served to unite the Liberal Party and the ruling class against common opponents, the government and the working class, a process which was facilitated by the internal reorganisation of the Liberal Party during 1974 and 1975.

However, this situation is unlikely to endure. The depression of the mid- and late-1970s, which has had the effect of highlighting and intensifying the structural problems evident within the economy, has provided an additional impetus to the restructuring of the economy. A reorganisation of the capital stock is an important function and consequence of such capitalist crises, which create pressures on capital impelling the utilisation of economic resources in more efficient activities. The pressures leading towards further structural change will accordingly continue to gain momentum, resulting in a period of deep factional conflicts within the ruling class, with the eventual outcome reflecting the balance of forces prevailing within that class.

Since government policies have a crucial bearing on the rate and extent of structural change, manifestations of this conflict centre around political issues such as the level of manufacturing protection through tariffs and import quotas. This has been an enduring source of tension, particularly between rural and manufacturing capital, and has been heightened by the increasing political influence of mining capital. During the buoyant period of the 1960s and early 1970s, when the sales levels and profits of mining companies were booming, considerations such as the level of protection given to manufacturers, while important, were less crucial. With the currently depressed market conditions, the increased capital costs associated with high protection, as well as the implications of worldwide protectionism, have attained greater importance. Accordingly, mining capital will increase its attacks on protection, and due to its enhanced political position and the government's commitment to a mining investment-led recovery, these attacks will become more difficult to ignore. This has been recognised by people such as Carnegie from C.R.A., the most influential spokesman for multinational mining capital, who in criticising the government's protection policies has emphasised that high protection is one factor contributing to lower profits for his company, and by inference the mining industry generally, which is inimical to the aims of the government.[45]

Divisions within capital,[46] coupled with mounting internal and external pressures for further structural change, have resulted in a contradictory tendency within the government's economic policies. Despite the political ascendency of mining capital, the government still faces enormous political pressure to retain a protected manufacturing base, attested to by its record of maintaining tariff levels and quotas, despite several tentative flirtations with the prospect of reduced protection. This can be partly attributed to the constitution of Fraser's own power base, in which Melbourne-based manufacturers figure prominently, as can be seen by the composition of Fraser's 'business Cabinet', a network of close relationships he has established with businessmen.[47] Unlike the National Country Party, which makes no attempt to administer the state independently, the nature of the Liberal Party is such that it is forced to rule on behalf of capital as a whole, and so cannot ignore the interests of other capital fractions.[48]

The government appears likely to continue its protectionist policies at least in the short term, or for as long as is necessary to enable manufacturers engaged in inefficient industries to exercise some of the options open to them. These include running down capital stocks before relocating in more competitive industries such as mining, or establishing operations offshore in Southeast Asia. As pressures for structural change continue to develop, future government policies will be influenced by the ability of mining capital and its allies to modify an industrial structure which implies a redistribution of surplus value towards manufacturing capital, and conversely, upon the ability of this fraction to resist. The success of the Fraser government will be determined partly by its ability to prevent the contradictory nature of its strategy from assuming politically disruptive proportions.

FOOTNOTES

1. See A.M.W.S.U., *Australia Up-rooted.*
2. R.W. Connell, *Ruling Class Ruling Culture* (Cambridge University Press, Melbourne, 1977), Chapter 5.
3. *Ibid.*
4. See Catley, R., and B. McFarlane, *From Tweedledum to Tweedledee* (Australia and New Zealand Book Company, Sydney, 1974).
5. For details on business contributions to A.L.P. funds in 1972, see Blewett, N., 'Labor 1968-72: Planning for Victory', in H. Mayer (ed.), *Labor to Power* (Angus and Robertson, Sydney, 1973), p. 13.
6. According to the A.M.W.S.U., private investment funded by overseas corporations fell from 39.7% in 1971/72 to 11% in 1975/76. Over the same period, company income payable overseas increased from 27.3% to 55.2%. A.M.W.S.U., *op. cit.*, p. 9.
7. Marsh, I., 'Policy Making in the Liberal Party: the Opposition Experience', *The Australian Quarterly*, June 1976.
8. Fraser, M., 'National Objectives — Social, Economic and Political Goals', published in *The Australian Quarterly*, March 1975.
9. *A.F.R.*, November 7, 1978.
10. *A.F.R.*, November 8, 1978.
11. Fraser, *op. cit.*
12. For details, see Broomhill, R., 'The Meaning of Fraser's Economic Strategy', *The Journal of Australian Political Economy*, No. 2, June 1978; see also Anthony, J.D., 'The Mining Industry in Australia', *Jobson's Mining Year Book 1976/77*.

13. Anthony, *ibid.*, p. 10.

14. *A.F.R.*, April 6, 1978; *A.F.R.*, August 31, 1978.

15. O'Shaughnessy, T., 'Conflicts in the Ruling Class', *Intervention*, No. 10/11, August 1978, p. 55.

16. *A.F.R.*, June 13, 1979.

17. *A.F.R.*, June 20, 1978.

18. *A.F.R.*, June 23, 1978.

19. Catley, R., and B. McFarlane, 'Minerals and Multinationals', *Arena* 50, 1978, p. 44.

20. *A.F.R.*, May 19, 1978.

21. *A.F.R.*, May 17, 1978.

22. *A.F.R.*, June 28, 1978.

23. For a more detailed discussion of the implications for federal-state relations of mining development, see Stevenson, G., *Mineral Resources and Australian Federalism* (Australian National University, Canberra, 1977).

24. Published in Foreign Investment Review Board, *Report 1977* (Australian Government Publishing Service, Canberra, 1977).

25. Anthony, *op. cit.*, p. 10.

26. *A.F.R.*, June 9, 1978; *Advertiser*, June 9, 1978.

27. Quoted in *Advertiser*, June 9, 1978.

28. See comments by C.S.R. Chairman, Gordon Jackson, *A.F.R.*, June 21, 1978.

29. *A.F.R.*, May 30, 1978; *A.F.R.*, June 1, 1978.

30. *A.F.R.*, June 1, 9, 12 and 21, 1978.

31. Australian ownership requirements were further reduced in June 1979, when the policy on uranium was reduced from 75% to 50% Australian ownership.

32. Barbalet, J.M., 'Tri-partism in Australia: the Role of the Australian Country Party', *Politics*, Vol. 10, No. 1, May 1975.

33. See Reid, A., *The Power Struggle* (Shakespeare Head Press, Sydney, 1969), Chapters 4 and 5.

34. *Ibid.*, pp. 88, 89.

35. E.g. *A.F.R.*, December 7, 1977; *A.F.R.*, April 21, 1978.

36. Barbalet, *op. cit.*, p. 14, n. 90.

37. See Oakes, L., and D. Solomon, *Grab for Power* (Cheshire, Melbourne, 1974), p. 416.

38. See, for example, *A.F.R.*, June 6, 1978.

39. *The National Times*, week ending July 8, 1978.

40. Gregory, R.G., 'Some Implications of the Growth of the Mineral Sector', *The Australian Journal of Agricultural Economics*, Vol. 20, No. 2, August 1976.

41. See Brezniak, M., and J. Collins, 'The Australian Crisis from Boom to Bust', *The Journal of Australian Political Economy*, October 1977, pp. 16-17.

42. Gregory, *op. cit.*

43. B.H.P., *Annual Report*, 1977.

44. That is, unplanned in the sense of a co-ordinated Soviet-style planning model. The structural changes occurring are, of course, the result of the long-term corporate plans of foreign and Australian companies, and these to some extent interact with the capitalist planning agencies of the state.

45. *A.F.R.*, February 16, 1978; *A.F.R.*, April 17, 1978.

46. See *A.F.R.*, June 20, 1978, for reports on the Confederation of Australian Industry's first National Forum, during which internal ruling class divisions were strikingly highlighted.

47. *The National Times*, February 21-26, 1977.

48. Even in Western Australia and Queensland, where the respective state governments appear virtually to rule on behalf of mining capital, the relationship is not one of *complete* subservience to mining interests. For example, Western Australian mining magnate Lang Hancock's disputes with the Court government have reached such a level of acrimony that Hancock contemplated (but eventually rejected) the option of *buying* the state branch of the Country Party for $200,000, so as to 'neutralise Charles Court'. *A.F.R.*, May 21, 1979.