THE WAGE-PRICE FREEZE

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Against a background of high inflation and a record high post-war level of unemployment — in short a continuing recession — the wages-prices freeze was introduced by the Fraser government in an attempt to further relatively reduce the wages of the working class and make them pay for this most recent crisis of the capitalist system.

If we replace Ayn Rand with Karl Marx as a guide to our understanding of society, we see that it is not the working class that is to blame for the recession, but that recessions are the inevitable product of a system based on the profit principle. Commodities are not produced because of their use value, but because of their exchange value. In this exchange value of commodities the capitalist class is most interested in surplus value — i.e. value gained by the exploitation of the working class, who possess only one commodity to sell — their labour power (i.e. their ability to labour).

This profit principle and the extraction of surplus value from the working class is based upon capitalism being a class society. The original contradiction of capitalism is the division of society into two classes — capitalist and proletariat. This contradiction is an antagonistic one which cannot be resolved within the capitalist system. The resolution of this contradiction can only come with the abolition of the system itself. It is this primary contradiction which expresses itself today in the form of unemployment, inflation and the general crisis.

This understanding is essential if one is to grasp the real nature of the 'wages-prices freeze'. It was an attempt by the Fraser government on behalf of the capitalist class to freeze wages only. Fraser knows full well that prices cannot be frozen. His real intention was to turn a voluntary agreement into a compulsory wages freeze through the Arbitration Commission. In this way wages would be further cut, prices would continue rising and an impetus would be given to the restructuring of the profitability of capital. Implicit in all this is that high unemployment would remain the norm. This large 'reserve army of labour' potentially produces a weak and divided industrial muscle, so that the restoration of high profits can be attempted without too much industrial unrest which may threaten the system.

'THE CALL TO ARMS'

On the thirteenth of April the freeze was announced at the close of the Premiers' conference.

The main points were:

1. The freeze was to be voluntary.
2. 'Governments would not expect either the business organisations or the union organisations to agree to such voluntary restraint agreements without agreement by the others.'

3. 'Immediately following agreement to the proposal for a voluntary general pause from increases in prices and incomes, approaches would be made to the Arbitration Commission and the Prices Justification Tribunal for the implementation of the general pause.'

4. The freeze was to be initially for a three-month period.

Although originally proposed by Hamer, the package soon became the Fraser freeze. The ruling class and the media seized upon the idea of a freeze as a chance to cut wages further and increase the size of the cake going to capital. Behind the scenes Fraser was working for the abolition of quarterly wage indexation. This, together with the changes to the Trade Practices Act and the Industrial Relations Bureau was the nucleus of the attack upon the labour movement. The struggle was now on to get all sides to reach voluntary agreement, and then to get the Arbitration Commission to impose a compulsory wage freeze by not granting a wage indexation increase.

PRICES KEPT RISING

Within the first week of the freeze, price rises took place. Two days after the freeze commenced, the Financial Review had this to say, under the heading, 'Bjelke Petersen Hedges His Bets'.

> It's not a freeze, it's a voluntary agreement and it hasn't started yet, but it should, and probably will, and it won't work unless it applies right across the board, but there will be some exceptions in Queensland such as milk, beer, groceries (from small businesses) and of course primary production.

The growing confusion was rivalled only by the growing number of exemptions. It soon became apparent that the prices of perishables and rural products (fish, meat, fruit and vegetables) and imported products (coffee and tea) could not be frozen.

Six days after the freeze was announced the A.C.T.U. stated at the Arbitration Commission hearing that:

> It was already clear prices will not be held constant in certain areas, particularly in respect to imports and many food items. If to these were added the components of the consumer price index covering private rents, house prices, repairs and maintenance, then between 30% and 40% of items entering the C.P.I. would not be subject to the price freeze. (Financial Review, 20 April 1977)

This figure of 40% of the C.P.I. being exempt from the price freeze was never refuted by the federal government.

The New South Wales advocate stated that they had received 1200 complaints of price rises in the first fortnight of the freeze! As well, 40% of businesses approached did not give any commitment or support to the freeze.

Important sections of industry were also showing the price freeze to be nothing but a confidence trick. B.H.P. which has a market capital value of nearly $1500 million and an earning yield (remember to take into account bourgeois accounting tricks) of 14%, said that it 'could not guarantee it would not seek a price rise during the three-month period'. Leyland's marketing director said 'it was very unlikely the company would be able to hold its prices down'. He said he did not 'give a bugger what Fraser says'. The Ford motor company also expressed doubts about their ability to comply.

When the March quarter indexation case was being heard the New South Wales advocate said that their government had confirmed twenty-eight of the alleged price rises. Commodities whose prices rose included beef, pork, fish, beer, wines, spirits, tea, coffee, soap, tours and travel, printing, hairdressing, cakes, soft drinks, boats, housing and rents. In short, price rises took place in the first two weeks in commodities which form a large part of the 'subsistence' wage going to the working class. While prices were rising the unions were being asked to freeze the price of their commodity in the national interest. Obviously the national interest was the interest of capital.

PROFITS

Throughout the freeze period no mention was made of the freezing of profits. It was suggested in the Financial Review that if the freeze was to be equitable then a strict capital gains tax should be introduced. However, the freeze was not meant to be equitable.

WAGES HAVE BEEN CUT

Quarterly wage indexation was introduced as a means to effectively regulate and reduce wages. The original aim was for full percentage quarterly C.P.I. increases in wages and salaries. Although this occurred in 1975, wages were relatively reduced because taxation took a big bite from all increases, so that even when full indexation is given, real purchasing power is being eroded. In 1976 wages were cut even further when full indexation became no longer the rule but the exception.

	C.P.I.	PAID
March quarter 1975	3.6%	3.6%
June quarter 1975	3.5%	3.5%
September quarter 1975	0.8%	--
December quarter 1975	5.6%	6.4%
March quarter 1976	3.0%	3.0% up to $6521 then a flat rate of $198 per annum
June quarter 1976	2.5%	Juniors 2%; a flat rate of $130 per annum up to $8660 and 1.5% over $8660
September quarter 1976	2.2%	2.2%
December quarter 1976	6.0%	$5.70, being $2.90 + 2.8% of average minimum award wage

It can be seen that only once in 1976 was full indexation granted. Adherence to the wage indexation system by employee organisations has resulted in a real wage cut in 1976. This is because:

- full percentage increases were not granted;
- taxation takes nearly half of any increase;
- retrospectivity is not granted — this means that wage earners are compensated long after the rpice increases have occurred;
- over-award payments are not indexed, and;
- relativities are eroded.

In 1976 the C.P.I. increase was 14.4%. However, wage increases in response to inflation in 1976, and paid in 1976, were only 7.7%. The final quarter increase is omitted to demonstrate the relative reduction of wages in 1976. Further, if we deduct 2.7% for taxation we are left with the grand total of a 5% wage 'rise' as against prices rises of 14%.

However, Fraser is not happy with this situation. He wants to do away with wage indexation and the quarterly adjustments. The Fraser government wants six-monthly or annual wage indexation introduced to provide the means whereby wages can be further cut.

THE HAWKE COMPROMISE

At the special Arbitration Conference convened on the nineteenth of April Bob Hawke offered a compromise concerning the freeze. It consisted of four points:

- the unions were prepared to join an advisory group on amendments to the Prices Justification Act;
- the unions would temporarily forego any productivity increase through indexation;
- the unions called for a national tripartite conference on the economy;
- the unions would exchange the March quarter wage indexation increase for an equivalent cut in direct taxes.

The Commission commended the Hawke package but Fraser wanted no part in a conference on the economy. Nor did he want to discuss cuts in direct taxes which was favoured not only by the unions but also by employer organisations.

MARCH QUARTER C.P.I.

The voluntary wages-prices freeze was quickly collapsing. The unions in general had not agreed to a wages freeze. Fraser's next step was to seek a compulsory wage freeze. He did this firstly by asking the Commission to postpone 'indefinitely' the March quarter wage indexation hearing. The Commission rejected this plea, so Fraser argued for no wage increase when the case got going.

Fraser was now cheating on the principles of the original agreement. The freeze had to be voluntary and the Commission was not to be approached until such agreement had been reached. Fraser broke both these principles. As well, all talk of the Prices Justification Tribunal being a policeman on prices was hypocritical because Fraser had previously watered down the powers of the Tribunal. Furthermore the Prices Justification Tribunal does not cover all companies. This was the situation which let Dunstan formally withdraw from the freeze.

The collapse of the freeze was beginning to snowball. The final nail in the coffin was the decision of the Commission to grant a 1.9% increase to all award wages up to $200 per wekk, and thereafter, a flat $3.80 per week. Fraser's freeze had formally melted.

FEDERAL GOVERNMENT ECONOMIC MISMANAGEMENT

If Fraser is really serious about reducing the level of inflation his record is atrocious. The excise imposed on beer and cigarettes last year, the emasculation of Medibank and the November devaluation were all inflationary. The rise in the C.P.I. due to the interference with Medibank was 3.2%. The devaluation component of the March and June Consumer Price Indexes was 0.8%, and the full effects are yet to be felt. Even the Financial Review is unhappy with Fraser's management of our capitalist economy:

> Small wonder that fifteen months of Fraser Government has produced worse unemployment and a bigger deficit than the Government disposed of for its economic mismanagement.
>
> Australia has swung from the Whitlam party to Fraser's investment-led recovery, to the consumer-led recovery of last August's Budget, the devaluation strategy of last November, to the wages and incomes freeze of April.
>
> None have worked so far. And none are likely to work if they are as ill-conceived as yesterday's economic pronouncements from Canberra.
> (15 April 1977)

The Nation Review also suggested that the freeze was a bummer — and that the blame rests with 'the Prime Minister — Mr. Malcolm Freezer'. (21 April 1977)

CONCLUSION

The wages-prices freeze was a failure. All talk of a price freeze was a hoax, while talk of a wage freeze really meant further wage cuts. However it is not enough to simply talk at the level which some sections of the bourgeois press do — i.e. that Fraser is making a mess of the economy.

The facts are that wages have been cut and will continue to decline while 95% of wage rises remain within the principles of wage indexation. Wage indexation is a system of wage cuts and continued adherence to it means that workers are effectively locked into a system which produces declining living standards. This is occurring during a period of 5.4% unemployment. Only a few years ago 2% unemployment was unacceptable. The restructuring of Australian capitalism is taking place upon the backs of the Australian working class.

For socialists however, a critique of the Fraser government is not enough. What is in need of analysis is the capitalist mode of production. Fraser is simply the elected manager of the system. The system itself has to be challenged.

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