

# Unemployment: Malfunctioning and Malevolence in The Australian Economy

Frank Stilwell

A review of Keith Windschuttle, Unemployment: A Social and Political Analysis of the Economic Crisis in Australia, Penguin Books, 1979, \$3.95.

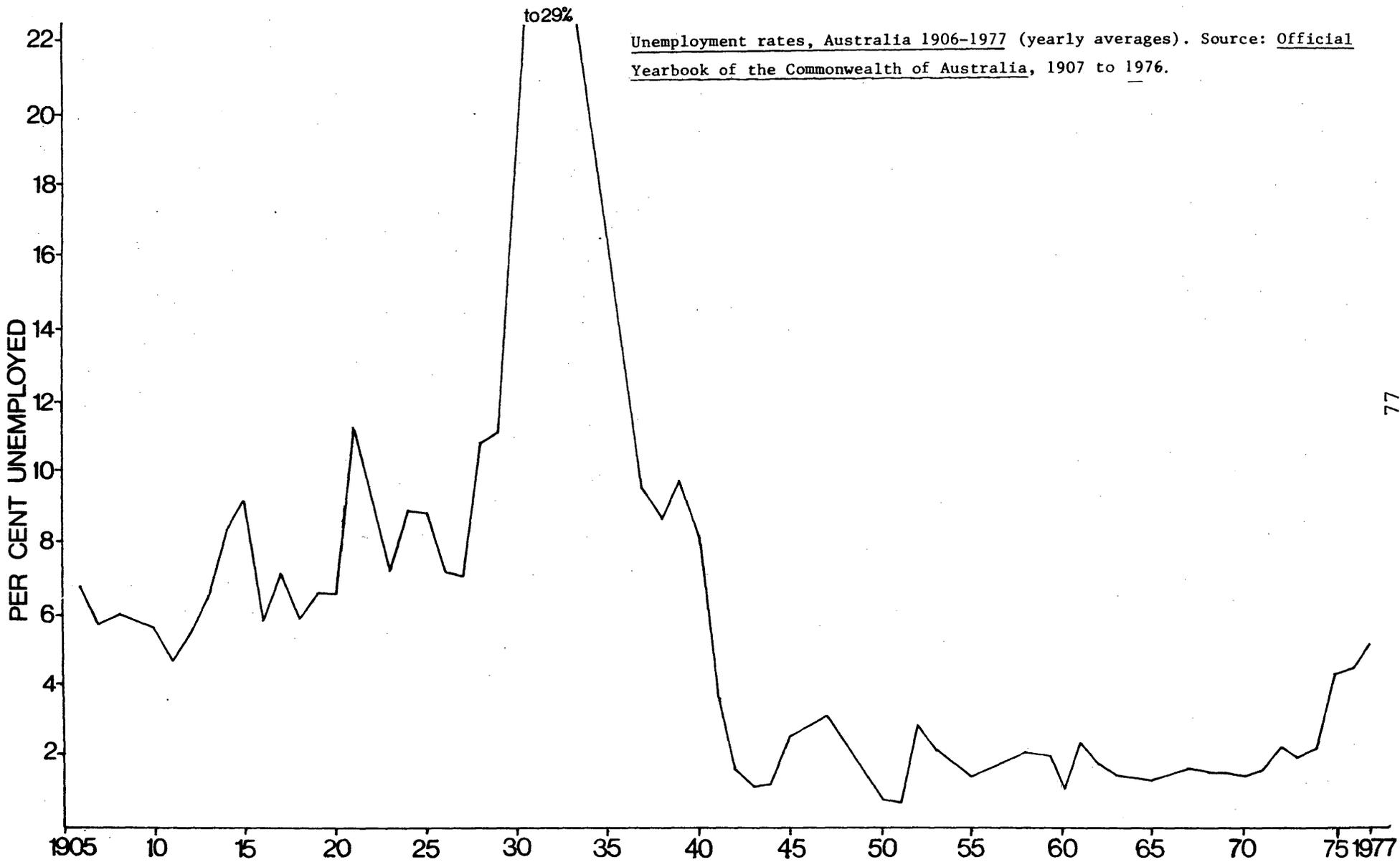
The inability of a socio-economic system to ensure full employment of its labour and capital resources is a prime indicator of its underlying irrationality. The existence of unemployment or of surplus capacity is prima facie evidence not of economic mismanagement or of inept or immoral government economic policies - though these may well compound the problem - but of fundamental flaws in the principles by which resource utilisation and allocation are determined. Any economic system which simultaneously features involuntarily unemployed and unfulfilled needs for goods and services is an irrational system. Thus, at its most fundamental level, it is the system of production for profit rather than directly for social needs which lies at the heart of the unemployment issue. Under a socio-economic system based on production for social needs, there is no reason, other than administrative mismanagement, for unemployment to exist. The society needs goods and services, hospitals, schools, roads and so on. The people need work as a source of income and, ultimately as a means of personal fulfilment. But under a system of production for profit, unemployment of resources arises whenever the conditions for profit-making are not present.

Such conditions are not present in the Australian economy in the late 1970s. Indeed, in some respects it is a wonder that they are ever present, since the system is based on contradictory requirements. On the one hand, it needs conditions favourable to the production of surplus value: among other things this requires low wage rates which do not cut into profit margins. On the other hand, it needs conditions favourable to the realisation of surplus value: among other things this is facilitated by high wage rates which provide a basis for buoyant demand for goods and services. This contradiction does not bear directly on individual capitalists: each raises profits by keeping the wage bill of the firm to a minimum. However, what is logical for individual capitalists creates problems for capital as a whole because of a lack of aggregate demand for the goods and services produced. This contradiction has given rise periodically throughout the history of capitalism to the onset of economic crises. Of course, such crises are complex phenomena and a detailed analysis of the varying structural, monetary and political dimensions is needed for a full understanding of particular crises, but this general tension between the conditions for production and realisation of surplus value provides a useful key to such an understanding.

Throughout the period of the long boom following the second world war these contradictions were less evident. Certainly, there was no recurrence of large-scale unemployment comparable to that which had prevailed earlier in the century, and during the 1930s in particular. This is clearly illustrated in the following chart. For many economists, this situation generated a complacency about the performance of capitalism. Keynesianism was hailed as the solution to economic

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Unemployment rates, Australia 1906-1977 (yearly averages). Source: Official Yearbook of the Commonwealth of Australia, 1907 to 1976.

crises and the study of "the trade cycle" became one of the more unfashionable areas of economic analysis. However, in retrospect one can see that Keynesianism - certainly in its bastardised form à la Samuelson - provided only a partial analysis and policy solution to the basic contradictions of capitalism. Keynesian economic management ignores some fundamental problems associated with capitalist production. Stimulation of aggregate demand by the government can facilitate the realisation of surplus value but often at the expense of intensifying problems associated with the production of surplus value. Full employment and a high level of aggregate demand tends to lead to greater demands from labour, both directly in terms of wages and indirectly in terms of the "social wage" (that part of government expenditures which directly benefits wage-earners and their families rather than corporations). Such demands may ultimately threaten profit margins and the reproduction of the social relations of production. As Kalecki emphasised, the maintenance of full employment through policies of demand management would thereby generate new social and industrial problems for the capitalist class, such that there would be a re-emergence of a "political business cycle".<sup>1</sup>

A previous article in this journal sought to sketch out the ways in which these contradictions building up in the long boom spilled over into the Australian economic crisis of the 1970s.<sup>2</sup> Added to that, the changing conditions in the international capitalist economy - the decline of U.S. hegemony, growing uncertainty in the international monetary system, attempts by poorer countries to raise the price of raw materials extracted from them, the growing dominance of multinational corporations, and so on - all had a role in triggering off and synchronising the generalised international capitalist depression. The problems of maintaining high levels of profitability eventually became acute in this increasingly uncertain economic and political environment. Though not the principal sufferers from these problems, multinational corporations were effective transmitters of them. In particular, multinational capital has been responding by restructuring its activities on a global scale, moving its manufacturing activities to countries with low wages and politically repressive regimes. In these circumstances, the reemergence of unemployment in Australia, as in other advanced capitalist countries, became an inevitability. In a sense, this was a return to normal - not the normality of Friedman's mystical "natural rate of unemployment", but the normality of capitalism characterised by a reserve army of unemployed, as analysed by Marx. A pool of unemployed persons is generally conducive to keeping up the rate of profit. The presence of such a "reserve army" is generally held to undermine labour militancy of the sort that raises wages, squeezes profit margins and creates social and political instability. It is true that the low incomes of the unemployed may create short-run problems of demand-deficiency, but this may be relatively unimportant where the expenditure of wealthier sections of the community continues to provide the basis for buoyant demand.

Against this background, the various institutional responses to the crisis - and the response of the federal government in particular - can be more systematically analysed. But one should also recognise the role of the state in the creation of the crisis. As Gamble and Walton have indicated, the expansion of the state sector has played a part in generating the inflationary crisis.<sup>3</sup> It has not done so - as the monetarists typically allege - because of some misguided or pernicious attachment to excessive intervention ("creeping socialism") but because such state sector expansion has been required to facilitate further capital accumulation by the monopoly sector. In a similar vein, O'Connor has emphasised the "fiscal crisis of the state" which results from attempts by the government to expand its expenditures as required by monopoly capital, while facing constraints on its ability to finance such expenditures in a non-inflationary manner.<sup>4</sup> These sort of analyses play a part in explaining the current economic crisis. If nothing else, they emphasise that the current economic crisis is not

simply the result of the alleged economic mismanagement of the Whitlam government, the triumph of economic conservatism manifested in Hayden's 1975 budget or the malevolent policies of the current Federal government. Rather, the point is that contemporary Australian capitalism is all but impossible to manage in such a way as to achieve the objective of full employment without inflation.

Faced with this problem the Fraser government has clearly and explicitly rejected the full employment objective. This is surely beyond dispute. The policy of "fighting inflation first" relegates the full employment objective to a never-never land. The expenditure cuts - analysed by Evan Jones in another article in this edition - directly intensify the problems. Hence the importance for the government of concealing the unemployment (by disseminating statistics that do not reveal its full extent) and of legitimising it (by the dissemination of ideologies concerning "dole bludgers", and so on). Hence the importance for those committed to the establishment of a rational and humane society in counter-ing these thrusts. Keith Windschuttle's book is a major contribution to this latter task.

Windschuttle begins by outlining the main dimensions of unemployment in Australia. Drawing on some little-discussed estimates by the ABS of people not in the labour force in May 1977, he contends that there are over 400,000 "discouraged workers" not picked up in the usual unemployment statistics. These were people wanting a job but not looking for work because they believed there were no suitable jobs in their locality or that employers considered them too young, too old or too unqualified, people who had left seasonal or temporary jobs or who had given up the search for work and gone back to school, persons who stated that they "might" look for work, and so on. Added to this, the number of women who want jobs but fail to fit the ABS definition of unemployed persons is estimated as anything up to about 800,000, using information from a Morgan Gallup Poll and surveys from the N.S.W. and Commonwealth governments. Adding these categories to the registered unemployed Windschuttle suggests that the real unemployment rate exceeds 20% of the workforce. This is a highly contentious proposition, and would appear to involve a certain degree of double-counting. However, it is a salutary reminder that the registered unemployment statistics are merely the tip of the iceberg: in a period of economic depression there are many ways in which labour accommodates to the changed conditions through labour-force withdrawal, changes in attitude towards work, taking part-time rather than full time employment, and so on.

The social consequences of these changed economic conditions are very usefully documented in Windschuttle's book. Indeed, it seems sure to become the standard reference on this issue. A considerable array of statistical and other evidence is presented on links between unemployment and crime, drug and alcohol dependence, domestic violence, physical and mental illness, suicide, and so on. A previous reviewer of the book alleged that Windschuttle treats unemployment as the cause of just about every social malaise: this is unfair, because Windschuttle emphasises the role of unemployment of intensifying such problems, not as their sole cause. In so doing he brings out precisely that which the government and the media in general are doing their best to hide: that an economic system and a government policy which makes unemployment inevitable is one which does violence to the members of that society in a whole range of ways. Thus unemployment is not merely an economic instrument: it is a social and psychological weapon. The damaging effects on the youth of Australia - the so called "lost generation" - are particularly important, and raise issues about the complex interaction between the availability of work and attitudes to work which are fundamental in understanding the controversy over "dole bludgers". The need to come to terms with their own inability to obtain employment tends to cause many young people to

rationalise their own situation in such a way as to fuel the dole bludger mythology. Windschuttle's book provides a very useful introduction to such issues which necessarily traverse the individual academic disciplines within social science.

One important aspect of the current unemployment situation is the unevenness of its impact. The age dimension is particularly important. About 35% of all jobless are aged between 15 and 19 years: the unemployment rate among teenagers (some 22% in 1978) is more than four times that of people aged 20 and over (albeit typically of shorter duration in terms of the average period out of work). The skill dimension is also important: semi-skilled and unskilled persons account for well over half of unemployed males. (Among women, the dominant groups are those in the clerical and administrative category.) Ethnic background also has a systematic effect: one survey, for example, indicates that the jobless rate for immigrants of less than 2 years standing was 13.4%. In general, the more recently arrived migrant groups appear to be more vulnerable. In January 1978 half the Aboriginal workforce was estimated to be unemployed. Windschuttle's analysis puts useful emphasis on the unevenness of the impact of the current economic crisis.

However, one aspect of unemployment which deserves rather fuller treatment than Windschuttle accords it is that of its spatial incidence. Just as unemployment is particularly concentrated among some age groups, ethnic groups and occupational groups, so too (and largely as a direct consequence) it is concentrated in particular localities. To take Sydney as an example, the average percentage of persons registered as unemployed during 1978 varied from over 14% in the City of Sydney to only a little over 1% in Hornsby. No C.E.S. area on the north shore had an unemployment rate in excess of 3%, whereas the rate in inner city areas like Marrickville and Surry Hills was in excess of 10% and working class outer suburban areas like Mount Druitt and Liverpool had rates consistently over 8%. The number of vacancies per unemployed person was as high as 58:1 in the latter areas compared with 5:1 in Hornsby and North Sydney. The situation in other cities is not dissimilar. In Melbourne, for example, the overall ratio of registered unemployed to vacancies was 12:1 in May 1978 but the corresponding figures for working class suburbs like Sunshine and St. Albans were 55:1 and 125:1.

The consequences of this territorial inequality are potentially far ranging. One reason why the spatial aspect is important relates to the political response to unemployment. In analysing this it may be useful to draw a distinction between electoral politics and class politics, the former being concerned with the existing political apparatus of the capitalist state (which party will form the government and so on), and the latter being concerned with the extent of the demands for fundamental structural change to a different economic and political order. Territorial inequality in the incidence of unemployment can be expected to influence both aspects. In terms of electoral politics, the impact of unemployment is minimised if it is concentrated in safe Labor seats. In terms of class politics, the situation is less clear cut. It seems reasonable to expect that attitudes of fatalism among the working class will be reinforced in circumstances where spatial segregation makes it appear to unemployed persons that unemployment is the norm. This is particularly important among young people. This would suggest that the politically radicalising effects are minimised by the spatial concentration of economic hardships. Of course, it may also be postulated on the other hand that the spatial concentration of unemployment tends to increase the interaction between the unemployed and hence provides a basis for the development of some sort of collective consciousness. However, what does seem likely is that such a consciousness will tend to be primarily geographical. Regionalism

has provided a means of disunifying the working class in many countries, e.g. English vs. Scottish vs. Welsh and, to a rather lesser degree, inter-state rivalry and regional separatism in the Australian case (Riverina, New England, Northern Queensland and Western Australian separatist movements). So too, on a more local scale, a "Western suburbs" consciousness, which effectively sees discrimination operating on a spatial basis, may not be at all conducive to a development of a working class consciousness. These reflections do not negate Windschuttle's thesis. Rather they suggest that there are important impediments to the class-based response to the depression which he regards as ultimately necessary. Other impediments to such a response are well covered in the book, particularly in respect to the role of the state.

Of course, the state has a variety of general instruments for ensuring that social instability does not get out of hand as a result of unemployment. If one draws the conventional distinction between the ideological and repressive state apparatuses, then one can see the "dole bludger campaign" as the prime (though far from exclusive) thrust of the former and outright persecution of the unemployed as the prime thrust of the latter. Windschuttle's book contains a wealth of evidence on both aspects, and provides a devastating exposé of the way in which the government and the media have sought to blame and harrass the victims. The more subtle role of welfare in relation to social control is also explored, and one chapter provides a critical appraisal of the various schemes and welfare organisations: CYSS, NEAT, SYETP, EPUY etc.- The Community Youth Support Scheme, the Special Youth Employment Training Programme, and so on. These various schemes are shown to be "aimed, either directly or unwittingly, at providing the surrogate social control that becomes necessary when the normal social bonding provided by work becomes unstuck. CYSS aims to keep young unemployed persons busy and under supervision, SYETP gives employers cheap labour which can be ruthlessly discharged when the period of subsidy expires, and so on. None of the policies come anywhere near confronting the causes of unemployment: rather they reflect various means of seeking to minimise the social instability arising from the government's policy of unemployment-creation.

The treatment of the unemployed by the current government has even elicited criticism from the conservative press, e.g. an editorial of The Sydney Morning Herald stated that "there is no workable policy alternative (to unemployment) if inflation is to be beaten ... but ... (the government) can, and should, be strongly criticised for simultaneously penalising the people it is pushing on to the unemployment market".<sup>5</sup> This approach is described by Windschuttle as just as deplorable as the dole-bludger campaign because of its "dewy-eyed acceptance of unemployment as economically essential". However, the irony is that it may indeed be economically essential under capitalism, not as a prerequisite for control of inflation, but more fundamentally as a means of disciplining labour, changing the climate of industrial relations and generally - in terms of Marxist analysis - in establishing the conditions for a high rate of surplus value. Thus periodic economic depressions and unemployment serve a crucial role in reestablishing the conditions for renewed capital accumulation. They serve to restore the "vitality" of the system, albeit in the short run at the expense of some sections of capital who go out of business because of deficiencies in demand and at the general expense of the living standards of some - but by no means all - sections of the population. What is different about the current economic crisis, is that it is providing the opportunity for particular types of restructuring by capital which seem unlikely to create employment opportunities even in the medium to long term. The changing role of Australia in the world economy, and the associated change of emphasis from the manufacturing to the mineral sector, generates particular problems in respect of unemployment. Between June 1974 and October 1977 the number of jobs lost in

manufacturing in Australia was over 188,000; over the same period, expansion in the mineral sector created only 1,400 additional jobs.<sup>6</sup> Even the service sector, which has taken up much of the slack in the labour market, seems unlikely to continue this role, because of the introduction of word-processors and other labour-replacing technology. Such new technology is easier to introduce in periods when labour is relatively weak, but has the impact of prolonging the unemployment problem. Windschuttle's book will be relevant for a long time to come.

However, without in any way detracting from the importance of the issue, it might be worth mentioning the equally important issue of the nature of work itself. Windschuttle's own introduction indicates his recognition of this issue. He describes the book as being concerned inter alia to examine "the general question of the relationship between society and work" and indicates his view that "the main factor that mediates between the lives of individuals and the wider society is the work ethic". What about the alienating, unhealthy and authoritarian conditions associated with many jobs? The demand for more involvement by workers in decisions that affect their employment (which is relevant to socialist as well as capitalist countries) is just as important as the demand for the right to work. Ultimately, the demands are quite compatible and, indeed, mutually reinforcing, but at a time of unemployment there is a danger that the former may be overshadowed. I do not doubt that Windschuttle would agree. Indeed, he has previously made the point that the widespread acceptance of the dole-bludger mythology reflects the alienating nature of most jobs. Work is unpleasant; the ideal is to escape it; hence the jealousy of those who appear to have succeeded in escaping it and are able (in the words of a Daily Mirror editorial) to "laughingly laze on beaches, frequent pubs and clubs and indulge themselves all day, living as parasites on the community".<sup>7</sup> Perhaps it is asking too much of the book to deal simultaneously with employment and unemployment, but ultimately only such a dual analysis can reveal the interactive nature of the problems.

Windschuttle's book is nevertheless a wide-ranging review of the unemployment situation, and deals with many more issues than it is possible to mention in a brief review. Indeed in many respects it is more like a series of separate, but interlinked, essays on various economic, social, cultural and political aspects of the current economic crisis. This wide range is both its strength and its weakness. It brings together the various aspects of the crisis in a way that is certainly multi-disciplinary, if not interdisciplinary. That is an important step, and it stimulates thought about a whole range of interconnections, e.g. between the youth culture and unemployment (punk and disco as "loud and soft protests against the modern world" rather than as antithetical musical forms and social movements?), the changing role of women and the family, etc. However, at times, this broad-ranging style seems to lead to a lack of overall analytical coherence. The section on causes of the crises is relatively brief, such that the reader would benefit by reading the book in conjunction with, say, the articles by Catley in Wheelwright and Buckley, Essays in the Political Economy of Australian Capitalism, Volume 2, and by Collins and Brezniak in The Journal of Australian Political Economy, No. 1. Also the eclecticism tends to generate some incidental but irksome passages. For example, when discussing the changing role of the family, it is implied that the alternative to family life is a life-style characterised by people who are "schizophrenic - unmarried, rootless and migratory, living in run-down rooming-houses in the central city, alcoholic, eating at grill-houses or fast food bars". This strikes me as rather uncalled for (speaking as an unmarried, inner-city dweller with a tendency to frequent grill-houses!). However, minor gripes aside, the book can be thoroughly recommended as a wide-ranging investigation of a crucial issue. By bringing into the arena of debate the issue of whether Australian capitalism can ensure full employment and the social costs of failing to do so, Windschuttle's book makes a major political as well as academic contribution.

## FOOTNOTES

- <sup>1</sup> See, for example, Kalecki's article, Political Aspects of Full Employment, reprinted in E.L. Wheelwright and F.J.B. Stilwell (eds.) Readings in Political Economy, Volume 2, ANZ Book Co., Sydney, 1976.
- <sup>2</sup> M. Brezniak and J. Collins, "The Australian Crisis: From Boom to Bust", The Journal of Australian Political Economy, No. 1, October 1977.
- <sup>3</sup> P. Gamble and P. Walton, Capitalism in Crisis: Inflation and the State, Macmillan, London, 1976.
- <sup>4</sup> J. O'Connor, The Fiscal Crisis of the State, St. Martin's Press, New York, 1973.
- <sup>5</sup> The Sydney Morning Herald, 25 March 1976.
- <sup>6</sup> Department of Employment and Industrial Relations, Employment Prospects by Industry and Occupation, AGPS, Canberra, 1978.
- <sup>7</sup> Daily Mirror, 23 September 1975.

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