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ALTERNATIVE ECONOMIC STRATEGIES: AN EVALUTATION

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When the *Journal of Australian Political Economy* began in 1977, the long, post-war boom was over and the world, including Australia, was in a policy vacuum. The Keynesian formula, at least as it had been represented in the 1960s and into the 1970s, was in disrepute, and the simplistic vision of monetarism was in full flight. Monetarism presented on the surface as a technical proposition about the relationship between the quantity of money and inflation. But behind this veneer was a comprehensive package of social and economic ideologies and policies that we have since labelled 'economic rationalism'.

This was the context in which visions of and debates about an 'alternative economic strategy' (AES) developed. The general theme was how to kick-start a stagnant capitalist economy, in a socially progressive way.

Its direct and deep intellectual origins lay in the British socialist tradition, and particularly the Communist Party of Great Britain (CPGB) which had long adhered to a nation-state centred program of reform. Yet while the term AES seems to have a British origin, its broad agenda can be identified with a concurrent general trend within much of the European 'left'. Scandinavian social democracy was, in the initial period, too conservative for the AES advocates. With the subsequent shift of politics to the right, Sweden increasingly emerged as an AES success story. In the United States, people like Robert Reich (later to become President

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Clinton's Secretary of Labour) were writing about 'the rust belt' – areas of declining heavy secondary industry, such as vehicles and steel. But there was in the United States no strong tradition of 'alternative economic strategies' such as emerged in Britain and then Australia. This United States literature seems to have exerted no significant impact in the Australian debate – perhaps because the United States lacked a conspicuous socialist party tradition, and because the 'rust belt' analysis was more a documentation of loss than a strategy.

What was this 'AES'? Within the expositions and debates that unfolded from the late 1970s, there were a number of common themes. First, the nation state had to direct change in industry, as a precondition for securing both full employment and price stability. Structural change that came with the end of the long boom should not be left to 'the market'. Arguments about promoting technology and productivity ('competitive advantage') were not added until the mid-1980s. At the outset, the AES agenda was to re-invigorate existing industry, especially manufacturing industry, which was suffering from the recession, and get people back to work. Broadly, therefore, proponents of AES advocated increasing public ownership of industry; industrial democracy; sectoral and regional planning; income redistribution and controls on foreign investment and trade.

Second, proponents argued that economic power had to be wrested from large corporations, in the name of 'economic democracy'. In Britain, this was about the state taking control of 'the commanding heights' of the economy, as Stuart Holland (1975) termed it. This was not Soviet-style socialism of pervasive state planning but a strategy of confronting the powerful parts of capital and shaping its agenda. In Australia, this attack on 'the commanding heights' focused on the power of transnational corporations. Accordingly, Australia's potential for an AES was tied to a conception of Australia as a 'peripheral' or 'semi-peripheral' economy with the real commanding heights lying in the global centres of capital. The domestic 'commanding heights' were found in the banking and perhaps the media, and in such arcane organisations as 'Collins House' – a group of old, Melbourne-run companies, especially BHP, that were mainly involved in the mining industry. While AES analyses identified the concentration of economic power in both banking and the media,

their policy preoccupation was with the revitalisation of manufacturing industry.

Third, the AES approach was predicated upon policies to secure significant national autonomy from the global economy. In the US, the 'rust belt' was about core industries moving to cheap labour countries (we could later add the link to Asian industrialisation), leaving the US 'deindustrialised'. In Britain, the 'commanding heights were similarly generating an outflow of jobs. The AES was therefore predicated upon shoring up the national economy. So in Australia, with the commanding heights embodied in transnational capital, AES and economic nationalism were part of the same project. Tariffs, foreign investment controls and capital controls generally were consistently presented as fundamental components of an effective AES.

The Australian AES debate

In Australia, propositions about alternative economic policy programs broadly in line with the British (CPGB) ideas appeared from the late 1970s, especially via the Communist Party of Australia (CPA) (1977) and the Amalgamated Metal Workers and Shipwrights Union (AMWSU).¹

Discussion of AES first appeared in JAPE with a special, double issue on the topic (issue 12/13), published in June 1982. Before that time, papers on unemployment and specific industry studies had been published, but nothing with the sweeping agenda that is associated with AESes. This double issue stands as something of a monument to the diversity of positions JAPE has carried ever since. It contained papers on AES by Labor Party figures and by Marxists; by those talking of a transitional program for socialism and by those talking of policy for an imminent Labor Government; by nationalists and by those opposed to

¹ See in particular the widely-circulated AMWSU pamphlet *Australia Uprooted* (1977) and an interview with Laurie Carmichael (1977), AMWSU Assistant National Secretary and prominent CPA member.

protection; and by supporters and opponents of Political Economy at Sydney University.

By their nature, the proposals on AES were broad in nature, touching on many complex policy issues. But the focus was on linking policies that, in combination, would comprise a comprehensive strategy. This was, in a vital way, taking the theoretical debates of the 1960s and 70s, about the nature of capitalism, class, the state, etc. into the field for testing as practical strategies. An added edge was that a Prices and Incomes Accord between the unions and the Australian Labor Party was on the table, adding a polarity and an urgency to the debate. So in the early 1980s the issue was: in principle, do you support the Accord or not? And, either way, what demands should the left make on the Accord process?

From that point, discussions of the AES related closely to the evolution of the Accord and Labor Government policy. They generally became increasingly critical of the Labor Government, but the changing priorities of the Accord seemed to drive the issues for AES analysis. Papers on the need to control the 'commanding heights' gave way to papers on strategies for particular industries - just as the Labor Government was developing specific industry policies. Issues of 'economic democracy' started to fall away and contributions to JAPE increasingly addressed the need for union-management consultation, labour retraining, and for improved welfare. The articles were, directly and indirectly, engagements with the Accord.

By the late 1980s, the Accord was being reconciled with Government proposals for a series of privatisations. JAPE carried an increasing number of articles opposing this trend as contrary to the spirit and strategy of socialism. This was probably the last explicit engagement of proponents of AES with a socialist vision.

There was evidence in the wider community and in JAPE that the left of the union movement was abandoning a socialist agenda in favour of a humane but efficient capitalism. In the academy, 'post-Fordism' was fascinated with flexible technology and work practices, and this was seen as a new means to reverse declining industry. Making local (national) industry more efficient and profitable with union co-operation became the strategic agenda. In government, the complementary focus was on

building national competitiveness, for which the post-Fordist agenda provided micro-foundations.

A telling illustration was a JAPE article by AMWSU national education officer Max Ogden (1986). It discussed the benefits of just-in-time technology and training programs for workers. Co-operation between unions and management was said to make all parties better off. In the process, shop-floor unionism was stunted and the need for formal central planning forgotten, all in the name of 'tripartite' (state, peak level union, peak level employer) decision making. AES was no longer depicted as a transitional program: it was 'corporatism', and argued merely that there are more sensible paths to economic growth than free markets and 'economic rationalism'.

The debate re-opened with the release of *Australia Reconstructed* in 1987. *Australia Reconstructed* was a report by the ACTU and the Trade Development Council. Based on field trips to the European social democracies, the authors presented an investment and training/social policy strategy for Australia. It was a 'left' input into the Accord process. In JAPE and elsewhere, some decried the document as a corporatist sell-out; others extolled it as a blueprint for future economic policy. For the latter, *Australia Reconstructed* contained the specifics that the earlier AES position papers had lacked. In 1997, JAPE published special issue on 'Australia Reconstructed 10 years on'. The debates are clearly presented there and need no reiteration here.

Australian AES 25 years (50 issues) on

There remains a conspicuous AES tradition in Australia. Along with many pamphlets and journal articles there has been a steady stream of monographs, presenting arguments for new policy directions (for example: Rees, Gordon and Stilwell 1993; Langmore and Quiggin 1994; Bell 1997; Capling, Considine and Crozier 1998; Boreham, Dow and Leet 1999; Stilwell 2000; Bell 2000; and Frankel 2001). Over 25 years, the AES policy agenda has changed in subtle but substantial ways, while remaining remarkably consistent in its policy targets. Most notably, the notions of a transitional program to socialism and discussion of the need

to control the commanding heights of the economy have disappeared in favour of a 'rational' policy alternative for 'ordinary people', within existing institutional arrangements. Recent AESes have also engaged with 'new' issues, such as the environment and globalisation. But the focus on a set of populist alternative policy prescriptions, centring on nationalism, investment for full employment and income redistribution has been consistent. A series of themes have remained central. They include nurturing high technology exports; an almost exclusive focus on manufacturing; opposition to privatisation and national competition policy; the dangers of globalisation for national economic policy, the need for a national investment policy based on superannuation savings.

It would be ungenerous to say that over 25 years AESes have failed to develop, but their development has lost direction. When the AES appeared in the 1970s, capital was in crisis: there was a policy watershed. Whether there was a crisis of a particular form of state regulation of investment, trade etc. or of state regulation in general was not yet clear. AESes were in the spectrum of credible policy – or so it was argued. That policy vacuum has not existed for the past 20 years, yet AESes are presented as if the policy environment were as fluid as it was in the mid 1970s. That leads to some serious problems. Two issues stand out.

One is that AESes are still written as if the policy environment could be readily transformed, if only a coherent left program could be formulated. They are written as if the future is a clean sheet onto which policy visions can be scripted. This means that the forces that might obstruct an AES are not themselves analysed. Notice, for example, how few and superficial have been the critiques of the 'Accord' by the last decade of AES advocates. It also means that policy is treated in a modular, ahistorical way. A policy program is conceived of as a set of good policy ideas, usually borrowed successes: Taiwan's state investment strategy; Sweden's retraining programs, Britain's community enterprises, etc.. There is no serious consideration of the social forces that will implement an AES, or the *political* strategy that they will use.

A corollary is the implicit way in which AESes consider the state. Divested of 1970s proposals for capturing the commanding heights of the economy, contemporary AESes have come to treat the state simply as an administrative unit that implements (or fails to implement) chosen policy

settings. *Why* AES policies are not being implemented is not understood in terms of a nexus between the state and capital. The AES analysis of the state, at its best, has focussed on the process by which economic rationalism became the policy orthodoxy (Pusey 1991), but the issue of the capacity of the state to deliver policies contrary to the interests of 'the commanding heights' is not addressed. It is as if the state is a Keynesian Sleeping Beauty, under the spell of economic rationalism, awaiting a post-Keynesian, AES kiss. The question of which political forces would make a 21st century AES into state policy is simply not addressed. There is an inevitable slide into populism: the AES expresses sensible policy for ordinary people, and the state must come to its senses.

A second issue is that AES policy agendas are never elaborated in detail – they remain at a level of generality that evokes, but does not prescribe, particular policy settings. In the 1970s, in a broad policy vacuum, it was perhaps sufficient to rally round a broad policy direction. But 25 years on, the policy is not much more specific. The focus may be more targeted, such as superannuation as a pool of funds for national investment and the need to build nationally based scientific research, but AESes retain the 1970s predilection for nominating policy areas rather than specific policies. Whether this is to be taken simply as the 'style' of an AES intervention or as a signal that AESes have failed to develop is a moot point.

In the absence of detailed policy development and analytical testing, policy gravitates towards rhetoric. Take a couple of examples. A 'Tobin Tax' should be implemented to reduce speculative capital flows, say many AES advocates. But in none of the Australian AES sources I have seen is there any serious engagement with the nature of international financial markets or the problems of effective implementation of a global capital transactions tax. The problem of global financial mobility for a national AES is thereby solved by policy assumption rather than by analysis.

Similarly, there is in Australian AESes widespread advocacy of some sort of national investment fund, converting superannuation reserves into an investment pool for domestic manufacturing. The legal and administrative problems here are great, as are the difficulties of disentangling 'Australian' superannuation savings from international

savings. But the AES advocates focus only on progressive ways to spend the money. Again, an effective national investment fund is created by assumption rather than by analysis. In neither case is the exposition of an AES associated with any formal calculations of the impacts of policy suggestions.

Underlying these problems is the belief of AES advocates that a central purpose of political economy is to present a package of national economic policy alternatives. This intellectual culture that sees the policies of the (capitalist) state as the object of political economy seems to be driven by the desire for relevance. 'If you are not developing an action plan for government or the unions, it's all ivory tower philosophy' is a common theme. 'That's all very well, but what are the policy implications' is another.

Yet, ironically, at no time in the history of those debates has the Labor Party come close to adopting an AES, and minor parties that embraced AESes developed no popular base and disbanded within a remarkably short time.² Perhaps the closest an AES came to political significance was the ACTU's *Australia Reconstructed* in the early years of the Accord. Yet, as JAPE 39 showed, it was never taken seriously, even by the ACTU, and certainly not by the ALP. Although the advocates of an AES have tailored and limited their proposals in the name of policy relevance, they have never achieved that relevance in practice.³

Yet the AES criticism of the 'Marxist' left (for want of a better term) has consistently focussed on the latter's failure to engage in policy debate. By privileging policy, AES advocates have sought to take the moral high ground in political economy. But this moral high ground amounts to a deeply anti-political conservatism. In order to sell the alternative model,

2 I am thinking here of the 'New Left Party' and 'We the People'

3 On the cover of Boris Frankel's (2001) monograph *When the Boat Comes In*, Rob Watts, Professor of Social Policy at RMIT University, has written that the book "is destined to transform much of the public policy debate in Australia". Watts may wish that Frankel's book would have this effect, but the proposition that it will transform debate is fanciful. I say this not because of my assessment of the particularity of Frankel's analysis, but because it is fanciful to think that Frankel's overall agenda is even close to relevance in policy circles – except perhaps those of Watts himself.

all obstacles have to be made superficial. Class is reduced to the maldistribution of income. Capital's hold on the state is reduced to ill-educated policy makers or, worse, a lack of appreciation of good, common sense economics. The analytical foundations of political economy are in danger of being sacrificed in the name an anti-*status-quo* populism.

Building an alternative economics, and gaining a widespread engagement with that process involves addressing the social processes within which policy evolves as well challenging conventional wisdom in economic theory. It also involves addressing longer-term visions as much as (but not to the exclusion of) immediate issues of policy. There is much to debate. But the AES agenda, creating the appearance of being a 'real', 'ready made' alternative, seeks to foreclose debate about social processes and about long term visions. Yet it is this debate, not the policy templates, that will keep a social and political alternative alive.

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