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AUSTRALIA RECONSTRUCTED: 10 YEARS ON

June 1997 is the 10th anniversary of the release of *Australia Reconstructed (AR)* - the most detailed proposal for the development of a social democratic alternative economic strategy yet applied to Australia. This issue of the *Journal of Australian Political Economy* is devoted to reflections on the impact of *AR* and consideration of its relevance to contemporary economic and political change. Ten years on, the sorts of issues raised in *AR* remain an area of critical analysis and passionate debate on the political left.

AR was compiled as a report of the Australian Council of Trade Unions (ACTU) in conjunction with the Federal Government's Trade Development Council (TDC). The document was predicated on the belief that all was not well with the Australian economy in the mid-1980s. In the immediate context, there were debates about industry restructuring, the level and type of investment, and Australia's balance of payments. From a longer term perspective there were debates about the role of the state and the union movement in economic planning. These issues (and more) were at the core of *AR*. Representatives of the ACTU and the TDC formed a mission which visited Sweden, Norway, Austria West Germany and the United Kingdom, and the experiences of these countries informed both the ideas and the exposition of *AR*. With the exception of the UK, the countries visited all operated (and continue to operate) with active trade union involvement in national economic planning. The purpose of the mission was to explore implications of the performance and organisation of these societies for transforming (reconstructing) Australia.

On opening the original published document, one is struck by its comprehensiveness. Forwards by the Secretary of the ACTU, Bill Kelty, and the (then) Federal Treasurer, John Dawkins suggest an official standing, both within the union movement and the Government. A flick through the contents shows detailed analysis leading to an extensive set of policy recommendations, somewhat akin to a Government White Paper. Yet *AR* exerted little impact on either Government economic

policy, or political economic debate in general - with the notable exception of the notions of 'strategic unionism' and the case for union amalgamations. *AR* remained a rallying point within the union movement, giving a focus to alternative ways of viewing the role of unions, but it had no substantial impact beyond that context. None of its recommendations for alternative economic programs were debated in 'official' policy forums. The interview with former Industry Minister John Button, which appears in this issue, shows how little impact *AR* had within the Government.

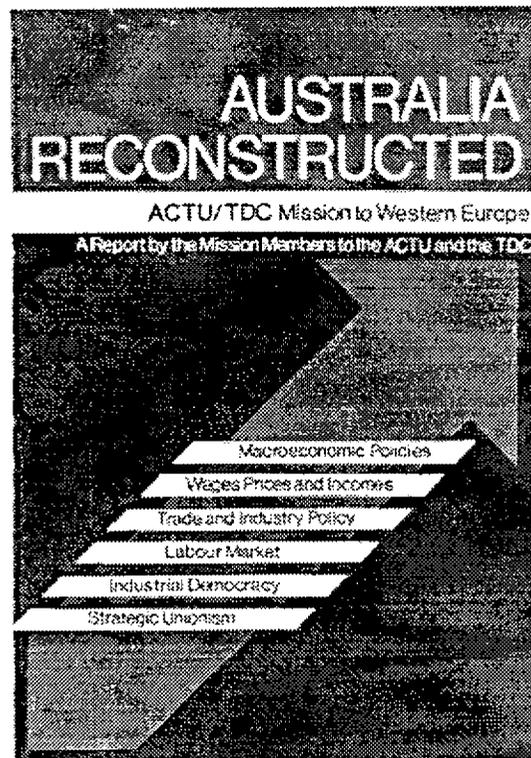
It might well be asked, therefore, why the *Journal of Australian Political Economy* has devoted a special issue to remember and reflect on a document which was notable for its lack of impact. Yet it is precisely the modest history of *AR* which makes it worthy of consideration - to ask the simple question *why was it so lacking in impact?* For those of us who resist the hegemony of orthodox economics, and wish to engage in debate about the possibility of social and economic alternatives in Australia and globally, there is a need to reflect upon the *AR* experience.

Alternative explanations are canvassed in the articles in this issue. Some develop the view that *AR* was fundamentally misconceived as a strategy to manage capitalism. Others are broadly supportive, but argue that there were limitations because of the historical and political context in which *AR* was presented, or resulting from the attempt to transpose Northern European social democratic programs into a society which lacks the cultural and institutional background to embrace those programs.

In preparing this special issue of JAPE the editors have sought to give expression to a wide range of views. We have therefore attempted to cover the key issues posed in *AR*, and to deal with those issues from different analytical perspectives. We wanted to make clear to readers just how open the points of debate remain, and we accordingly encouraged contributors to present their views forcefully and briefly. Although we have aspired to present some balance in the spectrum of issues and opinions presented, readers may find gaps and limitations in the coverage. For such a broad debate that is probably inevitable. The editors would therefore welcome further contributions, either to fill perceived gaps, or in response to any of the articles which appear in this issue. As

usual, all such submissions for publication will be subject to the standard refereeing procedures.

In acknowledging the contribution of *AR* to on-going political and economic debate, this special issue of *JAPE* seeks to stimulate further analysis of progressive responses to contemporary economic problems.



Australia Reconstructed: the Proposals

AR contains six chapters. Each has two parts: 'general mission observations' on the relevant policy aspects of the countries visited in 1986 and 'implications for Australia and recommendations'. The latter aspects can be summarised succinctly according to each of the six major themes:

Macroeconomic Policies and National Issues. The starting point is the development of a consensual approach to formulating 'a central national economic and social objective' and 'the management of change'. In practice the spotlight is on the need for increased investment in the economy. A national inquiry into investment is proposed, to look into matters such as the incidence of speculative versus productive investment, corporate takeover activity, foreign exchange dealings and the securities industry. A key recommendation is the establishment of a National Development Fund. This would draw on up to 20% of the savings held by superannuation funds and would use these savings to provide equity capital and 'soft loans' for investment, to supplement the assistance provided in industry-specific plans. Priority would be given to investment for import-replacement, export-expansion and industry modernisation. The Australian Industry Development Corporation (AIDC) is mooted as the administrator of the fund (rather ironic now in the light of the impending privatisation of that institution).

Wages, Prices and Incomes. This section most directly relates to the arrangements of the Accord. It can be seen as emphasising and strengthening the connections between incomes policy and investment, industry policy and the array of social wage, taxation, superannuation, labour market and other economic and social policies which impact on living standards. Restraint on prices, beginning with a six month 'price freeze' is advocated, along with proposals to inquire into executive remuneration and fee-setting in the professions. The centralised wage-determination system is defended but, significantly, the emphasis is not on wage indexation so much as 'combining equity with flexibility'.

Here is the tacit acceptance of the Arbitration Commission's 'restructuring and efficiency' principle which turned attention away from across-the-board adjustments towards productivity-related wage-setting and which would eventually evolve into enterprise bargaining.

Trade and Industry Policy. *AR* bemoans the lack of progress in developing policies for Australian industry during the two decades since the release of the Vernon Report. It draws a strong contrast with Sweden, Norway, Austria and West Germany, which 'have actively sought to promote and enhance competitiveness and productivity within their industries via a cooperative and integrated approach to skill enhancement and efficiency in industry' (*AR*: 89). Here is the most dense cluster of recommendations in the report, including measures to promote research and development, establish a National Industrial Supplies Office, strengthen Austrade, the Australian Manufacturing Council and the Trade Development Council (surprise!), and to link industry policy with regional policy. Strong emphasis is placed on strategic industry plans, based on tripartite agreements, as well as more across-the-board measures to promote innovation, import-replacement and export-promotion.

Labour Market and Training Policies. Key points of emphasis here are the need to redress problems of 'inadequate skill formation and enhancement' and the separation of labour market policies from industry policies. There is extensive discussion of the use of Renewal Funds in Sweden as a means of stimulating training within firms, making internal labour markets more flexible and improving the total quality of working life. *AR* notes that 'such active labour market policies are key instruments in macroeconomic strategy as they foster productivity growth and industry restructuring'. A major recommendation is for the establishment a National Employment and Training Fund from which enterprises, both public and private, could draw back up to 80% of their contributions to finance training and employment schemes agreed with unions. Other proposals range from improvements to the operation of the CES, measures to reduce labour

market segmentation and to further increase women's employment participation, and the introduction of a compulsory general 'technology' subject in school curricula.

Industrial democracy. *AR* notes the importance of participatory and consultative committees, typically involving about 10% of the workforce, in Swedish and Norwegian companies, identifying such mechanisms as crucial in promoting 'adjustment to change'. More generally in Austria and West Germany too, it is claimed that 'industrial democracy processes have unleashed the creative and innovative power of workers and management'. In Australia, by contrast, 'quality of life reforms stopped at the factory gates'. Hence, according to *AR*, there is 'an urgent need to develop in Australia a Production Consciousness (*capitals in the original*) and culture, both in industry and in the community' (*AR*: 154). Industrial democracy is stressed as being 'crucial to the maximisation of productivity in Australia'.

Strategic Unionism. *AR* defines this in terms of the need for trade unions to go beyond a narrow focus on wages and conditions, an emphasis on centrally coordinated goals and implemented strategies to achieve a range of economic and social objectives, the concern with wealth creation as well as its equitable distribution and the pursuit of those goals through tripartite bodies and strong local and workplace organisation. The development of this strategic unionism is seen to be an integral part of establishing economic and social policies which ensure full employment. Emphasis is also placed on the important role of union education, research, services, media relations and international union contracts. Industry unions, drawing particularly on the West German experience, are advocated as the necessary structure for the further development of strategic unionism. It is recommended that the 'union movement should plan to have more than twenty union organisations within two years' (*AR*: 191).