

AUSTRALIAN CAPITALISM SINCE 1992: A NEW REGIME OF ACCUMULATION?

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Modern capitalist economies are characterised by cycles and phases, including phases of growth and transformation. This obvious truth needs restating when we set out to try to describe and explain the characteristics of the current expansion phase. From 1992 Australia has experienced a period of sustained economic growth and prosperity without interruption. That the relative prosperity and growth of this long phase has been shared around the world in many diverse countries is fundamental to describing its characteristics and explaining why it happened in Australia. Periods of growth and prosperity have never been this long before (although this is a contentious point and will be returned to); and that longevity in Australia is really one of the main features to explain. A phase of growth without even a slight recession, indeed not even a quarter of recession or anything approaching it, of 16 years is unprecedented in its length in Australia and a big contrast with the 20-year boom-bust period that preceded it. Furthermore, no Australian State has experienced a recession in that period either – the growth has been across the whole country.

How can we explain such an unprecedented phase? This paper argues that the usual economic explanations, centred on global processes of technological innovation, investment, trade, profitability, and so on, are inadequate. These are in fact the consequences of deeper structural changes. We need an institutionalist approach and one, moreover, that examines economic systems as forms of complex socio-political as well as economic regulatory regimes that make decisive breaks with past regimes, breaks that either enable new phases of expansion or cause phases of stagnation and decline. I shall argue that the “Millennial

Phase”, as I call it, has a new regime on several levels and makes a sharp divergence from both the long regime up to the early 1970s and the phase of interspersed stagnation and uncertain bursts of growth in the 1974-92 period. In order to begin such an analysis we first need to know about the peculiar characteristics of the Millennial Phase since 1992 on global and local scales.

Characteristics of the Millennial Expansion Phase on a Global Scale

We can identify six main interconnected global characteristics of the era since the world-wide recession of the late 80s-early 90s. Together these can be seen as forming an interconnected set that usually goes by the shorthand of “globalisation”.

First is the emergence of a so-called ‘New Economy’ of innovation and investment based on Information and Communications Technologies (ICT) and associated changes to working and production systems in manufacturing and services. This has been unevenly developed and at different speeds but, by the mid-2000s, the adoption of this set of technologies became normalised throughout the developed world and had spread to most of the developing world. ICT technologies and their applications in computers, internet, mobile phones, and automated systems have become ubiquitous in this era. Apart from rudimentary (by later standards) computers in the 1980s, the full adoptions of all these technologies effectively date from the post-1992 era. This is a technological and corresponding socio-cultural transformation, the scale and rapidity of which has never been seen before, even in comparison with earlier eras of the rapid development and adoption of factory textile machinery, railway, steam, steel, chemical, electrical, telephone, motor car, and aerospace industries over the past two centuries. According to World Bank data (“ICT at a Glance”), Australia is at or above most average indicators of ICT sector performance for high income countries.

Second has been a transformation in institutional structures of national and global economic regulation. This is the era of the emergence of a new form of capitalism – variously called Neo-Liberal Capitalism, Free

Market Capitalism and Regulatory State Capitalism. This represents a major shift from public to private economic power around the world. The relationship between the state and capital, always one of complex interconnection, has shifted towards the enhancement of private power. There has been a corresponding emergence of a new ideology of state engagement in which the state is not seen primarily as the social democratic owner and protector of public goods, redistributor of income, and provider of social security, but as simply the regulator of markets so that the 'public interest' is supposedly served by the exercise of market freedom without monopoly. However, this model of capitalism has not succeeded in becoming completely dominant and so now exists alongside older, persistent forms of capitalism. Indeed, one of the surprising features of the contemporary era is the incompleteness, at least so far, of the so-called "Neo-Liberal Revolution". Social Democratic Welfare Capitalism (sometimes called 'social market' capitalism) still exists in the Nordic zone and more generally in NW Europe, except in Britain and Ireland. Neo-Liberalism has been ideologically eclipsed in Latin America. In Central Europe it is still a work in progress. The developed Asian capitalist states have been half-hearted at best in carrying through the Neo-Liberal program.

Part of the recent institutional transformation has been the almost complete disappearance of State Communism as a mode of economic regulation and social welfare provision. The emergence of capitalism in former communist states has taken many forms but the dominance of private ownership of capital and investment and private capital accumulation is beyond doubt. The privatised capital/state nexus is powerful in these states, as it has always been in the history of capitalism since its medieval origins. Liberal democratic states and societies are certainly not a necessary adjunct to capitalism, as public choice theorists have tended to believe. Private ownership and markets can co-exist with authoritarian government.

Third has been the associated rise in global trade volumes, the world average increasing from 82% of GDP in 1995-99 to 101% in 2006 (World Bank, 2007, p 10) and of global corporations, especially the rise in services trade, which is a main manifestation of 'economic globalisation', and the movement of large corporations beyond the legal

jurisdiction of any state (Australia in 2006-5 had a trade to GDP ratio of 43.1%, placing it a low rank of 137 in the world but well above the US level of 27.7% of GDP). Economic globalisation has not been matched by regulatory globalisation. The proposed BHP/Rio Tinto merger is a good example of the lack of a global regime of corporate regulation (Andrusiak 2008). No state or interstate organisation has the ultimate control over the merger, incorporation, market behaviour, or management of this resulting behemoth that will be ‘owned’ around the world and operate on every continent. Similarly, the behaviour of global pharmaceutical corporations has also shown how difficult it is for public interest considerations to be activated against these powerful corporations (*cf.* Drahos and Braithwaite 2002).

The issue of trade volumes raises the fourth characteristic but is one not really peculiar to this era – the rapid industrialisation of Asian economies with their rapidly growing demand for resources and capacity for exports of manufactures. Earlier phases of global and Australian growth since the 1940s have been characterised by the spread of industrialisation to parts of East and South East Asia and that has played an essential role in the world economy in post-war decades. The scale and strength of the new phase of Asian industrialisation is certainly greater than earlier eras and that is an essential force in explaining Australia’s recent economic history.

A fifth characteristic is the rise to significance of sovereign wealth funds as part of the complex relationship between state and capital in many countries in the era of a globalised financial system. One estimate has these SWFs surpassing the total of official national reserves by 2013; and they represent a major shift by governments in how they manage their budgetary and trade surpluses into the future (Jen 2007). The investment strategies of these funds are raising major issues about the trading of risky assets and the question of financial and asset protectionism in countries where these funds seek to invest. The weight of sovereign funds will be very large, their investment into ‘open’ economies, and their ‘sovereign’ (*ie.* state-controlled) nature will likely trigger ‘national interest’ concerns much greater than we have seen hitherto¹. This is in

1 This has become a major issue for many countries, including Australia, which has resource, real estate, and infrastructure assets that are very attractive as relatively

addition to their effects on the bond, currency, share, and real estate markets of the world (Jen 2007, Kimmitt 2008). Much if this is not new in the sense that earlier oil booms had a significant effect through the recycling of oil surpluses from OPEC countries via western banks to developing countries, triggering currency and debt crises in later cyclical phases. But in the contemporary phase the size of the SWFs is far greater than earlier eras and they are much more diversified. An irony of these funds is that the very 'sovereignty' that spawns them is under question as never before and once they enter the global markets in a less restrained manner than the use of official reserves they tend to loosen their ties to their sovereign homes to become just another dimension of the 'The Markets' writ large, a world of non-state behaviour to which states bend their will rather than over which they exercise sovereignty. Indeed, there is little reason to think that SWFs will behave much differently than other large investment entities, such as hedge funds, pension funds, and merchant banks (Grenville, 2008). All are interested in maximising profits and spreading their risks.

Finally, the sixth characteristic is ultramodernity – the individualisation of social, political, and personal life, the hollowing out of traditional social networks and political communities, and the constancy of the search for newness of experience and consumer gratification. On the other hand, individualisation is associated with education, individual empowerment, individual subjectivity and democratic, egalitarian impulses in social life. The question of the future of state control of social life, social democracy, centralised social welfare, and the general mediation of social relations via the state, is a major issue for the institutions of democracy, for social class formation or dissolution, and for social behaviour generally. Already we are beginning to see a decline in the adherence of populations to social democracy and the rise of 'multitudinous' social forms (*cf.* Hardt and Negri 2004, Bull 2005 and 2006, Anderson 2007). Politics in the new era is significantly different

stable and strategic investments for both foreign SWFs and Asian state-owned corporations. Ironically, having privatized almost all state infrastructural assets, Australia, like other western countries, is now faced with an inward surge of investment by foreign state-owned infrastructural corporations and funds. On 17 February 2008 the Australian Treasurer, Wayne Swan, announced new principles governing the approval of inward investments by SWFs (Taylor, AFR, 18.02.08).

from the Golden Age of social democracy and the social base for political movements is rapidly transforming. The rise of non-state political actors and movements – some violent, some peaceful, some anti-systemic, some environmental – is sending shocks through the global political establishment and intermeshing with geopolitical and economic forces.

These general characteristics are an important part of the story when it comes to describing what has happened in Australia and why. Each of these is instanced in particular ways. There are also several special characteristics here that are not shared by most of the developed capitalist countries.

Characteristics of the Millennial Phase in Australia

First is the resurgence of the resource export sector and the corresponding change in Australia's terms of trade. Seen in the long-run perspective of the past half century, this has been a partial return to an earlier pattern. But the scale and significance of this change must not be overstated, especially in comparison with earlier phases of resource booms. Mineral and Energy exports have grown from being 29 % of merchandise exports in 1993-94, to 31 % 1999-2000, to 32 % in 2003-04, to 44 % in 2006-07 (DFAT, 2007, pp 66-67). That is, the significant increase has come only in the period since 2004. So, we have to ask, has Australia once again become an economy driven by resource export dynamism with all the linkages associated with such a booming sector and economic, social, and political connections that come with the rise to prominence of such a sector? The answer has to be a very muted and qualified 'maybe' because the growth in these exports has been very recent, and the change is as yet nowhere near as big as occurred in the famous resource boom of the late 60s and early 70s when mineral and energy exports grew from under 10% of exports to over 50% within about a decade. That experience prompted much thinking and research into the effects of booming sectors, Dutch Disease, and resource curses, a debate that has grown again in recent times with the higher energy and mineral prices around the world.

The current situation is not yet such that we can say Australia is experiencing a Dutch Disease effect again. In 2008, despite the increase in resource exports, Australia is still experiencing a significant current account deficit. And the floating currency market has enabled some much more smooth adjustment compared with the early 1970s. The Trade Weighted Index of the Australian dollar has shown only a modest rise in recent times from 64.5 in January 2004 to 68.7 in December 2007 (RBA, 2008). In the early 70s the resource boom generated an external surplus with the macroeconomic effects that flowed as a consequence, especially currency appreciation, inflation, and structural imbalances. Gregory's argument then, that a major shift occurred in the economic structure from manufacturing to resources because of currency appreciation and which harmed the traditional exporting sector (agriculture) and import-competing sector (manufacturing), was borne out over the subsequent decade or more (Gregory 1976). In 2008, by contrast, most agricultural products are enjoying high demand and booming export prices so are not being harmed. Manufacturing has a much smaller sectoral share and, although feeling negative effects because of the higher currency values, its long-term decline is due more to the ending of most protection, including recent free trade agreements.

Second is the institutional transformation that has been brought about by the Keating and Howard Governments. The reforms to economic regulation began in the 1980s and, together, they have swept away the old regulatory regime of labourist-protectionism, especially centralised wage determination, industry protection, state ownership of infrastructure and services, and socialised household credit provision. Regulatory State Capitalism seems now well entrenched in Australia. One striking development has been the rapid decline of unions to now represent only about 20% of the workforce, down from 52% in 1986 and 40% in 1990.

Third, a sustained increase in labour productivity has occurred in Australia, an increase that has been somewhat greater than total factor productivity (*cf.* Edwards, 2006, p 48-49). All growth phases show productivity increases, which is partly what growth is about. But in this phase it is remarkable that labour productivity has outrun capital productivity. This goes much of the way to explaining the unemployment trend across this whole phase. There has been a gradual downward trend

that has not yet produced full employment nor a wages surge after 16 years of expansion. In fact, while the headline rate of unemployment was about 4% in 2008, the degree of underemployment was such that the real rate of unemployment (encompassing unemployment, hidden unemployment, and underemployment) was probably close to 8%, according to Mitchell (2007).

Fourth, associated with labour productivity has been a major shift in the nature of work towards casualisation, intensification, and inequality in the labour market. The union-dense, centrally regulated labour market that came into being in the early decades of the 20th Century and persisted until the 1980s has almost completely disappeared. In its place is a much more individualised, differentiated, and market-driven system of employment in which about 30% of workers are employed on casual, hourly-paid contracts, many of which have no written agreement, no insurance protection, no entitlements to leave, and no right to continuity. The proportion of the workforce employed for standard hours (35-40 per week) declined from 50% in 1982 to 34% in 2002 and those working long or very long hours (41-50+) increased from 30% to 36% in the same period. Part-time workers (under 34 hours) increased from 20% to 31% in this period (Watson *et al* 2003, p 47).

Fifth, the external geopolitical and economic relations were transformed under the Howard Government from a policy of regional and UN engagement and multilateral trade negotiations to one of close alignment from 2001 with the Bush Administration's policies on the Middle East and American-influenced bilateral trade arrangements. The Bush policy of construction of compliant "coalitions of the willing" that by-passed non-compliant UN, EU, NATO, and WTO oppositions, locked Australia into a set of behaviours that saw it following the White House's lead wherever it went. On the other hand, the volume of Australia's trade, probably unrelated to these geopolitical and trade negotiations but instead a part of the general world growth in trade associated with the upswing, has increased steadily. From being a relatively unengaged economy in the sense of world trade in the postwar decades, Australia has become more of a trading economy, external trade rising from 13% of GDP in 1970 to about 21% in 2008 (ABS 2007a). The value of

exports seems set to rise further as the newly-negotiated high prices for coal and iron ore exports and world agricultural prices take effect.

Sixth is the increase in debt. The persistence of the deficit in the balance of payments ever since the late 1970s, associated with the removal of foreign exchange and most foreign investment controls, has resulted in a growing foreign debt in terms of percentage of GDP. Australia's net international investment position stood at a deficit of about \$610b in late 2007, which is about 69% of GDP, which was up from 50% a decade before (ABS 2007b). Almost all of this debt is in the forms of portfolio investment and bank borrowing. These features make the current phase of increased borrowing different from earlier phases. The rising external indebtedness is mirrored internally by the growth of household debt consequent upon the low inflation/low interest rate settings over the past decade and more, settings that are now rapidly unwinding. Keen (2007) estimates the total of private external and internal debt at about 150% of GDP).

Can we explain all these features in some comprehensive way? One recent fairly thorough attempt to do so, by John Edwards (2006), falls short of what is required, in spite of emphasising prior institutional reform, because of a failure to move sufficiently beyond conventional economic reasoning. But Edwards does see that one thing needing explanation is the longevity of the Millennial Phase in Australia. This is not the same in all OECD countries, least of all in the United States which experienced a recession in 2001-02 and which may be headed into another in 2008. Thus longevity perhaps is one key to seeing the forces at work in transforming Australia into a very different political economy than existed in the 1970s, 1980s, and the beginning of the 1990s.

The Millennial Phase in Long-Run Perspective

As the foregoing indicates, to explain the characteristics and dynamics of any phase of recent economic history, including a period of growth and change such as Australia has experienced since 1992, we need a theory of the structure, dynamics, evolution, and history of the economy in the long run. Capitalism has a close institutionalised interconnection of

economic, technological, political, social, cultural, and geo-power dimensions, all of which are historically evolved. I restate these obvious facts here only to set a framework for what I want to say. The Millennial Phase of expansion has to be approached via such a way of thinking if we want to try to grasp its causation.

Capitalism of a particular settler form emerged in Australia in the early 19th Century and has passed through a series of more or less stable regimes of capital accumulation and economic expansion that have been separated by crises or transformations of one sort or another. The initial conditions of the settler society and economy with its strong local state – initially providing a prison service within the British Empire – has remained a powerful force of path dependence throughout Australia's history (Lloyd, 2002). The institutions, social structure, and culture of a state-dominated settler society, combined with the geographical conditions encountered and the particular urban pattern that was established, set in place a foundation that has continued to echo strongly through the subsequent centuries. In recent decades, the 1974-83 period was a crisis phase of the settler-derived structure and in the 80s there was an uncertain experimental period. Retrospectively we can see that a new phase of capitalist accumulation and institutionalisation began in the early 1990s. The new regime's mode of regulation and institutionalisation in Australia will be the main focus of the analysis here.

1992 marks a significant moment in which the new regime's dimensions began to become apparent in Australia. The abandonment in that year of the vestiges of both the centralised industrial relations system and the quasi-corporatist Accord experiment, itself a belated response to the atrophied old regime of Fordist and labourist-protectionist regulation of the previous the decades, and the emergence of a 'flexible' and 'efficient' new labour market system, revealed the power of the new accumulation and growth system and the grip of neo-liberal ideology on the imagination and policies of the whole governance system. In certain fundamental respects Australia shared these characteristics with the rest of the developed Anglo world. Since then there has been in Australia a shift in the balance of forces towards the enrichment and accumulation of capital and the relative decline in the fortunes of labour and social

democracy. The divergence between the shares of GDP going to profits and wages since 1992 has been quite remarkable. In 2008 the profit share of total factor income is at the record level of about 27 % and the wages share at 53%. The corresponding shares in 1992 were 21% and 56% (ABS 2007c).

Approaches to Explanation

In order to explain the emergence of the new regime I want first briefly to try to steer a way through the thicket of theorising about capitalism and economic dynamics today. The conceptualisation of contemporary capitalism and its Australian variant is a contentious issue. There are several approaches to the problem, some overlapping with each other. The main division is between individualistic economic approaches and socio-political structuralist conceptions. It has become clear to most theorists and students of the modern capitalist economy, even to many erstwhile orthodox economists, that the traditional economic aggregates and categories are insufficient to explain even the economic aspects of the production system. The most important development in recent times within the scientific study of economies has been the re-incorporation of concepts and analyses of social relational structures, systemic integration, substantive system regulation and dynamics, evolution, and historicity. Of course these are not new to social science. The re-definition and re-invigoration of the influence of 19th Century theoretical themes is clear.

Orthodox new growth theory of the 1980s and 90s, such as in the work of Paul Romer, emphasised the endogeneity of technical advance as the key to economic growth. As part of this argument there was often an emphasis on differences in management and organization of firms. But as the 90s progressed the endogeneity argument became embedded in formal general equilibrium modelling and questions about the socio-economic, cultural, and institutional origins of technological change were ignored (*cf.* the critique by Nelson 1997), thus effectively removing the possibility of genuine causal explanation because there was no place for the full complexity of human agency, the only causal force capable of initiating social change (on agency see Archer 2000 and Lloyd 2008).

Some of the narrowness and shortcomings of orthodox individualistic and rationalist economic theory were addressed by Neo-Classical Institutionalism², particularly by Douglass North (1981, 1990) and others, who conceptualised institutions as structures of rules that were chosen through rational decisions. This made little advance because it left the role of individual rationality and public choice in centre field in the explanation of economic behaviour and history. As Milonakis and Fine (2007) and others have cogently shown, however, Rational Choice Theory helps little in explaining the pre-existing institutional, socio-cultural, and political contexts of human choices and actions. The role of social agency within a methodology and a theory that emphasise the dynamic between structure and agency is essential to explanation of social change of all kinds. In this approach courses of individual and collective action are not simply chosen but are always motivated, impelled, and structured within prior structural contexts that they reproduce and/or transform.

Against the influence of individualism and rational choice, other forms of institutionalism usually have an explicit or implicit commitment to a critical realist conception of the economic system as a real structure of institutional relations and rules that cannot be reduced to individual decisions. How institutional ‘rules’ came into being and exist and the nature of their causal powers are key issues. The three chief influences on modern structural-institutionalist political economy are Darwin, Marx, and Polanyi, with some influence also from Weber and more recently from Foucault. Neo-Darwinian evolutionism is now moving closer to the centre of economic analysis and often combining with aspects of Marxian economics in the building of new socio-economic syntheses (*cf.* Witt, Nelson, Field). The new evolutionary political economy has considerably advanced the theory of economic systems and dynamics by incorporating systemics and social selectionism into the theory of innovation and economic dynamics. Polanyian approaches to political economy emphasise the deep structural relatedness of social, political, and economic sub-systems.

2 This is sometimes called ‘New Institutionalism’ but in fact is only one of several new approaches to institutionalist economics in recent times. Its emergence out of, and close connections with, Neo-Classicism justifies the label given here.

The 'Varieties of Capitalism' literature has attempted to delineate the specific characteristics of various sub-forms of capitalism, usually in terms of their market structure and relationship between the state and decisions by economic actors (especially firms) within markets and the regulation of their dealings with each other. The canonical statement by Hall and Soskice (2003) attempts to identify two ideal types – Liberal Market Economies and Coordinated Market Economies – as the poles of a continuum. But in fact each developed country is more or less shoehorned into one or other of these categories within their theory. Braithwaite's (2005) delineation of Regulatory State Capitalism has emphasised the new connection, since the late 1990s, of state and capital in certain (especially Anglo) western countries. Here the state is seen as 'market policing or governing', sitting above the realm of privatised economic activity. The older Social Democratic Welfare Capitalist (SDWC) model, most developed in northern Europe, can be distinguished from this newer form of capitalism.

Any theory of systemics always needs a theory of systemic regulation. There are two broad approaches to socio-economic regulation, which distinguish, in Polanyi's terminology, formal and substantive (or exogenous and endogenous) modes of regulation. The regulationism of the Regulatory Capitalism and Governance school, closely associated with Braithwaite and collaborators, examines formal regulation in the guise of institutional rules and laws within systems of governance (Braithwaite 2005). Substantive regulationism in political economy, in the tradition of Polanyi and Marx, is now most associated with practitioners in the French Regulation School of political economy (see Boyer 1990, 2000, 2004, Boyer and Saillard 2002). They have developed a complex framework of theory of the social production systems of capitalism and its dynamics and evolution. Their key concepts are of 'regimes of accumulation and regulation' and they take in effect a critical realist approach to social systems that accords causal conditioning power to such structures (on critical realism see Lloyd 1993, Lawson, 2003).

It seems clear that the way forward in the theory of capitalist political economy is to combine a critical realist conception of social reality, a methodological structuralist approach to studying social process, a social systemics and social dynamics theory of structural integration and

change over time, and an evolutionary theory of history as the long-run process of systemic dynamics. These all play necessary roles – ontological, epistemological, conceptual, static, dynamic – in a comprehensive explanatory framework for historical social science (see Lloyd, 2008 for more explication). If we wish to develop a more comprehensive account of the present conjuncture these dimensions would seem to be necessary. At the centre of the analysis is the concept of ‘regimes of regulation’ of the system of political economy.

Regimes of Regulation

The idea of ‘regimes’ of political economy affords a means of conceptualising systemically integrated social structures of production that incorporate an analytical hierarchy of forces and powers, including ideologies, cultures, governance arrangements and institutions, financial institutions, workplace regulations and practices, organisations of production processes, and distributional processes. The complex interconnections into a systemic process with stability and path dependency of these social structures of production is theorised as a regime of regulation in both formal and substantive senses, as mandated by Substantive Regulation Theory.

Regimes of political economy, then, specify the complex and determinant ways in which work, employment, and workplace relations are organised and of how corporate entities, labour unions and other connected organisations are integrated as systems of labour and corporate regulation. The two areas of organisational management and workplace relations are inextricably linked into broader regimes of regulation of political economy. Therefore, to understand the specific character and history of workplace relations and organisational management the larger context must be understood. More particularly, within this overall idea of a complex societal integration, we can articulate four key concepts that bring together formal and substantive concepts of regulation and integration³:

3 This conceptualisation draws on Lloyd (2002) but revises and extends the account there and owes a good deal to the French Regulation School, which in turn has

- a) *The production regime or social system of production*, which refers to the capital/labour relationship within the production process and the labour-technical composition of production and its social organisation. This level involves the substantive as well as formal system of organisation, control, management, and reward of labour; the technological composition or substitution of capital and labour; the structure, ownership and management of organizations; the rate and distribution of profits; and the process of innovation and change.
- b) *The regime of formal regulation*, which is the system of conventions, rules, laws, and institutions that regulates an economy, including regulation of employment relations, monopoly and competition, public/private ownership and investment, rules and styles of organizational management, financial structure and control, international exchange and trade, and taxation.
- c) *The governance regime*, which is, most broadly, the system of voting, legislation, executive administration, political parties, political ideologies, bureaucracy, justice, welfare, and usually the news media and educational institutions
- d) *The cultural regime*, which is the sets of beliefs, assumptions, understandings about the nature of people (self and others) and their society and its social mores and moralities that influence behaviour, hopes, desires, social customs, and institutional formation.

These are not descriptions of separate sub-systems but are concepts of the sets of practices and modalities in which social life is organised and regulated. Regimes and their regulation are much more than modes of organisational management and governance. The Polanyian idea of embeddedness is essential to seeing how they are integrated to form a

been influenced by the work of Marx, Weber, and Polanyi. But the analysis here diverges from their theory particularly in the area of historical institutional analysis. See Aglietta (1998) Boyer, (1990), (2000), (2004), (2005) and Boyer and Saillard (2002).

social totality with hierarchies of integration. Together they form the institutional structure or organizational regime of a political economy.

Australian Capitalism in the Long-run – a Brief History of Regimes from 1820s to 1990s

(i) First Dominant Regime: 1815 – 1840: State-Centric Extractive Accumulation

By about 1815 rudimentary forms of a free capitalist economy were beginning to emerge in NSW, centred on government direction and employment in construction and agriculture but with some private industries developing in shipbuilding, fisheries, and agriculture. As the economy developed, especially with greatly increased inflows of coerced and free labour after 1815, the chief features of the regime that emerged were:

- state control of importation and distribution of the majority of the labour supply;
- primary accumulation of capital out of manipulation of treasury funds, land grants and seizures, speculative cargoes of imports, profits from simple resource extraction of strategic commodities such as marine animal oil and later wool and copper, and later inflows of British speculative capital to feed the 1830s wool boom;
- central role of the state in the undeveloped land market with a mixture of state grants and sales, and growing illegal squatting;
- relatively high degree of state influence of the undeveloped and narrowly-based bubble-prone finance market;
- political conflict between emerging capitalist groups or social strata over the socio-economic, political, and cultural character of the fledgling society;
- economic regulation fundamentally via the state's control of labour and land and its influence over capital;

- technologies of wind and horsepower and beginnings of steam energy in a few manufacturing sites;
- emergence of an egalitarian culture combining anti-authoritarianism and class consciousness.

The regime underpinned the rapid geographical expansion of the pastoral age based on sheep and wool and British capital but collapsed in the crisis of the 1840s depression, which forced the resolution of the political conflict between urban merchants and landed proprietors in favour of imperially-loyal social classes, especially middle class mercantile, financial, and artisanal interests. Servile labour importation was ended by this coalition. The atavistic landed oligarchs failed to find significant alternative servile labour supplies with which to cement a Latin American style agrarian system.

**(ii) Second Dominant Regime: Late 1840s – 1890:
Settler Capitalist / Colonial Socialist Development**

Recovery from depression was on the basis of the new urban-mercantile interest developing hegemonic economic control and the consolidation of landed proprietorship with the assistance of but domination by British capital. The regime that emerged from the depression was a semi-stable one but with significant contradictions and growing instability by the 1880s:

- free wage labour was dominant (except Tasmania until 1857) but with active state importation of immigrant labour and search for new coerced labour supplies that failed;
- gold and other mineral development set off a boom in the 1850s, with a vast expansion of wealth that fed urban services and financialisation;
- development of steam technology enabled expansion of mining and improvement in shipping;
- development of democratic struggle and political alignments among urban middle and artisanal classes;

- the favouring of land reform in the interest of small arable farming;
- state-centric infrastructure development (railways and ports) and increasing state protection of manufacturing in certain regions;
- laissez faire finance market;
- emerging working class culture and further development of anti-authoritarianism, especially among Irish settlers;
- regulation was fundamentally via state ownership and regulation of land and immigration, growing state ownership of services, and state protection of manufacturing; but unregulated labour and finance markets;
- unionisation of labour began in the 1880s in the dynamic sectors of mining, shearing, and transport.

**(iii) Third Dominant Regime: 1904 – 1974:
Labourist Protectionism**

The depression, financial collapse, and bitter class struggle of the 1890s was a crisis that set the scene for the emergence in the early 1900s of a new regime that built on certain fundamental features of the previous era, particularly the imperial relationship and the central role of the state in economic regulation. The emerging working class political culture and unionisation of the preceding era had produced state intervention in the labour market that was consolidated in the early 1900s. Labourist-protectionist ideology, repudiated and eclipsed the reactionary politics of the 1890s. The new regime had the following key features:

- centralised bureaucratic conciliation and arbitration system for industrial relations and a developed labourist ideology by organised labour;
- large-scale assisted immigration to supply labour for industrial and agricultural growth;
- rural closer settlement, irrigation schemes, agricultural protection;

- all-round manufacturing and services protection;
- state ownership of key sectors of national economic infrastructure and productive capacity, eg railways, telegraphs, airlines, ports, postal services, some banks;
- white Australia and protestant monarchical ascendancy with ambiguous nation-building ideology and reinforced by the ANZAC legend;
- use of macroeconomic stabilisation policy from 1940s;
- moderate social welfare and public health provision;
- marginalisation, denigration, and expulsion of Aborigines;
- the fundamental regulatory feature was the role of state facilitation of the labourist-protectionist historic compromise between the principal classes within the production process. This was peculiarly Australian.

This regime was the most stable and resilient in Australia's history. All attempts to reform it fundamentally, especially in the late 1920s and early 1930s, and all shocks, failed to dislodge it for 60 years. The depression and Second World War both had the effect of consolidating the regime's key features of labourism and protectionism.

The third regime had at its heart a particular substantive relationships that developed from the 1890s between the leaderships of organised labour, capital, and the state. This tripartite leadership relationship, beneath the surface of the formal management of capital and labour, was crucial to the development and evolution of the post-1904 regime. The relationship was not corporatist in the way that emerged in Scandinavia from the 1930s but nevertheless was founded on a historic compromise that did have a *modus vivendi* between the competing interests, centred on the crucial institutions of arbitration, protection, and federalism. These powerful social agents were influential in structuring and reproducing the socio-economic system in a form sufficiently stable to induce a powerful path dependency that survived for six decades.

(iv) Crisis and Experimentation: 1975-1992

But from the late 1960s and continuing through the 70s a period of crisis occurred on several levels – economic (stagflation, mining boom and Dutch disease), cultural (Asian immigration, feminism, Aborigines), and geopolitical (British EEC membership, Asian wars and Asian trade engagement) – leading to a shift of ideology, culture and public policy by the early 80s. The Hawke period was a transitional one of somewhat incoherent experiment that combined corporatism on one hand and winding back of protectionism on the other. The crisis and economic stagnation of the 1970s and early 80s led to a dismantling of the labourist-protectionist structure of the post-1904 so-called ‘settlement’. Because the crisis was multi-layered – economic, cultural, ideological, geopolitical – not all of the dimensions could be resolved satisfactorily at once in order to produce some kind of stable new regime. The transitional period of the Hawke Government, in hindsight, was initially an incoherent and doomed attempt to shift Australia towards a Nordic Capitalist Welfare State model without the necessary social, economic, and political foundations that such a model requires. The severe recession of the early 90s finally killed off such a strategy.

Emergence of a New (Fourth) Dominant Regime: Regulatory State Capitalism and Globalisation

By 1992 there were supposedly no possibilities left on intellectual, socio-political, global economic, and geopolitical levels for any other strategy than the Keating ‘open and flexible’ strategy. The possibility of a social democratic welfare state model of capitalism in Australia was viewed by the Labor Government as exhausted. Keating himself retained certain (largely rhetorical) commitments to egalitarianism, social democracy, and geopolitical Asian integration but even those disappeared with the advent of John Howard as Prime Minister. The power of international Anglo Neo-Liberal ideology and economic policy was overwhelming. That is, being a small Anglo country and dependent on global financial flows, labour supplies, and commodities markets, having a political leadership prone to ‘cultural cringe’, and being intellectually and

culturally open, Australia was easily enmeshed into the global Anglo ideological and policy constellation. The maintenance of Australia's peculiar form of half-developed social democratic welfare state was more or less impossible in this context where the 70s crisis was read as one of policy failure requiring a policy revolution. That 'revolution' was one of deregulation, privatisation, openness, liberal market regulation.

Employing the foregoing discussion of regimes, we can begin to see how the characteristics of the post-1992 era, outlined at the beginning of this paper, can be understood as underpinned by the large shift in the dominant substantive regime of political economy to one that exhibited the following features:

- Neo-Liberal ideology and the associated laissez faire in the finance sector opened an intellectual and cultural space for new technologies and regulation of production organization and control – a decisive shift towards corporate power.
- Rapid adoption of 'New Economy' ICT technology and associated changes to working routines and organization in leading sectors, notably quaternary services, was made possible by the changes to regulation of labour, product, and services markets.
- Processes of de-regulation and privatisation of certain sectors without regulatory restructuring, *eg.* finance, transport.
- Industrial protectionism mainly abolished, which facilitated a rapid shift away from manufacturing.
- Enterprise and individual bargaining in industrial relations – removal of most centralised regulation with WorkChoices as the culmination. Wage dispersion and increased corporate profitability resulted.
- Marketisation of the state sector and privatisation of public utilities and services under neo-liberalism resulted in growing uncertainty and discontent within many services sectors as barriers to entry remained and a high degree of monopolisation remained in certain sectors.

- From mid-1990s the development of a new range of state-established but quasi-independent regulatory institutions to uphold free markets in the face of monopolisation tendencies – *ie.* the emergence of Regulatory State Capitalism around the institutionalisation of formally free market regulation.
- Re-emphasis of governance via this neo-regulatory state rather than by state economic behaviour.
- Public interest/competitive individualist ideology defining state action and individual behaviour – role of legalism .
- Increased emphasis on personal material consumption as driver of economic prosperity – greater de-regulation and neo-regulation of labour market to reflect individualist life-styles.
- Re-emphasis of the ANZAC legend to underpin nationalism and foreign military interventions.

All this can be interpreted as fitting together into a coherent regime by the mid-90s that became more ‘stable’ in the sense of hegemonic and unrivalled under the Howard period from 1996. The regime served to assist the domestic consolidation and legitimisation of the era of growth, high profitability, and shift of power from labour to capital. The combination of labour market deregulation, decline of unions, privatisation of public infrastructure and services, enthusiastic adoption of ICT, corporate and financial law reform, and institution of new oversight regulatory bodies, such as Productivity Commission, ASIC, APRA, ACCC, more independent Reserve Bank, and many other industry-specific bodies, formed a coherent system of organisation with formal regulation and an informal power structure of growing market inequality and growing profitability. The state governance regime was more or less completely coherent with this social system of production through bureaucratic and welfare reform that individualised social and working relations and even the attempted coercion of the judiciary. Culture was corralled into service via the ANZAC and bush legends of ‘mateship’ and ‘sacrifice’, racial prejudice was legitimised via demonisation of illegal immigrants and Moslems, and Aborigines were further marginalised. This powerful integration and coherence, combined with Asian industrialisation, largely explains the longevity of the millennial phase of growth.

Trajectories of Global and Australian Capitalism in the Early 21st Century?

After sixteen years, how much longer can the current growth phase and its underlying regulatory regime last? Regulatory regimes are not necessarily coterminous with phases of growth and expansion. As in the Labourist-Protectionism era, the regime can survive certain shocks (such as the Great Depression) and develop a powerful path dependency that ensures it can survive further shocks, especially if the growth path can be re-established after a shock or a recession. Whether or not the current growth phase can last much longer is questionable because of certain instabilities and contradictions that are becoming apparent by early 2008. Some of the features of the late 1980s – property speculation, excess consumer demand, tightening of areas of the labour market, and inflation – are returning. On the other hand, some things are working to maintain the expansionary phase, especially Asian demand for resources, high profitability, weak and quiescent organised labour, and the existence of surplus labour. Minerals and energy and some agricultural prices are at high levels due to Asian demand that shows no sign of weakening. Indeed, in late February 2008 the benchmark price of iron ore rose 65% to a new record high (Freed, 2008)⁴. Asian industrialisation has a long way to go. Technological innovation will grow apace. Organised opposition to the system or its distributive effects within Australia is almost non-existent. The election of the Rudd Labor Government will probably serve to further consolidate the regulatory regime because of its largely symbolic but socio-culturally influential ‘reforms’ to the system.

However, signs of weakness in the present global system on the levels of political, social, cultural, and geopolitical terrains are appearing. Ultramodernity is an inherently unstable formation for it is giving rise to forces that undermine the trajectory of the present structure in terms that delegitimise the social base. Non-state, non-capitalist actors of various violent and peaceful kinds are growing in power. Furthermore, altruistic and class-based impulse to welfarism is still significant. The Rudd

4 This raises the possibility of a supply-side shock developing if the inflow of earnings from the resource exports actually produces a current account surplus, greater inflation, and greater currency revaluation.

Government will have to steer a careful course between expectations of serious reform and its unwillingness and actual incapacity to make major changes. And the greatest emerging force in world political economy will come not from the West but from the new Asian and Latin American giants who will dominate the world economy into the future. What will be the form of their internal politics and their socio-cultural alignment with the economic and political agendas of the weakening Western project of liberalism and enlightenment? Finally, and most ominously, is global climate change. The capacity of the global regime to adapt to the shocks that this will bring, including the likelihood of major violent upheavals over water, land inundation, famine, mass movements of people, and the necessity of a wholesale shift away from the carbon economy, will most likely undermine the regime sufficiently to shift it to a new technological and regulatory foundation (see Lloyd 2005). But when that will happen is impossible to say.

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