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LABOUR'S MISSION AND THE CAPACITIES OF POLITICS: IN DEFENCE OF AUSTRALIA RECONSTRUCTED

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Ten years is not so long in the history of attempts to politicise a market economy and to transform the social relations of capitalism. Labour's efforts to impose democratic and substantively rational criteria onto economic decision-making are as old as capitalism itself, ranging from efforts to subvert market principles when applied to the deployment and remuneration of labour to the ubiquitous establishment of political parties of labour. Attempts to transcend economic liberalism include more or less effective reformist policy interventions in economic management, industrial relations, societal development and crisis management, as well as the more explicitly socialist strategies associated with industrial militancy, nationalization of industry and workers' control. They also include conservative hostility to the market principle and the communitarian critique of the enlightenment rationality that underlies it. Despite the longstanding intellectual integrity of efforts to frustrate the universal application of criteria deriving from liberalism, resistances to labour's mission are well-entrenched in liberal polities, particularly Australia's. The forces leading to the renunciation of the Australia Reconstructed (*AR*) agenda are the rather resilient capitalist social relations that define market economies in general. Though these are not immutable, they have been well-developed all through this century, steadily consolidating themselves and precluding alternatives as the decades have rolled on. But we must also look to the left's inability to mount an effective and intellectually respectable opposition to "the market mode of regulation" as an important reason for its resurgence.

AR represents the most comprehensive and most principled attempt by Australia's labour movement to impose its prerogatives on the institutional, policy and economic development of the country. It is apparently more alert to the obdurances of the full employment project than its nearest rival, the *Full Employment in Australia* White Paper of 1945. As an "alternative economic strategy" (see Higgins 1987; Dow 1991; Ewer et al 1991), *AR* was developed, more than a decade after the recession began, following the abandonment of similar policy interventions (concerning a "social contract", "planning agreements" and expansion of public enterprise) in Britain. It was an outgrowth of the specific party-union agreements known as the Accord, in turn based on a pre-existing set of institutionalized and somewhat statist wage fixing arrangements. In the context of Australia's comparatively poor post-1974 performance and the recurrent embrace of ineffective liberal economic policies, *AR* staked a claim for a post-liberal alternative, along post-Keynesian lines, for the permanent involvement of organized labour in a full range of macroeconomic and social policy controversies.

The *AR* strategy embodies most of the principles of the post-Keynesian critique of liberal policy orthodoxy. It recognises that high levels of economic activity, and consistent capital accumulation, are often impeded by what Keynes saw as the liberal auspices for economic management and which Marx referred to as capitalist social relations of production. It lacks, though, both the sense of resistance (to reform) that Marxian political economy (and the history of labour movement struggles against market relations) provides and the additional insights that are derivable from the statist critique of political liberalism.

Peak organisations of labour do have macro-policy responsibilities. They aim to produce better outcomes than the market would produce, on the basis of labour's distinctive political priorities. Labour movements have always been hostile to the idea of a labour market because they have asserted the right to work and solidaristic principles in wage determination. Labour movements have also historically asserted that political intervention is possible (in times of both crisis and prosperity). Consequently labour has striven to exploit the contradictions internal to liberal capitalist economies. Labour's responsibilities are buttressed by the anti-liberal traditions deriving from Marx, Wagner, Durkheim,

Weber, Keynes, Kalecki, Polanyi, and contemporary critics of orthodoxy (see Jones 1994, 1995) as well as by the recurrently poor performance of actual capitalist economies (uncoordinated sectoral change, unemployment and social insecurity). So, a decade after its presentation and almost immediate dismissal by government and unions alike (see Stilwell 1993:34), *AR* warrants evaluation in terms of (i) the substantive content of the document as an economic policy response to recession, (ii) existing theories of the state and politics, and (iii) what we know about how anti-liberal state capacities can successfully shape economic conditions.

Economic Policy Responses to Recession: Expectations and Weaknesses

The ACTU strategy can be justified in Kaleckian terms. Full employment is seen as a political goal to which orthodoxy makes only inauthentic gestures. Institutional development along unorthodox, probably corporatist, lines is necessary. Equality permits higher levels of economic activity and employment. A policy regime embodying these principles had already been shown to be effective elsewhere, notably in Sweden where the union movement had claimed credit and prime responsibility for managed structural change, very low unemployment, high standards of living and politicised decision-making of a corporatist kind for over fifty years (see Higgins 1985). Behind the practice was a solid tradition of analysis insisting that the pursuit of full employment and a less *laissez faire* economy would always be a struggle and that labour's role, in opposing the predilections of both governments and capital, would be central.

Explicit in the unions' new policy assertiveness, therefore, were conceptions that labour movement participation in macroeconomic policy would be beneficial for economic outcomes such as industrial restructuring and unemployment; but that this would be a left-wing agenda. The Keynesian prescription for social control over investment was a key feature of the recommendations, supported by discussion of the Swedish labour movement's attempt (albeit already failed) to develop collective capital through wage earner funds (*AR*:14-23).

The ACTU proposals reversed union hostility (which still existed in Sweden) to incomes policy but accepted the Scandinavian preference for a high wage and solidaristic route to full employment and equality. The solidarity principle decreed that productivity increases in the leading sectors ought to flow on to the entire workforce. Once again, the post-Keynesian rationale for equality was explicit (see Meidner 1948, 1978; Kalecki 1971; Harcourt 1993:29-30). The Australian wage fixing system was seen as more than capable of adaptation to solidaristic principles even if pressure for "flexibility" were to continue (*AR*, 1987:50-56).

On industry policy, the key recommendation concerned the need for sector-specific policy interventions, tripartite decision-making structures and a National Development Fund to prioritise productive and non-speculative investment. As industry policy is the great unmade part of the Keynesian revolution, the ACTU was re-activating the most important omission from the 1945 White Paper and associated expectations for postwar reconstruction. The major objective of industry policy is to bring structural change within the ambit of policy, thus challenging the validity of 'creative destruction' as the best way to create industry.

The market principle is contested as well in the call for less passive labour market policies. The rationale for active labour market policy is not that it can eliminate structural unemployment or industrial decline but that the generation and relocation of employment ought to be a matter of policy. This is a key aspect of any long term labour movement effort to usurp the hegemony and capriciousness of the market in the deployment of labour. The industrial democracy proposals were devised not only to exemplify legislated "co-determination", which is intended to enhance both the quality of worklife and workplace productivity, but also as a check on neo-managerial techniques that would have the effect of strengthening capital's undemocratic control over industrial adjustment (*AR*, 1987:162-164). "Strategic unionism" is the term applied to the altered internal arrangements (such as industrial unionism) and broader political objectives that the ACTU proposed. This has also been referred to as "political unionism" (Higgins 1985) and "democratic class struggle" (Korpi 1983). Though the demand for politicisation of the economy is not uncontentious, the further institutionalization of class

conflict was seen as a departure from abstentionism, an attempt to partly redress the imbalance of power between labour and capital.

External or structural conditions threatening any alternative strategy in Australia certainly exist. Nonetheless, the incompleteness of the ACTU's full employment aspirations seems to warrant more attention. In particular, six inherent weaknesses can be identified in *AR* itself. First, it advocated high rates of ("evenly distributed") growth without noticing either that Australia in fact has had relatively high GDP growth since 1974 without a significant impact on unemployment or that undirected growth cannot be relied on to restructure an economy towards high levels of high quality employment.¹ Waiting for growth is a government's way of avoiding the explicit interventions needed for a national economic management oriented to full employment. It is a liberal response even though, in Australia as elsewhere, growth does not by itself alleviate a recession and the absence of growth does not constitute one.

Second, much is made throughout the document of the "consensus" approach; yet what actually happens in corporatist forums is not so much consensus as an institutionalization of conflict, especially over the control of investment and the class distribution of income.

Next, *AR* also reflected the ACTU's and the ALP's repudiation of protection as a viable mechanism for ensuring a diversified economic structure. Both party and unions accepted the logic of internationalization without recognising that any elite-endorsed shift

¹ GDP growth for the OECD averaged 2.5% in the 1974-1992 period. For the same period, Australia's GDP growth averaged 2.7%. GDP (volume indicators) grew by 88% between 1974 and 1997 in Australia, compared with the OECD increase of 66% (OECD 1997:140-141). This higher than average growth did not stop the persistent increase in unemployment (above 10% in the early 1990s and averaging 7.4% for the entire post-1974 period). Some countries (Switzerland, Sweden) have experienced very low unemployment despite very low GDP growth for the corresponding two decades. (In Sweden, the comparable GDP increase was only 10%.) It should be noted that *per capita* GDP growth has been below the OECD average in Australia (1.2% compared with 1.9% for the 1970s and 1980s), but this is not the measure usually referred to by the government.

from a "cosseted" to a competitive economy does not guarantee success and would probably occasion significant harm, particularly if the uncompetitive activities were not replaced. However desirable the move to a highly skilled, export-oriented "productivity culture" might be, Australia's resource availability, unlike that of the small European countries, gives us a much greater potential for self-sufficiency and therefore less pressing need to accept the imperatives of international competitiveness and its associated "shock therapy" solutions. Labor's attempt to rewrite the experience of protection as part of the Coalition's "postwar development model" belies a significant and enduring quality in Australian politics - the propensity of the ALP to stubbornly, even arrogantly, assert liberal positions as inevitable, while imagining that they were something different. A social democratic party's position on tariffs and intervention could more appropriately be formulated as follows:

How dare economists demand that only criteria of efficiency and competitiveness are appropriate for national economic development. Any nation's polity is entitled to prefer and to choose high cost industry if the alternative is no industry at all, because the benefits of activity far exceed the costs of inactivity. Insofar as returns from the export of unprocessed agricultural and mining products are in long term decline, making the cost of imported manufactured items a trade and external balance problem, the first priority of policy ought to be creation of more industry locally, not the destruction of existing industry by the elimination of protection. How dare economists demand that nations are not entitled to prioritise standards of community solidarity, morality and balanced development over the competitive performance indicators prescribed by advocates of globalization. The application of market criteria should be seen as licence granted to people and activities only as long as the benefits to society as a whole clearly outweigh the costs and provided the necessary non-economic supports for civilized life are ensured and insofar as periodic fluctuations in activity and livelihood are compensated. It should not be regarded as an authorisation to apply market principles and the profitability criterion to all parts of society or even to all parts of the economy. The role of government, therefore, is not to facilitate a

market mode of regulation but to adjudicate between the available rationales for public management and to decide when efficiency is not the most appropriate criterion. Government's role is also to restrain structural change to the extent that it precedes the creation of replacement industry and activity; so it needs pre-emptive capacities. These will necessarily involve the establishment of public institutions whose charter is to secure substantive economic and societal outcomes even, occasionally, at the cost of economic liberal procedure and the international logic of structural adjustment.

This would also be the approach implied by the statist alternative to competitiveness as the route to national development (see Levi-Faur 1997).

Fourth, the commitment of the leadership (party, government and unions) to the new strategic thrust seemed sincere only insofar as the unions' ideas coincided with the favoured stance of the government and the bureaucracy. This muted commitment is evident in the frontispiece statements by the Minister for Trade and the ACTU secretary.

A fifth weakness derives from the document's endorsement of improved productivity without recognition of the inexorable growth of scope and need for more unproductive but useful economic activity. Mature economies have enormous potential to devote resources to low productivity and frivolous activities (such as health care, urban amenity or coffee shops) which nonetheless measurably improve quality of life.

Finally, much of what eventuated as the Business Council of Australia's counter-mobilization against the ACTU's strategy was accepted in *AR* itself. But the BCA's preference for flexible, initially "two tiered", later enterprise level, bargaining was largely endorsed in *AR*, as were employer views on export promotion, employment growth, fiscal policy, workplace reform and debt. Should not the ACTU have anticipated both the government's lack of enthusiasm and the business sector's hegemony over the framing of economic problems in the 1980s? Despite available warnings from both Marxian and Keynesian analysis, the ACTU after 1987 could hardly have done less to transcend the politics of Australian liberalism. That the ACTU did not build in to its strategy some sort of enduring prophylactic against the subsequent liberal hi-jacking of the

reform agenda may itself be seen as an indication of the resistances to state capacity in Australia. It is to this question that I now turn.

The Reformist Theory of the State and Politics

The theory of political reformism depends on views of what politics generally, and labour-led anti-market use of the state in particular, can do to modify the effects of the capitalist economy. More specifically, it envisages ongoing political conflict over full employment, equality, a stable macroeconomy, more democratic or principled economic decision making and the institutional interventions required to effect them. To this extent, the distinction often drawn between social democratic and socialist strategies is over-drawn. The retractions of social democratic principle that frequently occur ought to be seen as essentially failures of the socialist impulse rather than as betrayals from which authentic socialism is entitled to haughtily distance itself. The entire postwar period has seen significant class-based struggles to generate industry, to eliminate or mollify recession, to create and to maintain high levels of high quality employment, to guarantee living standards outside market social relations, to decommodify labour and to extend the force of democracy and civility.

To postulate social democratic political possibilities is not to deny the pervasiveness of class conflict or the continuing exploitation that underlies capitalism or its recurrent crisis tendencies or its constraining social relations (market allocation, profitability as the criterion for investment, commodity production and hierarchical control of the labour process). However, social democratic reformism does involve the assertion that "the chase across the globe" for profits is not the sole factor determining economic activity and that the political process is entitled to assert principles which violate the mechanical ascription of the rise and decline of industry to the logic of capital. There is no suggestion that such a social democratic project will ever be complete, or free from contradictions, or immune to reversal and defeat, or even that its institutional practitioners necessarily have the competence to see the project through. Politicisation of the economy will never free itself from the force of markets (global and local), the political organizations of

business, the resistance implied by liberal institutions and traditions, underdeveloped (or historically discredited) statist apparatuses, the labourist compromises of the past, the sheer difficulty of the task (of invoking new economic activities, particularly during recession), or the shabby behaviour (including flights from principle) of labour's own apparatchiks (which some Marxists want to include as a defining feature of social democracy). Social democracy does have to bear considerable opprobrium as a result of its functionaries' decisions; but it ought not number among its political failures the continual striving to maximise rates of capital accumulation.

From both the Marxian and post-Keynesian viewpoints, the central requirement of "economic management" is to attempt to have policy rather than market mechanisms determine the pace and direction of structural change. The class dimension of the conflict includes not only the conflict between labour and capital over their respective prerogatives in production, but the internal conflicts between sectors oriented to global and national, urban and rural, export and import, manufacturing and finance activities. How these divisions are reconciled historically determines the pattern of accumulation, the structure of industry, the preferred forms of regulation and, in turn, the opportunities the polity has to challenge the logic of the market.

Kaleckian and Marxian analyses have offered the strongest available account of the resistances to be expected any anti-liberal politicisation of economic activity (see Kalecki 1943). Nonetheless, the trend towards intervention has been in evidence for all of this century. With more than a third of GDP being public spending, a substantial part of economic activity is now mandated by political as opposed to purely market decisions. The past fifty years has also witnessed a commensurate increase in the proportion of total production made available to the populace directly, according to citizenship entitlements, outside the market. To this extent, the scope of the market impulse has actually been declining. Politically-mandated production, then, is a significant register of the extent to which an economy is not just a market phenomenon. The implied battles here, between commodified and de-commodified provision, constitute probably the most significant contemporary form of class conflict.

That market principles do not prevail without being tempered by political or societal or deliberative or moral or traditional considerations, is attested to by the differential success across nations of social democratic interventions. Most of the efforts to politicise the economy initiated by labour, against the resistance of capital or the liberal state or both, rightly favour some forms of capital accumulation rather than others; they have produced better outcomes in terms of employment, living standards, stability and security. They have tended to privilege industrial rather than speculative activities. Liberal regimes, with non-interventionist approaches to economic governance, have been more prone to high unemployment, inflation and manufacturing decline since 1974 than those whose political capacities are more developed. This applies particularly to those outcomes requiring public infrastructure expenditures, corporatist policy and negotiation arrangements, industry policies, non-repressive incomes policies and welfare state development (Dow 1994; Boyer & Drache 1996).

The Marxian theory of the state does not imply that political interventions cannot undermine the logic of accumulation under capitalism. It is not Marx's view that the social relations established two centuries ago to facilitate the bourgeois "mission" were likely to stay in place forever. Marxian political economy proclaims that, as capital accumulation can not be secured indefinitely by capitalist social relations, political activity by labour to democratise and decommodify the economy is inevitable, part of labour's "anti-bourgeois mission". In this view, the state does not have "a role"; it is an arena of conflict, a terrain on which pre-existing conflicts are played out, a "strategic field" whereon the economy can become politicised, through negotiation or institution-building or the insertion of macro-political principles concerning decommodification or public investment or equity or balanced national development. It is pre-emptive of history to insist that state activity necessarily secures the conditions for ongoing capital accumulation, determined outside the realm of politics (Kuhn 1993:25; Bryan 1995:51; Panitch 1994:63-67). After all, in recent decades, governments in many countries have regularly refused to develop policies or institutions that would guarantee accumulation.

1996; Crotty & Epstein 1996; Gills 1997; Hirst & Thompson 1996; Keohane & Milner 1996).

Confrontations with Liberal Politics

The establishment of "new political institutions" with a specific charter to politicise investment, income distribution and the labour market is of course a major task for the left. Yet there has been a tendency for the left to see only "direct confrontations" as real indicators of struggle, despite their indifferent intellectual and practical record.

Theories of the state which derive from the "statist" (or so-called "society-centred") perspective emphasise the autonomy of political processes (from both external and internal influence) and the capacity of the government, especially through bureaucratic organization and the development of "rational" procedures, to expand its capacities for effective governance (or to reduce impediments to governability). There is in this tradition an implicit acceptance of a logic of political development, that is, an argument that political competence, governability and the legitimate scope of state activity are all prone to increase (as in the "law of expanding state activity"). Much of the statist literature derives from conservative and anti-liberal strands of political thought advocating the need for the national polity to maintain social solidarity in the face of market-induced uncertainties. There is much in this body of theorising (which includes nineteenth century German writers such as Friedrich List and Adolph Wagner) which deserves to be integrated into a contemporary anti-liberal (Marxian and post-Keynesian) state theory. It is frequently enough claimed that the (often authoritarian) economic success of the non-liberal Asian industrializers owes much to the influence of this conception of statism (Bell 1994; Weiss & Hobson 1995). What is lacking from much of the eulogising of rapid economic growth from a low base, however, is a well-developed sense of the opposition to statist activity, especially on behalf of the international institutions that have been persuading individual countries' governments to adopt deregulatory free trade and competition-enhancing stances. Both Marxian and post-Keynesian traditions recognise that business groups have a propensity to resist even those attempts at state

politicisation of the economy that are destined to serve them well in the long run.

It is necessary, nonetheless, to retrieve what is tenable from the conservative, statist, literature on politics, to supplement it with a conception of the extant hostilities towards political intervention, and to forge from the statist viewpoint and other traditions of analysis conceptions of what states ought to do. Perhaps the most important observation from statist theory is the need for political capacities to be "embedded" in society. The idea of embeddedness derives from the arguments of Durkheim and Polanyi that "non-contractual elements of contract", "non-bureaucratic elements of bureaucracy" and "non-economic aspects of the economy" play crucial roles in any market society and that attempts to eliminate them would be misguided. In other words, economies are constituted by more than market mechanisms: morality, trust, law and a reasonable level of societal stability are all necessary for a functioning economy (Stretton 1995:13). So too are protective responses to risk, insecurity, competition and loss. The statist tradition declares the dependence of economic development on state capacities which can be effected through rational and competent bureaucracies able to insulate the polity from societal pressures (what, in Australia, is referred to as "special pleading"). Then the state can be strategic and selective in its channelling of assistance, particularly finance, to industries deemed central to the industrialization project, but sufficiently tied to the community to orient private behaviour towards the public or national interest (Evans 1992).

For the left, embeddedness implies not participatory networks linking capital and the state, but the involvement of labour and capital in forums created by the political process allowing the imposition of democratic, long term and national criteria on macro-level decision-making. Distinctive state-capital relations can be forged, allowing ongoing negotiation and re-negotiation of goals and principles, such that the state shapes capital accumulation, not the other way around. Durable public institutions can facilitate both the autonomy of the developmental responsibilities of the state and the progressive embeddedness of its required mechanisms in organic patterns of solidarity, discipline and societal legitimacy.

Many of these anti-liberal and pro-national sentiments were voiced by Keynes in his 1933 essay on "national self sufficiency". There, Keynes argued that nations ought to minimise rather than maximise their integration with other countries' economies, that the costs of protection and autonomy were a small price to pay for the freedom from insecurity and risk that a nation-first strategy would involve, and that, as almost everything could be made almost everywhere, nations were entitled to experiment with policy institutions and arrangements that would secure full employment and national development. In short, his call could be depicted as "as much free trade as possible but as much national autonomy as necessary" to achieve politically desirable objectives. This was also the tenor of the development-oriented German historical political economy. In the statist tradition, national development of the forces of production, overseen by the state and involving public provision of infrastructure, education, sectoral co-ordination and a viable manufacturing base, constituted the public interest. The principal role of the state would therefore be either to reduce or to eliminate the opposition to and constraints upon national development that could be expected to accompany liberalisation of economic activity and to redress the destructive effects of market outcomes (see Dahrendorf 1995).

The statist tradition in practice has been less concerned with democratic protocols and more concerned to tolerate and preserve the historical structures which have constituted national distinctiveness. Though they appear to have aided late industrialization, can they provide a sound institutional basis for effective regulation and structural change in mature economies? In the Australian context it seems more likely, and more desirable, that the new institutional developments (institutions to control investment, income distribution and the labour market) will emerge under corporatist than under statist auspices.

To develop or to expand state capacity is not to increase the power of government but to create the public competences, including those of trade unions, that allow institutionalized decision making in the national interest. Australia's major political problem is to create state competences and capacities that have, with the exception of the arbitration system, been largely unknown here. But as there has been some recent

experience with post-liberal forms of regulation, we ought not conclude that sensible economic management in Australia is impossible.

The ALP-ACTU Accord was a significant step towards a post-liberal response to macro-level industrial and economic management - an initially popular policy manifestation of a change of strategy signalling the concomitant willingness of the peak council of unions to engage constructively with policies to remedy unemployment and inflation. Though most critical appraisals of this historic experience cast labour's willing participation in the arbitration processes as "labourist" co-optation, its potential was always much more than this. Developments during the 1980s even allowed wage fixation procedures to become an occasion wherein all aspects of social and economic policy could legitimately be discussed, thus transcending one of the characteristics for which Australian unionism had long been criticised - its labourist propensity to militancy at an industrial rather than a political level. Ultimately, the effectiveness of this strategy was undermined by an employers' offensive and the government's fulsome embrace of the liberal agenda of deregulation, privatization and competition policy; that is, issues other than those agreed to in the Accord commitments were largely to blame for its subsequent loss of authority and purpose (Dow 1996:165).

Moreover the *a priori* pessimism of the left is also heavily responsible for the failure of the *AR* agenda and for the truncation of debate since 1987 over how to increase political control of the economy and, thereby, to modify the logic of market-driven accumulation. History, institutions, national peculiarities, class conflicts over political interventions and the structures of political arrangements themselves have always shaped the actual development of capitalism and are doing so to an increasing extent. It is the role of politics to ensure that this capacity is created, utilised and exploited. We rush too hastily to judgement if we conclude that all political attempts to transform capitalist social relations (to allow national rather than international criteria) are destined to turn into their opposites. Marxism has after all insisted that the succession of crises and responses to crisis that are an integral part of capitalist development continually present opportunities for labour. The contradictions of capitalist development outlined by Marx include the tendency for

capitalist social relations to increasingly compromise or frustrate the economic performance that generates prosperity. These contradictions - the fact that capital cannot act rationally - are what makes political intervention possible.

AR was a step towards a "negotiated economy". Its purpose was to politicise the economy - to reduce the role of "fine tuning" and to develop institutional control over investment, income distribution and the labour market. These remain historical tasks. It is always the task of labour is to subject structural change to policy and to sponsor national resistance to international determination of industry structure. This project can be maintained if we acknowledge (a) that the inexorability of class conflict does not mean that capital always wins or that the logic of accumulation is unaffected; (b) that the market power of capital is constituted differently from its political power, and that the latter is more precarious for capital; (c) that political intervention in the process of accumulation is always possible both for structural and voluntaristic reasons, this intervention being able to alter productive, distributive, locational and strategic outcomes, even when it is partially unsuccessful; (d) that political autonomy, while never being complete, is never completely ineffective either, even in liberal polities where attempts to develop it have been most modest; and (e) that state capacity can be created through, for example, corporatist processes which may be able to produce outcomes that would not otherwise have occurred, even if they remain unstable and susceptible to dismantling.

It is unwise to interpret the obstacles to social democratic and corporatist strategies as fatal flaws. Reformist interventions under social democratic or corporatist auspices always struggle "against the stream"; past success is no guide to future success. It is perverse to interpret each and every re-assertion of the difficulties of social democracy's confrontation with liberalism as signalling the exhaustion of the social democratic project. This project will always involve favouring certain types of capitalist development over others and usually involve a confrontation with the internationalist fractions of capital and their global dynamic. The social democratic project will remain a live part of the political and democratic agenda. Where social democratic strategies do not exist they need to be invented; when they and the capacities created in the past for

politicisation of the economy are destroyed by practitioners who ought to know better, they need to be re-invented.

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Book Reviews

Michael Schneider, *J.A. Hobson*, in the series *Contemporary Economists*, Macmillan Press, U.K., 1996.

Reviewed by Ted Wheelright

According to the author of this timely book, Keynes thought that Hobson was "a major in the brave army of heretics ... who would be recommended as a path breaker in economic theory". Schneider's work should ensure that he is, although the increasing proclivities of economists not to see the obvious may prevent it. Certainly it is a book I would have welcomed when teaching the History of Economic Thought at the University of Sydney when, wisely, it was a compulsory subject.

There are three "compartments" of the book: the socio-political-economic context of Hobson's life; exposition of his theories; and a critical assessment. However, the author is well aware of the dangers of compartmentalising - it tends to mislead because of the interconnections - and has a final chapter on Hobson's overall vision.

The first section on his life and times is fascinating. We learn that he had no formal training whilst at Oxford in the 1870s, which must have been a decided advantage. He majored in classics, and then offered university extensions courses in London on English literature, and political economy. Hobson began writing articles for the weekly newspaper his father ran in Derbyshire. In one of these he reported that he had just read Volume I of *Das Kapital* but could not recommend it to readers unless it was the only book they had on a desert island. An acute observer, he visited the USA in 1888, and described politics there as "a game of pillage", and Wall Street as "the greatest 'gambling hell' the world has ever seen". It is not surprising that it was here that Hobson began to develop his under-consumption theory and that of the tendency towards combination and monopoly.

For developing these theories in his first book, *The Physiology of Industry* (with A.F. Mummery), he was savagely attacked by Edgeworth and Foxwell, respectively professors of political economy at Oxford, and