

# MANUFACTURING, NATIONALISM AND DEMOCRACY

## A REVIEW ESSAY

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The political-ideological strategy currently adopted by the leadership of Australian trade unions requires critical evaluation.<sup>1</sup> It is set out in two studies, Peter Ewer, Winton Higgins, and Annette Stevens, *Unions and the Future of Australian Manufacturing* (Sydney: Allen and Unwin, 1987) and Australian Council of Trade Unions and Trade Development Council Mission to Western Europe, *Australia Reconstructed: A Report by the Mission Members to the ACTU and the TDC* (Canberra: Australian Government Publishing Service, 1987). In the Foreword to the ACTU/TDC Report (hereafter *Report*), ACTU Secretary Bill Kelty describes the union project:

We are about nothing less than the reconstruction of Australia. These are historic times. Our future is increasingly tied to the rest of the world. Many other countries faced with similar challenges are 'internationalising' apace. Understanding and responding to the international pressures is a national requirement - a requirement to which unions must contribute (p.v).

The contribution, as Ewer et.al. (hereafter *Unions*) make clear, is directed at arresting the decline in Australian manufacturing of the last two decades (Ch. 3). This decline, it is argued, occurred because of the lack of a long-term strategy for the manufacturing industry in Australia.

1 Franz Oswald, Bob Pokrant, Michael Rafferty and John Young provided invaluable assistance during the preparation of this paper.

The principal political impetus for the particular union strategy employed is embedded in the relationship between the Hawke Government and the trade union leadership. Economically, the Accord, negotiated between the ALP and the ACTU prior to the 1983 election, "includes a commitment to a selective industry policy as a major part of employment strategy, but ... the Hawke Government ... has failed to honour that commitment". Politically, "the old division of labour between the movement and the ALP has decisively broken down, leaving the former with no choice but to intervene directly and independently in the creation and implementation of policy at all levels of economic and industrial management". (*Unions* p.25) The central proposition of both studies is that the economic objective can be achieved only by a form of political action, systematic union intervention (strategic unionism).

The industrial strategy is portrayed as the product of trade union initiative. However, it is also a reaction to the conjunction of the global slump, the contemporary crisis of capitalism, and a revitalised liberalism, caricatured as 'The New Right'. In the 1980s, unlike the 1930s, the spectre of socialism plays little or no part in either parliamentary or trade union politics. Hence the claim of an ALP academic that: "Those on the left, the marxists in particular, [have] continued to be mostly irrelevant to Australian political debate". (Gerritson, 1986) Thus, it is necessary to portray social democracy as the path to social advance, rather than a variant of conservative class politics. Through the use of contrived experiences from other countries, *Unions* and the *Report* construct a contemporary alternative to this resurgent liberalism. The effect is to manoeuvre the class of labour, politically and economically, into further service on behalf of capital.

## The Argument

The thrust of both documents, more explicit in *Unions*, is simple. Firstly, "a substantial manufacturing sector" (*Unions* p.1) is an essential ingredient of affluence. Space still exists in the international political economy for particular countries, including Australia, faced with a decline in manufacturing production (as a proportion of GDP), to reverse this

trend. This is possible despite the fact that, as *Unions* notes, between 1970 and 1980 Japan was subject to the same tendency, as was the USA, UK, West Germany and Sweden (*Unions* pp.29-31). The 1970s failure of various national efforts to maintain full employment without stimulating inflation, has been followed by "massive increases in imports, rather than increased demand for domestically produced goods and services". (*Unions* p.1) Hence the need for economic nationalism.

This strategy is a retreat from, and incompatible with, the tendency of capital to internationalise production. It will amplify, not resolve, the contradictions of accumulation. Moreover, it is a retreat from the internationalising tendency which classical Marxism regards as an essential element of advance for the working class. In an argument, the lineage of which can be traced back to *The Communist Manifesto*, at least, internationalised production is desirable on both economic and political grounds. Internationalisation enhances the development of the forces of production, and lowers the labour time socially necessary for the production of commodities. A major boost is given to human productive capacity and thereby the potential to confront scarcity as a condition of human existence. Politically, international organisation of the class of labour is encouraged and forms of chauvinism, including nationalism, undercut.

The second argument is that this reversal of direction, toward expanded manufacturing, is in the interest of labour, as well as trade unions and their leadership, through the creation of increased employment under improved conditions. "If we still have a manufacturing sector in 20 years time, it is likely to offer Australians more than prosperity: it will offer them and their children a worklife more consistent with this society's democratic commitments". (*Unions* p.155) The continuation of wage labour joined with forms of industrial democracy is the vision of the future embraced in both studies. There is no aspiration of ever removing the necessity of labour driven by the objective of commodity production, a principal object of communists and socialists for more than one hundred years. Instead the necessity is to be given a further boost by continuing the separation of human needs from capacities under the reign of capital. (Kay and Mott 1982).

Thirdly, strengthening the state's capacity to superintend expansion of manufacturing is central. By constructing previously-lacking "overarching" plans, and the erection of specific state branches, including a National Development Fund, international and national barriers to expansion are to be overcome. (Report p.22) Allegedly, the barriers included trade unions' previous pre-occupation with wages and conditions of members. It is contended that "progressive unions" now recognise the limitations of the earlier direction, and insist on "an alternative conception of economic management" with union officials represented in both company management forums and the strengthened state machinery. This alternative is "strategic unionism". (Unions pp 15,24; Report Ch 6)

Whether such a strategy represents reconstruction, or the now so fashionable deconstruction, the important question is what kind of advance it represents for the class of labour. The argument, made more explicit elsewhere, (Higgins & Apple 1983, Higgins 1986) is that extending the terms of contemporary capitalist democracy in a social democratic direction comprises the best possible strategy for the working class. Here lies the central, deceptive dimension of a scheme which seeks to construct as a working class strategy a set of policies predicated upon state action to resolve the contradictions of capitalism.

## The Roots of Social Democracy

The argument relies upon the conflation of the historical distinctions between social democracy, socialism and communism. Social democracy is constructed as a form of reformist, as distinct from either revolutionary or "abstentionist", socialism. (Ewer & Higgins 1986; Beilharz & Watts 1986) This may have been the case in the 1930s, the decade *Unions* locates as critical for a number of countries. However, social democratic politics is not now an alternative to socialism, but to a resurgent liberalism, manifesting in the so-called 'New Right'. There is little more than a weak ideological reflex in the reference to socialism. Thus there is no longer even dialogue with a political left about advancing the class struggle, but only continued negotiation with representatives of capital on the most effective way to secure economic growth.

As much as this liberalism contains references to the eighteenth and nineteenth century, it too has major roots in the inter-war opposition to socialism (Hayek n.d.). More importantly, modern liberalism also expresses an opposition to international 'monopoly' capital. Its premise is the centrality of the modern nation state as the manager of the tussle between 'popular' private property and concentrated property. To show this more precisely would require disentangling liberalism from contemporary libertarianism. As Hayek, representing the latter position, has emphasised:

The range and variety of government action that is, at least in principle, reconcilable with a free system is thus considerable. The old formulae of laissez-faire or non-intervention do not provide us with an adequate criterion for distinguishing between what is and what is not admissible in a free system ...". (Hayek 1960).

By at least the early 1950s the Liberal Party expressed this point politically in Australia, (Eggleston 1953) and placed it at the centre of successive governments' policies for two decades, both domestically and in the major colony, Papua New Guinea, where state activities were especially pronounced. (MacWilliam 1984)

Social democrats, too, including in Sweden, had earlier developed strategies to invoke state power as the means of managing the opposition between two forms of property right, when centralisation and concentration of capital accelerated. During the 1930s depression social democracy gathered strength as a nationalist response to the crisis. However much it was forced against the vision of particular capitalists, the response facilitated the reform of capital.

In this context, there is an interesting relationship between liberalism and social democracy on the 'appropriate' role of the state. Liberalism and social democracy concur that the state must facilitate or create conditions for private property ownership and national economic growth. However, they diverge as to what forms of state action are consistent with these objects.

Within the current liberal-social democratic ascendancy, the similarity of objective is lost. Popular focus is on the divergent policy recommendations. Thus, predictably if incorrectly, contemporary liberalism is depicted as anti-statist, reactionary. Social democracy, by contrast, is represented as progressive, especially if it takes a particular form, as in Sweden, with its emphasis on strengthened state power.

However, it is the similarity of the condition of all national states in the face of the international crisis of capital which is at issue. Within this crisis, the "holocaust of Thatcherism", (*Unions* p.152) no less than the liberal - social democracy of Hawke, represents further concentration of power.

Even the most optimistic Leninist would have difficulty imagining that such a concentration represents a revolutionary movement, a prelude to establishing proletarian power and withering away of the state. When right authoritarianism is the increasingly prominent danger, advocating strengthening the national state with a renewed project for manufacturing capital is of dubious wisdom. 'New unionism' or 'strategic unionism' is not directed at advancing the capacity of labour to overthrow the relation of capital but finding means of retying chains loosened in the post-war boom and subsequent downturn. If the 1930s are any guide, the likelihood that this can be done without domestic authoritarianism, and/or global war, should caution against advocating a reconstructed national capital.

## Lessons From International Comparisons

*Report* and *Unions* seek to substantiate their strategy by reference to the experience of social democracy in particular European countries. (The former was compiled on the experience of a representative visit to Sweden, Norway, West Germany, Austria and the UK. *Unions* also draws upon Japan.) The references represent a selective rewriting of the experience of those countries. The rewrite makes the advocated strategy seem to be politically and economically appealing, as well as feasible in application to Australia.

### **Welfarism: the lesson of Sweden**

The case of Sweden, so heavily employed in the two studies, is instructive initially in recalling what has been forgotten of the past. In particular, it should be remembered that the consequence of social democracy's ascendancy during the 1930s in Sweden was to incorporate the Swedish working class, urban and rural, in a national project for the restoration of capitalism. The necessity of restoration arose because an international depression threatened all forms of Swedish capital.

In the depression, while socialist politicians and trade unionists continued to ignore conditions among rural workers, it was the social democrats who recognised that a national project for capital had to be based upon uniting the representation of all forms of labour, (which is, after all, variable capital). During the previous decade, parliamentary representation of a major element of labour, agrarian wage workers and "middle peasants" (Leubbert 1987 p.464), had been secured through an Agrarian Party and a Liberal Party. Both mobilised labour in the countryside against the Social Democrats: given the size of the rural constituency, estimated at about 400,000 of a total electorate around 2.2 million voters, or nearly one-fifth, government could not be attained without establishing a bridgehead in these areas.<sup>2</sup>

Success in the 1932 election, though without an absolute majority, meant that the peak of state power could only be held with support from the Agrarian Party. To forge this alliance, the Social Democrats were forced to reverse a central element of their previous position, abandoning "their international free-market principles and institut(ing) protectionist measures, especially in agriculture". (Lash & Urry 1987 p.37)

2 Leubbert (1987) notes on p.466 that the lower participation rate of rural voters, estimated at 50 rather than the 60 per cent of the total population which cast votes, lessens without removing the importance of this potential constituency.

By 1934 unemployment insurance had been introduced, and the Social Democrats adopted the notion of framework planning as a strategy for reconstituting the relation between labour and capital. Before the end of the decade, even their political opponents, the Liberals, accepted this direction. The demands of rearmament further facilitated drawing the bourgeoisie into the fold, as enterprise failures declined. In 1938 principal trade unions and employers agreed on procedures to strengthen collective bargaining, as well as regulate strikes and lockouts. (Cf. Peterson 1987)

The critical feature of 1930 Swedish welfarism was its universalism, against "the selective nature of most social insurance programmes in other countries". (Last & Urry p.38) The anarchy of capital, most evident during a depression, was confronted by welfare measures which strengthened the social democratic solution. This is important to note because the trade union officials and their academic supporters who currently advocate 'strategic unionism' along Swedish lines do not seek an extension of the welfare state. This position is not surprising because a central premise of the 'new unionism', with its ideological mix of liberalism and social democracy, is that property rights should be secured through labour. Thus Sweden is applauded, not because of the potential which universal welfare represented but for the low levels of unemployment, and for state practices which reduce wage differentials in favour of shortening the period between ending one job and commencing another. (*Report* p.5) In the anxiety to establish the connection between labour and private property, neither *Unions* nor *Report* draws upon the knowledge of Marxism that the entire history of one class, the bourgeoisie, is to accumulate concentrated property without engaging in labour. Free lunches, as well as dinner and breakfast, are secured further for that class by the current ACTU strategy, which in the paraphrased terms of a major advocate, "does not aim at supplanting the market or at regulating capital". (Summary of Bureau of Industry Economics Seminar addressed by Laurie Carmichael 29.3.88)

State welfare benefits of a permanent, and not merely short-term, nature introduce a tension into the relation between property and labour by providing for consumption without work. In the tension exists the poten-

tial: the current viciousness of attacks on welfare is aimed at destroying the prospects opened up previously. (Gray 1988) Existence without the necessity of commodity-producing work is a central object of communism, if not of "actually existing socialism" (Bahro 1978) or social democratic reformism.

### **National and Imperialism: the lessons of Britain**

Britain, under Labour and Conservative Governments, provides the thesis for both studies to push against, supposedly since on all counts its economy has been, and is, a failure. Before even the ascendancy of Thatcherism, Britain was unable "even during incomes policy periods ... (to) secure appropriate aggregate wage growth outcomes" (*Report* p.xii) Central to the thesis, whose antithesis is represented by trade union practices in Sweden, Norway and Austria, is the contention that the weakness of the British economy can be explained in part by the deficiencies of the strategy previously adopted by that country's unions. They had "neither the vision, policy-making resources nor the co-ordination necessary to enforce government compliance with the reforming elements in the social contracts". (*Unions* p.151) By "failing in a labour movement's central task of generating a political programme that draws together the twin objectives of economic efficiency and social equity, the British union movement isolated itself and prepared the ground for ... Thatcherism". (*Unions* p.151)

Assessment of this thesis is made difficult, even in its own terms, since the "reforming elements" whose potential was not grasped are left unspecified. But more importantly, as an explanation of the British politi-



cal economy, it is simply facile. The point will be made by reference to a more than 20 year old debate within the British left on a principal concern of Marxism, that is imperialism.<sup>3</sup>

Within this debate, trade union strategy is given a relatively minor part, even by those who raise it. (cf. Lays 1985 pp 16,17; Anderson 1987 p.55; Barratt-Brown 1988 p.45). Barratt Brown, for instance, argues, against Anderson, that the British working class is weakened by "their insularity", rather than because it is insufficiently nationalist politically, as *Unions* appears to suggest.

The point which joins all British contributions to the debate is the necessity of coupling the domestic political economy with the empire, during both the periods of expansion and contraction.<sup>4</sup> Accumulation in Britain has remained coupled with accumulation abroad, after World War II settled the challenge the USA posed to other imperial powers, including Britain.<sup>5</sup> The attainment of global hegemony by the US included the capacity to impose the ideology of free trade as a means of prising open international markets. While the British domestic economy had a period of post-war growth, which reflected global conditions during the long

- 3 Lenin's best known polemic on the international nature of capital was against an earlier variant of social democrats: *Imperialism, the Highest State of Capitalism*, Moscow: Progress Publishers, 1978. The same point has been made recently by Stuart Rosewarne in "Imperialisms Crude and Complex" *Journal of Australian Political Economy* No.34, Spring 1988, pp.94-95
- 4 cf. the capital-in-production thesis in A.Callinicos "Exception or Symptom? The British Crisis and The World System" *New Left Review* No. 169, May/June 1988, pp.97-107; with the earlier 'circulationist' direction of G. Ingham *Capitalism Divided? The City and Industry in British Social Development*, London: Macmillan, 1984; Leys *Op.cit.*, and "The Formation of British Capital" *New Left Review* No. 160, Nov./Dec. 1986, pp.114-121; Anderson *Op.cit.*
- 5 The seminal work by Norman Etherington *Theories of Imperialism: War, Conquest and Capital* London, Croom Helm: 1984 points to the importance of the already ascending US imperialism at the end of the nineteenth century.

boom, British capital was unable to break the newly established US grip and recover the ascendancy enjoyed in the eighteenth and nineteenth centuries.

In the clash between imperialisms, Britain lost both at home and abroad. Although partially concealed during the period of expansion, the extent of the loss became especially obvious by the 1960s. The retraction of British manufacturing industry, therefore, has been determined by the global character of capital accumulation, which includes the internationalisation of British capital.

The proposition, implicit in *Unions*, that a particular union strategy could have secured domestic-oriented accumulation fails fundamentally to understand the logic which drives capital to internationalise. Understandably, there is no evidence provided in either *Unions* or *Report* to suggest that for Britain, or Australia, national accumulation will be preferred by capital to international accumulation. It is simply trite to argue that the 'lesson' of Britain is that bad consequences follow if unions do not pursue the 'correct' strategy.

### **Internationalisation and the State: the lessons of Japan**

The distinct effects of the rise of the US upon particular national economies is apparent also in the case of Japan. *Report* does not consider Japan, while *Unions* wishes to embrace some aspects of the Japanese experience, while rejecting others. Japan's especially laudible quality is the state's nationalist response, facilitating both pre- and post-war expansions of manufacturing. Implicit is the proposition that this response can be appraised separately from the concurrent "postwar repression of unionism which has denied organised labour effective representation both at the point of production and nationally". (*Unions* p.78; see also Friedmann 1987) The Japanese state, and particularly its Ministry for International Trade and Industry (MITI), shows the potential for state intervention to create a strong manufacturing base by conscious planning.

How the authors of *Unions* view the Japanese state now that manufacturing is to be given less importance is not known. The 1987 Basic Strategy Towards the 21st Century of the key Economic Planning Agency means that until the end of this century "both in terms of employment and shares of GDP, the manufacturing and primary industries will be allowed to decline considerably". (Steven 1988) Even the machine industries, which appear to have a potential for continued growth in Japan, are being moved offshore, in part because of the level of money wages in that country.

*Unions*, anxious to applaud Japanese governments for "taking seriously (their) responsibilities towards the national manufacturing effort", chooses the Japanese car industry as indicative. This is held to be representative of the beneficial effects created by barring "both foreign cars and direct foreign investment in the car industry during the postwar reconstruction period. That industry - and the autonomous technological capacity it nurtured - could thus develop under the stimulus of total domestic demand, but also under pressure from public economic managers to restructure and maintain technical progress as a prelude to the eventual export drive. (*Unions* pp 16-17)

There is a major obfuscation in *Unions'* representation of the Japanese car industry, and the strategy supposedly developed through the state. Firstly, the success of Japan's automobile manufacturing has depended upon internationalisation - both through car exports and international production. Secondly, as should be apparent even without the empirical case of Japan, if all countries adopt the same nationalist project, no-one could export - either cars or capital. Generalising, the means suggested by *Unions* and *Report* for securing profitable industries (ie. import and investment controls) can only work, even in its own terms, if other nation states do not adopt the same mechanisms for a nationalist project. Yet if it is as sure and simple as the authors would have us believe, it is suitable to other countries no less than to Japan and Australia! Even on the authors' own terms, the widespread application of strategies to fulfil such a project are their own condition of failure.

Consider also the relationship between nationalism, imperialism, and democracy, which *Unions* elides in the interest of applauding the expansion of manufacturing in Japan. During the 1930s, enlarging the space for the bourgeoisie, barring forms of American capital from Japan, and pressing the cause of Japanese imperialism abroad, made possible a political compromise between the military and big business. The expulsion of Ford and General Motors occurred during the period of heightened authoritarian nationalism, frequently termed "facist".<sup>6</sup> It was part and parcel of the growing clash between imperialisms, as well as vital for the war preparations of the Japanese military.

The effect of Japan's military defeat in World War II was to settle the terms under which Japan's post-war expansion could occur. In particular, a tie was forged between Japanese capital and US capital. To strengthen the nationalist line which is at the centre of *Unions*, the role of the United States in the post-war 'reconstruction' of capital in Japan also has been omitted. But the economic and political settlements at the end of the war ensured that the causes of US and Japanese capital were tied tightly together rather than separated, as *Unions* implies through reference to the pre-war expulsion of US vehicle manufacturers. The fact that tying occurred without Japan becoming an open field for US investment should not serve to conceal the knot. Indeed, US international investment, including in Australia, was made more secure initially precisely because Japanese capital remained concentrated within that national space. The demilitarization of Japan assured US hegemony over Japan as well as Australia. This in turn enhanced the prospects of the Japanese bourgeoisie, domestically and internationally.

Central premises behind the US - Japan alliance included securing Japan internally against anti-capitalist forces then sweeping East Asia, while constraining a remilitarization of Japan. At the same time, brakes were

6 cf. Barrington Moore, Jr. *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*, Penguin, 1966, Ch.5; J. Halliday *A Political History of Japanese Capitalism*, New York: Monthly Review Press, 1975, pp.133-140

kept upon improvements in the living conditions of Japanese workers. The US was determined on the latter, to force up domestic accumulation as the platform for manufacturing expansion. So severe were the 1948 austerity measures pushed by the US-dominated occupation administration that they provoked objections from the Japanese government. The latter recognised the political potential of proposals which included a sales tax plus cuts in state expenditure upon public works and education. Japanese officials feared that the measures "would help the left". (*Unions* p.189) In short, US imperial interests and those of Japanese capital were joined upon the backs of the working class.

The suppression of wages, and the taming of working class organisations was an essential element of the post-war project of capital in Japan - expanded accumulation on a national scale without large inflows of international money capital. The substantial might of the US and Japanese state was directed at this purpose. It is characteristic of *Unions* that rewriting the Japanese experience should conceal the object - accumulation - by lifting the expansion of manufacturing out of the repression and incorporation. That is, production is represented as merely technical, without social (class) relations.

### **Manufacturing and Democracy: the vision for Australia**

*Unions* contrasts post-war manufacturing in Australia with Japanese - and Swedish - practices. Nationalism, and the subordination of class conflict, are the ideological preconditions for *Unions'* focus on the capacity of the nation state to provide consensual solutions to economic crisis. Following the current of leftism which conflates socialism and nationalism, the study attacks the foreignness of the capital central to the earlier, post-war, expansion of Australian manufacturing. According to *Unions*, neither governments nor state practices were sufficiently nationalist to safeguard this form of production's "long-term prospects". (*Unions* p.16) The synthesis of both objections, and the direction of the strategy outlined in the *Report* as well, is for a further burst of manufacturing centred upon this nation-state.

To expand manufacturing for domestic and international consumption, the pool of money capital for investment in manufacturing is to be enlarged through the establishment of a National Development Fund. Such a fund is believed to be necessary because of the "lack of 'non-speculative' investment in Australia", so "the Government should ensure business (particularly small- and medium-sized firms) has increased access to finance at concessional interest rates for productive investment". (*Report* p.93) That is, the tendency of capital to internationalise through centralisation and concentration is again to be opposed and state support directed at the most parochial forms of capital.

The Development Fund is quite specifically a reaction against existing tendencies of money capital to be directed at activities where rates of profit are highest. Hence, it must constitute a subsidy to these small manufacturing firms and it must also reduce the rate of return of the superannuation funds which are to be the source of money. Whether or not it boosts employment the subsidy must come from those whose superannuation funds achieve lower returns because of the money being lent out at low rates of interest: the working class as a whole, and, perhaps, from other capitals. The Development Fund is, therefore, another means of forcing real wage cuts. Trying to conceal this behind a nationalist attack upon financial institutions which seek to maximize rates of profit by spreading investments of superannuation and other pension funds both internationally and domestically, does not change the direction of the drive. The nationalism of the critics, not the tendency of capital to internationalise, should be the focus of objection.

Further, the state cannot over-ride the nature of capital which is to seek to expand internationally. The 'Steel Plan', for example, has seen an expansion of steel-making capacity, reduction of employment, and increased profitability, derived particularly from the state's guarantee of 90% of the

domestic market. But there is no basis for substantial further development based on the domestic market. BHP itself shows awareness of the limitation of this strategy by itself directing almost all of its new investment overseas.<sup>7</sup> The intervention of the state is serving to promote accumulation **outside** Australia.

Both documents suggest that the trade union movement's plans to expand manufacturing have overlooked the politics of the connection between domestic and international conditions, that is the necessity of an Australian form of imperialism to secure consumption for the expanded production. However, neither Australian capital nor sections of the state machinery have been so remiss.<sup>8</sup> Missions are regularly despatched to search out markets, including to south-east Asia, to assess the prospects for selling education, and means to tie foreign aid to Australian production.

If real wages for the majority of Australian workers are to be cut, at which component of the domestic market is the expanded production to be directed? Quite clearly, while there may be some space in the area of capital goods, the most obvious targets are the consumption demands of the **nouveau riche**. Expanded consumption of food, drink, housing, transportation and leisure by the bourgeoisie and its imitators are to be subsidised further by a strategy erected in the name of the class of labour. The form of capital-gains tax introduced by the Hawke government, which encourages building and refurbishing mansions, is part and parcel of a tendency to state support for these forms of consumption. Although *Unions* connects expanding manufacturing and "this society's democratic commitments" (*Unions* p.155), the argument is not explicitly developed

7 cf. *Unions*, p.108; B.Fagan "Australia's BHP Ltd - and emerging Transnational Resources Corporation" *Raw Materials Report*, Vol. 4, No.4, 1986, pp.46-55; R. Bryan, H.M. Thompson, S. MacWilliam and H.Smith "The Bell Tolls for the 'Big Australian'" *Raw Materials Report*, Vol.4, No.4, 1986, pp.57-63.

8 See *Report of the Committee to Review the Australian Overseas Aid Program*, Canberra AGPS, 1984

in that study. *Report* adopts a particularly limited sense of industrial democracy, whose principal object is to strengthen industry unions' ability to engage in co-determination and 'participation'.

Given that the "this society" is contemporary Australia, and the prevailing form of "democratic commitments" is liberal - social democratic, it is clear that no advance is intended as part of the strategy to 'reconstruct' manufacturing. Rather than constituting a maintenance of the existing terms of representative democracy, advance must comprise an increased political capacity of the working class to oppose or overthrow existence determined by capital. An ever-enlarging space for such opposition is/was the principal political merit of representative, capitalist, democracy.

Of course, when the economic purpose is a restoration of Australian capital, the sense of democracy proposed by the restorers must be commensurate. Even advances made in the 1950s and 1960s are now to be denigrated: the room created within the state for militant unions and workers, using strikes and other forms of action, is continuously narrowed. (Thompson 1988) Often this occurs with the compliance, if not active complicity, of peak union organisations. Except when it is opportune to spout oppositional phrases as a means of climbing back upon the beast of revolt, no political support or ideological encouragement is to be given to workers and union officials who do not worship at the altar of Accordism.

Most importantly, and this is the central premise of the form of industrial democracy in the *Report*, no space is to be left either at the point of production or in the wider society of spontaneous opposition to capital. Everything possible must be done, in the name of the nationalist project, to snuff out spontaneity taking an oppositional political form.

The political reason for trade union officials and their supporters now downplaying the importance of earlier struggles over wage and conditions, supposedly 'economistic', battles, is therefore clear. With the end of the global long boom, which had a prolonged and peculiarly Australian expression into the 1970s, a key premise of the post-war extension of capitalist democracy has been exposed. Advances for capital, including

real wage increases for labour, have crisis as their necessary corollary. Since constant improvement in living conditions was at the core of the promise of capitalism, a protracted downturn threatens its very foundations.

Struggles for improved wages and conditions are underpinned by the possibility of advances: when these no longer exist, trade unions which once elevated such battles are threatened as well. Now the task is to sit astride the class of labour without encouraging wage and conditions battles. Already between 1983 and 1988, the Accord with its variants, predecessor of the 'strategic unionism' strategy, has facilitated cutting real wages, reducing unit labour costs and containing industrial militancy. Labour's expectations of capitalism have been lowered without inciting revolt. At the same time, profit rates for many companies have been raised and the balance of class forces shifted.

Yet amongst an increasingly confident capitalist class, now only minor segments express the romantic notion that production must be equated with nationally-based manufacturing. The BHP experience, as well as that of dozens of other major companies, shows the limits of the domestic market.<sup>9</sup> The 1988 Federal Budget recognises this fact, elevating the importance for the national balance of payments of dividends paid into Australia from companies operating internationally.<sup>10</sup>

9 See S. Burrell "Offshore investment may prove costly" *The Australian Financial Review* Sept.12,1988,p.6, for the assessment that: "There are also worrying signs that, while Australian investment grows apace overseas, re-equipment in the domestic manufacturing sector will be sluggish. The limits of exchange rate driven restructuring may already have been reached."

10 *Securing Australia's Future: A Guide to the 1988-89 Budget* Canberra: AGPS, 1988,p.19; cf.Burrell *Op.cit.*

## Conclusion

Capitalism separates needs from the capacities of the class of labour, so that a space exists for occupation by a class which does not labour. The space is secured, bounded and protected through the state as a social form which guarantees property rights. These have been broken into two forms, those arising from labour and from non-labour. The latter, the property rights of a bourgeoisie, comprise how the former are attached to means of production, the private property of the class of capital.

Through centralisation and concentration, capital incessantly acts to separate as well as to join the two forms of property right. Economic crises represent movements when the tendency of separation overrides that of attachment: both *Unions* and *Report* recognise the significance of this in the context of current economic restructuring. As well, they capture that it is an occasion which poses distinct prospects for both capital and labour.

But social democrats are not alone in recognising that there may be a specific potential in such circumstances: the question is rather what constitutes the potential, or how is potential recognised? The underlying proposition of the 'strategic unionism' strategy to expand domestic manufacturing requires constructing that potential in a liberal-social democratic manner. Hence the need for a strategy advanced through the national state for rejoining labour to 'its' property right against the tendencies of a downturn which accelerate the separation. However, labour's right is the property right of variable capital and does not float suspended above the action of capital. Rejoining labour to other means of production to secure consumption is to express one tendency of capital against its antithesis. It is properly the object of a reformist politics.

But, as was widely recognised in classical Marxism, there is another potential. It is expressed through capitalism as the development of the forces of production. The potential lies in the elimination of the necessity of labour determined by the requirements of commodity production

as the basis of reproducing existence. A state of abundance is already visible, and a politics directed toward such an end has no need of utopianism. (cf.Higgins 1986)

Capital daily shows the potential with stockpiles of a vast range of commodities and the world-wide destruction of already existing productive capacity for fear of creating even greater surpluses. A politics directed at further developing the forces of production, without aiming at the relation of capital, does not even grasp this potential.<sup>11</sup> Talk of producing even greater amounts as the necessary precondition for redistribution merely conceals that capital necessarily, incessantly, separates needs from capacities for those who labour.

*Unions and Report* are studies advocating reforms which expand the productive potential of capital. The problem now is to frame a political direction which reduces working hours and raises to a maximum the ability of people to exist without the need to engage in employment. State apparatuses and power are already directed against this potential. Hence the necessity of a politics oppositional to the current reformist tendency. Whether trade unions, increasingly constructed under social democracy as a state branch to superintend labour, will have a major part to play in such politics remains to be seen.

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11 One of the trade union principals of the strategy has suggested that to concentrate on increased production as a necessary prelude to redistribution is Marxist. Supposedly the line is derived from Marx's writings, which in turn was "picked up from an economist prior to him": see "The Carmichael line on rebuilding Australia" *Times on Sunday*, Sept.6,1987,p.36. "Picked up" seems an entirely appropriate expression to use for this variant of the relationship between production and consumption.

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