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THE BACKGROUND TO AUSTRALIA RECONSTRUCTED

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The document *Australia Reconstructed* (*AR*) had a brief appearance in the public limelight, but was soon relegated to obscurity in the arena of respectable opinion. However, the document has commanded much attention amongst dissidents, both supportive and critical. It is instructive to confront the background to its origins, its production and its treatment.

Background

AR was the product of heady days in which existing structures and culture with respect to policies for industry seemed atypically amenable to influence. The Fraser Government had presided over a directionless economy, acquiring a rare sense of purpose in attacking wage labour and the welfare sector. By contrast, there was the prospect (in the late 1970s and early 1980s) of a formal 'accord' between the industrial and the political wings of labour, and the prospect of Labor winning office.

Assertive policy addressed to industrial reconstruction has never been an integral part of the policy-making culture in Australia. Pragmatism has reigned, particularly embodied in infrastructure provision at the State government level, and tariff protection at the federal level. The reasons for this culture of pragmatism have never been adequately explored. The federalist fragmentation of powers is one factor. Of substantial significance are the constraints of Australia's colonial inheritance - an imported British liberalist culture of 'hands-off' relations with industry,

reinforced by the entrenchment of Australia's role in the imperial division of labour as a producer and exporter of unprocessed rural foodstuffs and raw materials. This colonial imprint was institutionalised sectorally in the pastoralist/commercial/financial nexus (under the banner of 'free trade') and bureaucratically in a curious structure comprising a federal Treasury modelled on the 'mother country', an External Affairs Department relating only to other Commonwealth countries, and an export department focused on agriculture. Apart from the Tariff Board, a statutory authority, manufacturing industry had no bureaucratic representation at the federal level until 1945.

This colonial imprint produced a structured antagonism towards an indigenous manufacturing capacity. A manufacturing capacity did develop belatedly via a cross-class political coalition, but it was forged pragmatically in the context of Australia's continuing integration within an Imperial politico-economic edifice. The centrifugal forces (global integration) and centripetal forces (autonomous national development) achieved a compromise of sorts after World War I in British direct investment and migration, and in Imperial Preference after 1932. The compromise continued as the manifestation of these polar forces and the means of their reconciliation were reconstructed during the Menzies/McEwen era in the 1950s and 1960s.

A decisive alteration in this rough balance of forces occurred in the late 1960s. The sources for this change are complex but the change is symbolised by the anti-tariff push within the Tariff Board under Alf Rattigan, and its transformation into the Industries Assistance Commission (IAC) under the supportive umbrella of the Labor Party in government. There existed an impasse regarding industry development mechanisms in the 1970s, at least at the federal level, with pragmatic concessions to troubled industries juxtaposed against a hostile 'level playing field' climate presided over by the IAC and the financial press.

Facing sluggish economic activity, the Fraser Government opted, with continuing pragmatism, to pursue a resources-led 'recovery'. A resources boom did ensue and, behind it, some unions looked for 'trickle down'. The Metal-Workers' Union achieved an historic 35-hour week agreement for its members. However, the resources boom was short-lived, not least because of a disastrous (US-driven) recession in 1982. Employment in

the metals and engineering sectors fell by over 100,000 jobs. Manufacturing employment in general stayed flat; for example, in late 1989 manufacturing employed about 1,230,000, roughly the same level of late 1979, a decade earlier.¹

The manufacturing industry lobby itself was at an impasse. This was well-reflected in the position of the Australian Industries Development Association (AIDA). Since the late 1960s, it had thrown huge resources into the fight over tariff protection. Save for some short-term victories during the Fraser era in achieving temporary assistance for special industries like textiles, clothing and footwear (TCF), the lobby was fighting a losing battle. The AIDA proved incapable of changing tack and was killed off in 1983. On its grave was erected an entirely different animal, the Business Council of Australia, whose agenda was essentially 'economic rationalist', which favoured its dominant large and internationally-oriented constituents, not least the resources sector.²

The Labour Ascendancy: Ready or Not?

The Hawke Labor Government came to office in March 1983, formally attached to the famous 'Accord' with the ACTU, which pledged cooperation of Movement and Party in the pursuit of mutual ends.³ In principle, this backdrop ought to have proved ideal for the development of a qualitatively new industrial agenda. In practice, the backdrop was not ideal; and the gap between the hopes and the real prospects of dramatic change along these lines is a story inadequately appreciated.

The ALP in opposition and the ACTU were both struggling to conceive of an adequate industry policy. Documents emanated from both sources by the end of the 1970s (c/f Hurford, 1979; ACTU, 1980). Both had absorbed the seeming inevitability of continued tariff reductions, though both argued for cautious reduction and adjustment mechanisms to

1 A.B.S., The Labour Force, Cat.6204.0.

2 The BCA was created from a merger between the AIDA and the 'big business'-oriented Australian Business Roundtable.

3 The Accord document is reproduced in full in Stilwell (1986), App.A.

minimise disruption. This was in the spirit of both the 1975 Jackson Report and the 1979 Crawford Report. Both saw the need to pursue policies more cohesively across connected portfolios. Pedestrian ideas (getting better value from the Industries Assistance Commission and the Prices Justification Tribunal) were coupled with the utopian (Hurford called for a new Department of Economic Affairs, and indicative planning; the ACTU called for a National Plan). In general, both documents were fairly piecemeal and jejune products, though the ACTU document was the more substantial of the two. Chris Hurford, a South Australian right-winger, was the shadow industry minister, commanding little status. In mid-1982, as part of a process of enhancing his credentials, Hurford hired Colin Edwards, a British-born ex-fitter and turner. Edwards had returned to England and acquired an economics degree at Cambridge University and was at the time working on industry policy in the English trade union movement.⁴

The Accord between the ACTU and the ALP was mostly conceived and initially thrashed out in the office of Ralph Willis, shadow Treasurer. The Metal Workers' Union was initially opposed to the concept because, of course, it involved 'class collaboration'. Getting the Metal Workers' and other left unions onside required the augmentation of the Accord by an industry policy component. No Accord on wages was possible without the cooperation of the Metal Workers' Union because the fitter's rate was the benchmark for award deliberations, that decision flowing through to other awards on a percentage basis. It fell to Edwards, as Hurford's adviser, and Ted Wilshire, as the Metal Workers' Research Officer, to produce a draft for this section. The significant feature of this

4 The significance of Cambridge University was the substantial influence of dissident economist Nicholas Kaldor whose work provided theoretical support for assertive industry policy. Edwards drew on this exposure and on the 1970s attempts by the British Labour Party and British unions to forge an industry development strategy. That strategy depended on tripartite consultative mechanisms, on bureaucratic strategic planning machinery, and on a macroeconomic policy addressed to demand expansion coupled with import replacement to offset the 'balance of payments constraint' which normally attends demand expansion strategies (due to increased demand feeding into imports). This latter perspective was especially manifest in the document *Policy for Industry Development and More Jobs*, of which more below.

significant feature of this section is the emphasis on a policy process that is *strategically-driven* - one that aims for integration, coherence and comprehensiveness.

The stark reality is that none of the major parties - the trade union movement in general, the ACTU, and the Labor Party in Government - were committed to a broad and assertive agenda for industry policy (or trade policy for that matter). An appropriate program still seemed murky to most labour leaders. The industrial and political left were still struggling with the contemporary relevance of traditional beliefs - in particular, the support for public ownership and a gut hostility to multinational companies and foreign investment in general. Some of the labour movement had accepted the anti-tariff line of the Industries Assistance Commission, seen as anti-business and pro-consumer.

In general, the concept of an over-arching industry policy was alien to the inherited culture of these groupings. Appropriate change would have required the conscientious reconstruction of institutional cultures. The means for such change simply did not exist. New institutions that were put in place were thus readily susceptible to being compromised.

The union movement was built for a defensive battle of trench warfare. Now it was being asked to help its class enemy get its act together. Unions had also been traditionally combative internally and against each other, with finely-honed personal and ideological conflicts impeding unity and effective action. They were also hierarchical, with inadequate interaction between head office and shop floor. Even the Metal Workers' Union, with a research capacity rivalling any Australian union, remained stereotypical in embodying these features.⁵

The ACTU had deep experience in the wages and conditions battle through the award structure, but was not readily amenable to a broader agenda. Kelty was prepared to offer an umbrella for the industry policy activists, but he was personally indifferent to the agenda. Moreover,

5 Indicative of the effect of these dimensions was the failure of the unions in the auto industry (Metals', Vehicle Builders') to sort out the problems at International Harvester's Geelong plant (agricultural equipment and truck engine blocks) in 1982-83. The plant was subsequently closed down.

the evidence would indicate that Kelty also preferred to have power centralised in the ACTU, and authority reside in his own person.

Labor in Government

The response of the Labor Party in office to the industry policy question was a more complex phenomenon. In general, in spite of much activity, it appears that the Government never had any intention of taking seriously the underlying spirit of the industry policy section of the Accord.

The Industry portfolio was given to John Button, Victorian 'Independent', and lawyer by training. Button was distant from industry (no doubt influenced by Victoria being the protectionist stronghold). Button's political alignment was also detached from the union movement, seen as inhibiting the Party's electoral fortunes and options. Yet the response has to be seen in party-wide terms as much as in personal terms. In office, Button was his own man, albeit constrained by industry and union pressures on the one hand, and pressures from 'dry' colleagues and advisers on the other.

The Government did quickly pursue a number of specific measures on the industry policy front. Measures included, for example, a new depreciation allowance package, export assistance packages, assistance to the housing sector, renewal of the shipbuilding bounty (which fostered the development of a new small-scale aluminium-based industry), new 'national interest' foreign investment guidelines, some rudimentary developments in expanding business access to finance (through expansion of the AIDC and the underwriting of a private venture capital market), and some attention to transport infrastructure reform (c/f Advisory Committee on Prices and Incomes, 1984). These developments indicate a flurry of action, but the defining element is small-scale change and fragmentation.

On a grander scale, Button presided over a handful of sectoral plans, with which his name will long be associated (generally favourably). However, none of those plans were planned.

Button did establish industry-specific Authorities to oversee the rationalisation of the automobile industry (1984) and, much later, the textiles, clothing and footwear industries (TCF) (1988). Automobiles and TCF were political time-bombs, involving large and specific workforces in sensitive locations, long enjoying high protective regimes that were facing inevitable attrition. Moreover, industry-specific assistance packages were already in place for both autos and TCF (Capling & Galligan, Chs. 6&7). Pre-Accord ACTU and ALP documents had envisaged a separate authority for TCF as a special case, but the late development of the TCF plan highlights that it was not on the Labor Party's plate in 1983. Ultimately, the existence and timing of these plans were driven by the violent clash between these industries' past economic significance and political leverage and the perennial other-worldly scorched-earth reports on these industries by the Industries Assistance Commission, staffed by inexperienced zealots blessed with official status.

Button also had to accommodate industrial leverage in other arenas. The Steel Plan and the Heavy Engineering Program were born out of this accommodation. The catalyst of the Steel Plan was the aggressive invasion by steel workers of Parliament House in 1982 - the seeds were forged on the spot by Bob Hawke (shadow minister for industrial relations) and Stewart West (left-winger from a Wollongong seat). However, the ground had already been made fertile by BHP blackmail that if further assistance wasn't forthcoming it would pull out of steel production entirely. The Heavy Engineering Program was conceded by the Government to an industry alliance of industrialists and unions (Jones, 1993). The industry was in crisis; specific resentment was focused on the local industry's inability to gain reasonable access to the tendering procedures and subsequent supply arrangements to large-scale resources projects - in particular the North West Shelf gas project (now owned by a multinational consortium under Shell Oil). The Government threw the considerable sum of \$90m at the constituents to buy their acquiescence, especially the Metal Workers' Union, whose numbers were diminishing across a range of industries.

These sectoral industry plans were perhaps the most significant early policy developments of the Labor Government. These industries were in

deep structural malaise, compounded by the early 1980s recession. These industry-specific plans combined elements reflecting a degree of sophistication that was unprecedented in industry policy making in Australia - the granting of assistance that was both time-limited and dependent upon the establishment of certain institutional processes which entrenched a commitment to industrial restructuring. As noted, these plans were fashioned pragmatically and independently. By their nature, the plans were quarantined, and no lessons were learned as the basis for a generic model. Subsequent industry ministers, notably Peter Cook, had to prove their respectability by publicly denying that they had any intention to put industry plans back on the agenda.⁶

The Government did reconstruct the Australian Manufacturing Council (AMC), a crucial institution within the Accord prescriptions. The AMC structure was re-built from pre-existing organisations.⁷ A Manufacturing Industry Advisory Council had been set up in 1958 in McEwen's Department of Trade⁸; it was reconstructed in 1977. Industry Advisory Councils were established in 1976 for industry-specific consultation. These mid-1970s developments followed recommendations from the Labor Government's Jackson Committee Report. The Labor Government brought the advisory councils into the AMC structure.

However, the re-establishment was tardily performed - the structure was not put in place until March 1984, one year after the election. Did the Government think it was going to be in office for ever or was the AMC low priority? Members of the Automotive Industry Council weren't appointed until September 1984 - though a distinct 'Car Industry

6 An important exception to this post-1985 'level playing field' agenda lay in a number of industry development mechanisms tied to government procurement - in particular, information technology, pharmaceuticals, and defence equipment. Again, exceptional circumstances (extraordinary government leverage, the failure of existing programs such as offsets, etc.) allowed the Government to stray beyond its general 'anti picking winners' agenda.

7 The Accord's ambitions also drew on comparable institutional vehicles established in Britain.

8 The Advisory Council was set up to liaise with industry following the signing of the trade treaty with Japan in 1957; industry had been hostile to the treaty, fearing a flood of cheap imports from Japan.

Council' was established in October 1983 to report early on the crisis in the auto industry. Button also appointed a miner as Chair of the AMC (John Ralph of CRA), and the mild-mannered Tom Hogg⁹ as Director of the AMC Secretariat, ignoring the recommendation of the selection committee that Colin Edwards (then in the Victorian bureaucracy) be given the position.

Once established, the AMC Secretariat and its associated Councils did bring in new and enthusiastic blood. However, the first eighteen months of the AMC's operations produced a mere two documents on the role of manufacturing industry and appropriate industry policy (Australian Manufacturing Council, 1986). The content of these documents was uniformly banal, and from this belated and unpromising beginning, the Industry Councils were instructed to do a 'stocktake' of their sector, the criteria being of the mundane sort to be expected of a mainstream economic analysis (*ibid.*). By contrast, Industry Council discussions were atypically conducive to the reduction of intra-industry antagonisms and cooperative discussions on new directions. For example, the 'Metal' Councils made a significant contribution to what was to become the Heavy Engineering Program. However, strategic considerations were generally inhibited by the impoverished status of the AMC structure within the industry portfolio (the Department itself being naturally suspicious of AMC influence). In general, the industrial alliance which enforced the inclusion of an industry policy component within the Accord saw the AMC in operation as a damp squib, a narrowly focused and powerless institution which never transcended its belated and bloodless beginnings.¹⁰

The industry bureaucracy itself required patient and intelligent restructuring, which arguably it did not receive. There was a cohort of officials whose protectionist sympathies had been nurtured in an earlier

9 Hogg (brother of Bob Hogg, Labor Party functionary) was previously head of Policy and Research in the Victorian Ministry of Economic Development.

10 The Industry Councils were abolished in 1990, the AMC ceased issuing annual reports, and it subsequently became predominantly a vehicle for the channelling of public funds to private consultancies for the production of glossy but second-rate reports.

period and who were now labelled as neanderthals - but as these individuals moved on to other pastures, their industry-specific knowledge was down-graded as irrelevant (or dangerous) in the generation which replaced them. A mega-department, Industry Technology and Commerce (DITAC), was belatedly created out of two inherited departments (Industry & Commerce, Science & Technology)¹¹. From this base, the Government did move to support a new generation of 'generic' assistance programs, such as R&D allowances, the fostering of institutional structure more conducive to successful research, and so on. A number of industry-specific development plans were also developed (see n.6). These initiatives cannot be readily discounted.

However, little attention was given to creating an appropriate and functioning bureaucratic culture, within that institutional shell, compatible with Accord prescriptions. On the contrary, DITAC and its later manifestations have been subject to endless indiscriminate and debilitating restructurings. Moreover, the ranks of the Senior Executive Service (SES) were stuffed with individuals not up to the task. Talented and committed individuals existed at the sub-SES level, but they have been inadequately utilised or rewarded. Ultimately, Labor's support of 'managerialism' after the mid-1980s (the spurious notion of the superiority of generic managerial skills) meant that any notion of a specialist industry-based expertise amongst senior bureaucratic ranks was effectively killed off.

Developments on the 'think-tank' front are perhaps more instructive of the parlous environment nurtured under Labor. A key indicator of the balance of power in the ideological arena can be found in the inquiry into the IAC. The Labor Government was pressured (following an Accord recommendation) to do something about this body, colloquially known as the 'Industries Assassination Commission'. The Government arranged an inquiry (Uhrig, 1984), to which various dissenting forces contributed weighty submissions (*ibid.*, Vols. 2 & 3). However, the IAC lived on as a key impediment to intelligent industry policy-making. The Uhrig Report recommended that the Commission acquire responsibility for advice on "a wider range of issues relating to industry growth and

11 Technology was added to Industry and Commerce in 1984, Science in 1987.

development", but also that references involve a "broader approach" by detailing "the issues of concern to the Government and industry", and "redefining the policy guidelines to reflect more closely the objectives of industry policy" (*ibid.*, Vol.1, p.97). In the event, broader responsibilities for the IAC were put in place, but the Government neglected to enforce a broader terms of reference.¹² As a consequence, rather than being reformed, the IAC became more powerful than before and just as ideologically driven.

In addition, The Government quickly emasculated the Economic Planning Advisory Council (EPAC), another child of the Accord. A thoroughly mainstream public servant, Geoff Miller (an agricultural economist) was placed at its head, from which point EPAC forums settled into generally tedious roundtables between shades of respectable opinion.¹³ The Bureau of Industry Economics (BIE) suffered a comparable fate. The BIE had been created by the Fraser Government following a recommendation from the 1975 Jackson Committee. Under Hawke and Button, it became a sheltered workshop for academic-style economic research.^{14, 15, 16}

12 An exception to this neglect occurred when the Government demanded a broader perspective from the IAC in its TCF inquiry in 1984 (*c/f* Capling & Galligan, 1992:237).

13 The one EPAC forum (in Canberra) to which this author had the privilege to be invited, as a token outsider, was so full of ill-prepared ANU economists that it could have been mistaken for a typical exchange over morning tea on campus.

14 There were several nonconformist staff members in the BIE, but their work remained marginal to the Bureau's generally orthodox mindset.

15 In 1996, the new Coalition Government folded EPAC and the BIE into the Industry Commission, the new enlarged body to be renamed the Productivity Commission. Ironically, EPAC and the BIE had both been proposed and set up as foils to the IAC. Under twelve years of Labor rule, their brief had become so indistinguishable that the Coalition could safely hand them over to the enemy that they were set up to counter.

16 Research in the other sectors followed a similar pattern of a further entrenchment into economic orthodoxy - agricultural and resources in the Australian Bureau of Agricultural and Resources Economics, and infrastructure in the Bureau of Communications and Transport Economics.

An indication of the significance of this ideological hegemony is the treatment of the document *Policy for Industry Development and More Jobs* (MTU, 1984), put out by the Metal Trades Unions in early 1985.¹⁷ The document was put out specifically as part of the Unions' campaign over the future of the heavy engineering sector, but more generally in an attempt to wean the Government from reliance on the IAC's 'free market' approach to industry. The essence of *Policy...* was to find ways of transcending the 'balance of payments constraint' which inhibited domestic expansionary policies. The answer was sought in strategic industrial development initiatives which had the effect of generating import-replacing production and in turn generated substantial 'multiplier' effects throughout the domestic economy. The document was mercilessly attacked by the channels of correct opinion - the IAC, the BIE, and the financial press - providing a foretaste of what was to come for *AR*.¹⁸ The attack indicated the integral links between official governmental think-tanks, mainstream academia and the financial press; it also highlighted the fundamental polarity of mind-set through which one interprets how the economic system works and how one might utilise that system to best advantage for various social ends. Respectable opinion continued to centre on the argument that nothing could be done, based on the presumed inevitability that alternatives would involve costly and inefficient distortions to 'market' determinations.

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- 17 A convenient summary of this extinct document can be found in Stilwell (1985). *Policy for Industry Development and More Jobs* was authored by Colin Edwards, Peter Brain (of the dissident model-building consultancy National Institute of Economic and Industry Research) and Nixon Apple (who had replaced Ted Wilshire as Research Officer at the AMWU). The momentum for *Policy...* grew out of Edwards' work on industry policy in Great Britain (see n.3), on his work as Hurford's adviser, and as a contributor to the industrial policy component of the Accord. Brain's modelling of import replacement in selected Australian industries claimed substantial multiplier effects on industrial and job growth.
- 18 The polarity of opinion is conveniently displayed in the exchange in the pages of the *Australian Financial Review* between Gary Sampson (Monash University, representing economic orthodoxy), and Peter Brain and Nixon Apple - *AFR*: 2 April, 8 April, 9 April, 22 May, 28 May 1985.

The Birth of *Australia Reconstructed*

One must backtrack, however, to mid-1984. In the context of both lethargy or antagonism to the letter of the Accord, elements of the labour movement became increasingly dissatisfied. Resistance took the form of an alliance between the industrial Left (represented by the Metal Workers' Laurie Carmichael and John Halfpenny) and the industrial Right (represented by the NSW Labor Council's John McBean). This alliance disrupted the orchestrated program at the Labor Party's Conference in 1984, attacking Button, and calling for aggressive and more wide-ranging action on the industrial policy front.

Personnel and an institutional vehicle were necessary for such a push. The person who would become the front man for this development was Ted Wilshire, who had left the Metal Workers' Union to join the staff of Lionel Bowen, Minister for Trade (Burton, 1989). Wilshire then moved into the Trade bureaucracy, within which there was created a 'Business Union Consultation Unit' (BUCU). The Unit's personnel acquired better cover and resources by then taking over the Secretariat to the established Trade Development Council. This bureaucratic location in Trade had a functional element, but it was steeped in pragmatism. Bowen, as parliamentary product of the industrial wing of the labour movement, was a supportive Minister; John Menadue was a supportive Departmental Head. The Trade Development Council, like the Australian Manufacturing Council, was the latest incarnation of an advisory body (of exporters) originally set up in the McEwen era. The Secretariat was merely appropriated for broader objectives.

The breadth of ambition was embodied in the propaganda and educational work of BUCU and of the Secretariat. Wilshire, in particular, had cut his teeth on the consciousness-raising series produced in the late 1970s at the Metal Workers' Union - *Australia Uprooted*, *Australia Ripped-off* and *Australia on The Rack* - which brought a combination of information, colour, and call-to-arms rhetoric unseen in union propaganda since the Cold War had doused the class war. BUCU carried on the tradition in a more refined form, producing bureaucratic documents which were aimed at a broader audience, specifically to include the union movement. Representative of this output were the

documents *Export Strategy* (March 1984), *Australian Trade and Industry Policies* (February 1985), and *International Trade and Industry Policies Affecting the Manufacturing Sector* (1985?).

In the next stage, the TDC Secretariat (with close to a \$1m. budget derived from industrial pressure on the Government) initiated a large-scale educational program that involved over 2000 union officials from over 140 unions, hundreds of senior public servants from a range of federal departments, a large number of business and industry organisations, and a range of federal (and some State) ministers. This was a process of considerable proportions, and the Trade Union Training Authority (TUTA) infrastructure was the vehicle for its accomplishment. That process culminated in the 'AR' Mission to Europe in September 1986. In a sense, the document *AR* was the public reflection of a more structured process of changing hearts and minds. It should be noted that this process was a rare acknowledgement that a transformation of the policy process required a fundamental transformation of institutional cultures, and for that reason deserves some respect.

The institutional means by which the 'AR' bandwagon was established and maintained was exceedingly brittle. The process enjoyed the passive tolerance of the ACTU and the hostility of the Government; it was tolerated because it was underpinned directly by the alliance of left and right unions. In the preface to *AR* both John Dawkins (as Trade Minister since 1985) and Bill Kelty refer to 'constructive participation' and 'historic times'. However, Dawkins is smiling through gritted teeth. Dawkins had no truck for the TDC Secretariat¹⁹; nor did his permanent head, Vince Fitzgerald, a thoroughly orthodox economist, whom Dawkins had brought with him from the Department of Finance in 1985. Hawke was under the sway of adviser Ross Garnaut, tying Hawke to a firmly orthodox agenda. Effectively, Wilshire was on borrowed time after Bowen had been moved to Attorney General's in 1985 and Menadue moved out to Qantas.

19 Dawkins was a member of the 'excluded middle', the Centre Left, with no industrial base. Dawkins appears to have acquired an 'economic rationalist' streak from his Centre Left mentor Peter Walsh, but without any of the complementary egalitarianism that motivated Walsh.

The *coup de grace* came with the 'Block' reforms, creating 'mega-departments', instituted after the July 1987 election. The Department of Trade was spread to the four winds. The TDC Secretariat itself was dismantled.²⁰ *AR* appeared in late July, just after the election.²¹ Dawkins and Button had placed an embargo on its release. Wilshire short-circuited the usual formalities and briefed journalists: the substance was reported in the newspapers on 29 July in considerable detail, the day of its formal launching by the relevant Ministers, and before most of the ACTU Executive (including Simon Crean) knew of its contents. However, an interim report has been issued in October 1986, containing key elements of the final report (investment controls, training fund, etc.) so the thrust of the document could have hardly have come as a surprise.

What was the reaction? The *Melbourne Age*, atypically, gave a favourable reception to the general thrust of the Report - "[the unions'] grasp of the economic and structural difficulties confronting the nation puts some of the business community to shame". The *Sydney Morning Herald* chose to ignore the "silly" recommendations and concentrate on *AR*'s 'modernising' impulse, congratulating its authors on the belated union acknowledgment of the "recognition that wages increases have to be linked to international competitiveness". The *Australian Financial Review* offered similar sentiments. *The Australian* was hard-line; it called *AR* a "charter for big unions and big government", claiming that "leadership of the trade union movement has learnt nothing" from the

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- 20 Wilshire escaped sideways into the Department of Industrial Relations, to another specially constructed unit, the Directorate of Industrial Relations: this survived for two years until August 1989 (Burton, 1989). In that time, some follow-up missions took place, covering timber and forestry, metals, and clothing and textiles, with the focus of these missions moving more narrowly to an examination of industry and organisational best practice. The establishment of a number of Workplace Resources Centres in key industrial regions was a more tangible product of the Directorate.
- 21 *AR*, in press at the time of the election, might have not been published at all if the Coalition had been elected on July 11. The 'Joh for Canberra' campaign effectively derailed that possibility.

ALP's abandonment, under Hawke's leadership, of "its previous socialist and interventionist policies".²²

The Confederation of Australian Industry called *AR* the "same tired old ideas", and "a recipe for disaster". The Australian Chamber of Commerce declaimed that the report "was little more than the recycling of the failed interventionist policies that have undermined our economic performance in the past". The Business Council of Australia adopted a more restrained public stance but, behind the formal restraint and the greater sophistication of language, the message was as crude as that of the other business associations - business decisions belong to business, and unions should stay out of it, save to urge their members to wage restraint for the good of the country (c/f *Business Council Bulletin*, August/September 1987).

A more calculated form of counter-attack came in the form of discrediting the possible linkages between the 'Swedish model' and Australia. That this approach was essentially counter-propagandist thuggery is reflected in the inconsistency of the responses - for example, the 'Swedish model' does not represent what actually happens in Sweden; Sweden is culturally different from us and cannot be copied; Sweden is more cohesive (responsible and informed bureaucrats and union leaders) by contrast with Australian ignorance and union wilfulness; Sweden is falling apart under the 'Swedish model'; Sweden and other 'corporatist' countries are giving up the 'Swedish model'; and so on (c/f Boswell, 1987; Burton, 1987; Fynmore & Finucane in *Business Council Bulletin*, October 1987).

AR was also attacked from the left, as neglecting the role of the public sector²³, of neglecting the gender divide in employment, and in general of being contrary to the socialist tradition.

22 The *Business Review Weekly* and the fortnightly *Australian Business* both ignored *AR* completely, emphasising instead the exploits of the new breed of entrepreneurs and (BRW) the richest 200 Australians.

23 The Teachers' Federation and the Public Service Union were both invited to join the Mission to Europe, but both declined to participate. There had previously been a rift between the political and the industrial wings of the left unions over the latter's failure to support the former on the Government's restrictive fiscal stance.

However, the most pressing dilemmas for the message in *AR* were to be found with the Labor Government and the ACTU leadership. By 1987, the macroeconomic agenda belonged to Keating as Treasurer and Peter Walsh as Minister of Finance. The Expenditure Review Committee was the central committee of Cabinet, and it was into its third year of instituting budgetary austerity. Keating had also appropriated the structural agenda (symbolised by the relocation of the IAC to Treasury), which had been located decisively around 'microeconomic reform' - the catch phrase for deregulation, corporatisation and privatisation. Hawke gave this thrust his blessing by signalling the desirability of privatisation, an initiative taken without consultation with the Caucus.

In the media, *AR* was readily submerged by coverage of the 'Block' departmental restructurings, of the privatisation initiative (which gave a field day to 'free-market' columnists), by the August budget, the fiasco of the Identity Card proposal, and so on.

AR did receive formal ACTU backing at the ACTU Congress in early September 1987, with President Simon Crean claiming that wages policy would be used as the vehicle for implementing interventionist strategies for industrial development, investment and training. However, Conference motions have to be backed up by action. Wilshire had intended that the TUTA forums of education, consultation and discussion be re-established; however, the momentum (and the resources) for such activity had been dissipated. Wilshire had prepared a 'bite-size' version of *AR* for the Metal Workers' Union, along the lines of *Australia Uprooted*, etc., but the Union leadership sat on it, and it never saw the light of day.

The ACTU was on the defensive.²⁴ Relations between the Government and the ACTU were strained, symbolised by the ACTU's disdain with the Government's flirtation with an 11.7% pay rise for MPs. The Business Council of Australia was escalating the propaganda war on the

24 Journalistic accounts claimed that Crean had distanced himself from *AR* on the day before its launching, viewing its contents as bargaining chips over the two-tiered wage system. The inference was that *AR* would be seen as "an ambit log of claims for which the leaders of the union movement have little real enthusiasm" (*Sydney Morning Herald*, 29 July 1987).

'Industrial Relations Club', in an attempt to take over the industrial relations agenda. The ACTU, fearing a Coalition victory in July 1987 (and in succeeding elections) was increasingly tailoring its revisions of the Accord to the agenda of the BCA while trying to ensure enhanced leverage for organised labour within that broad agenda. The Metal Workers' Union itself had put strategic considerations on hold, and had thrown itself into trench warfare over second-tier wage disputes.

Post-Mortem

The message of *AR* was intended to be taken as an overall package. However, several components of the package were inflammatory - in particular, that for a National Development Fund under public control and for measures towards industrial democracy. Moreover, the source of the difficulties for *AR* lay not merely in some of the detail but in its character and origins. A problem resided in its breadth and attempted integration of the various agendas of concern to wage labour that had typically been treated as separate.²⁵ Moreover, the whole agenda was being offered from outside the policy establishment, indeed from far outside the policy establishment.

There had been no tradition of coordinated approach to economic policy in Australia, let alone a coordinated approach to economic, industrial and industrial relations policies. This would require a different institutional apparatus and a dramatic wrenching of an inherited culture. Any lessons to be had from abroad could only come from the U.K. and the U.S.A. (and even those selectively). The *AR* Mission itself had detractors over Europe, and at both ends of the ideological spectrum - Joe de Bruyn of the right-wing Shop Assistants was recalcitrant, and Tom McDonald of the left-wing Building Workers wanted to go to Moscow instead!

25 The Director General of the Confederation of Australian Industry, Bryan Noakes, a long-time class warrior of rather limited capacity, was quoted as claiming "The enormous difficulty with coming to grips with *AR* is part of the reason why it is such a dangerous document" (*Australian Financial Review*, 17 September 1987).

Concerns in the early 1960s in Australia that living standards were under threat and their policy underpinnings tenuous led to the establishment of the Vernon Committee of Inquiry. The mild recommendation in the Vernon Report for an advisory council is perhaps the only reflection in Australian debate of the contemporary European debate (in which Britain was trying to borrow elements of 'indicative planning' from France), highlighting the extraordinary filter operating in Australia regarding lessons from alien climes. Even the mild recommendation was too much for the federal Treasury whose advice to Prime Minister Menzies was sufficient to have the Vernon Report shelved.

The demise of the Vernon Report is representative of the experience of alternative centres of advice. The central agencies, centred on the federal Treasury, have consistently sought to disable alternative sources of advice in economic and industrial advice, whether coming from other departments or from potentially dissident think tanks. The Department of Trade was Treasury's most powerful antagonist, and the abolition of Trade in 1987 was Treasury's finest hour. Having survived and flourished after the hiving off of Finance by Fraser, and with a new ally in the 1970s in the IAC and effective victory in the war over tariffs, Treasury was in the ascendant. Treasury's capturing of Treasurer Paul Keating and the high ground of Labor's agenda reflects that ascendancy. For Keating, the Accord was valuable only as a vehicle for wage control. The rest was dispensable.

The *AR* push as an overall package needed a deep change of the policy-making structure and culture. With the strong support of both the Labor Cabinet and the ACTU there might have been some grounds for a gradual incorporation of a supportive institutional and cultural infrastructure. With indifference coming from these sources, no such possibility could be countenanced.

It is ironic that *AR* should have been criticised from so many quarters - from establishment sources; from members of the left for being too narrowly focused, or being insufficiently radical; from later commentators as being utopian. Yet if it hadn't existed, it would have had to be invented. The crisis in manufacturing in the late 1970s and early 1980s was profound. Should one lie back, seduced by the sweet sounds of the inevitability of forces of globalisation about which nothing

can be done? That *AR* was produced is in itself a remarkable testament to the possibility of strategic resistance to establishment forces and of opposition to tales of inevitability. That the push was 'reactionary' (attempting to reconstruct the traditional base of the blue-collar male industrial workforce), dissident (by strategically pursuing institutional means which were alien to the Australian policy-making culture) and accommodating (attempting to confront and adjust to globalising 'competitive' pressures) highlights that *AR* can be readily criticised from any particular monolithic perspective; but this complexity also highlights that it cannot be readily dismissed.

Part of the complex reaction to *AR* can be understood if one sees the initiative as taking place from a niche within a broad structure whose imperatives were essentially antagonistic. The character of *AR* is a reflection of a defensive strategy from a position of structural adversity. An adequate industry policy agenda had already been lost by late 1984; it is precisely from this position of weakness that a rear-guard action was initiated. The indifference of the Labor Government to the industry policy component of the Accord was in some respects internalised and the attempt made to capture and influence the domain that was still 'contestable' - the workplace.

Rather than being pursued or rejected as an overall package, *AR* was inevitably dismantled. The union movement moved on what elements seemed achievable and on acceptable terms - superannuation, training, union amalgamations²⁶, etc. The policy establishment took what it liked and attempted to mould it in the form which it preferred.

In this process, the figure of Laurie Carmichael looms large (Lewis & Davis, 1991). Carmichael was a central figure in getting an industry policy agenda into the Accord, once he accepted the Accord's desirability. Yet by the time Carmichael became the Left's Assistant National Secretary on the ACTU Executive in 1987, industry policy was reduced to assorted bits and pieces. From a narrowed agenda, Carmichael grabbed the education and training arena. With John

26 Union amalgamation was purely a Kelty initiative. Its incorporation in the *AR* 'shopping list' was done to accommodate Kelty, so the amalgamation push would have gone ahead even if *AR* had never been invented.

Dawkins, the new Minister for Employment, Education and Training, and that Department's public servants, a crash program of restructuring the education and training infrastructure was begun. 'Crash' is the operative word, as both Carmichael and Dawkins, with the best of intentions, were out of their depth and in too much of a hurry. Education and training were key components of *AR*, but subsequent developments were the product of a balance of forces that transcended a document readily located to the bottom drawer of all the key players.

The long-term impact of *AR* was in the skirmishes over which components of the package would evolve and on what terms, within a broad political environment that was hostile to the world-view embodied in *AR*. The training levy got up but was poorly conceived and administered. A 'Development Fund' did get up and it did draw on workers' savings through industry superannuation funds, but it was in the form of a multiplicity of private finance sector vehicles indirectly subsidised from the public purse (c/f Deans, 1997). And so on. Much of the *substance* of *AR* is thus not controversial; what is controversial are the key issues of who is in charge of the agenda, and how and in whose interests that agenda is being pursued.

In the last ten years, even the foundations for the *AR* push have disappeared. The Metal Workers' Union is a shadow of its former self, not least because of the disabling fight for supremacy between its leadership. The NSW labour Right has moved to re-assert traditional verities of industrial unionism, disdainful of the ACTU's centralising impulse; however, its approach to industry policy is now thoroughly orthodox.

In 1997 the need for an assertive policy for industrial development and employment generation remains as important as it was when the Accord was put together and later when the forces underpinning the *AR* push rallied to action. Industry policy will not acquire the dimensions of strategic direction or cohesion in the foreseeable future. In so far as these dimensions of a policy apparatus exist they are to be found in the forces operating to underpin internationally mobile capital. Any industry policy initiatives with a nationalist focus taken in the near future will be pragmatic and piecemeal, as has become customary. Moreover, the initiatives will be from the other side of politics (as in recent changes to

automobile tariff scenarios), a process in which the union movement is not presently positioned to play any major role.

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