

**THE RETREAT FROM STATIST POLITICAL
ECONOMY IN AUSTRALIA:
NEOLIBERALISM, POPULISM AND SOCIAL
DEMOCRACY**

Geoff Dow

Every age has a hallucinatory image of itself, which persists until it is dispelled by events (John Gray).

The transition to a socially disintegrative neoliberalism in Australia from the mid-1970s coincided with, and reflected, the emergence of epoch-defining macroeconomic problems – initially stagflation – which the key institutions of economic management did not substantively address. Since then, policy responses have often been inappropriate, largely because economic-liberal policy elites loathed the effective and articulated solutions. While a problem evident before 1974, this has subsequently become a standard feature of the political economy environment. The retreats, mistakes and disruptions constituting and instigated by policy orthodoxy in the following decades eventually produced political reactions against liberalism. The populism now being fomented almost everywhere is, in many respects, a politics beyond the normal. Yet, in other ways, it is an understandable response to real, tangible denunciations of the significant social democratic accomplishments of the post-1945 period. In resisting the conclusion that past achievements are irrecoverable, or that what has happened is inevitable, we have an opportunity to reconsider possibilities for the rest of the century.

In this article, the different components of this sequence – neoliberalism, populism and social democracy – will be examined, and the long-term

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abandonment of successive, and notably impactful, debates in political economy in Australia will be postulated. As part of this analysis, the article will consider two key questions for the present conjuncture: has the intellectual milieu poisoned the possibilities for a rejuvenated social democratic experiment and, in turn, what should social democracy retain from earlier statist problem-solving?

For much of the past three-quarters of a century, liberalism and social democracy were considered opposites (even if the influence of liberals in labour movements has been notorious). The three decades after 1945 saw a rapid inception of new societal responsibilities accompanied by the rise of public competences (dedicated institutions). Citizenship entitlements seemed to confirm long-term erosion of the apparent hegemony of orthodox political priorities, albeit without settled pacts concerning the telos of the changes. Eventually, with the emergence of 'new' problems in the 1970s – structural change disrupting employment and distributive conflict creating damaging forms of inflation – tactical gains by liberals (rebadged by their critics as 'neoliberals' to signal a departure from the society-strengthening inclusiveness of John Stuart Mill and Harriet Taylor) began their repudiation of collectivist developments (in institutions and knowledge). The distinctive social democratic solutions that had previously been available for such macroeconomic disturbances included potentially complex wage fixation systems and corporatist forms of regulation. However, in accordance with the new Geist, these were systematically renounced or dismantled in the final decades of the twentieth century.

Ultimately the discursive terrain was transformed too, as rich countries lost the will to enhance or ensure political capacities. The turn against social democratic experimentation subsequently mutated into a fulsome unwillingness to nurture putative (always existing, but also pregnant) productive tensions between orthodox and unorthodox policy preferences.

More recently, the old political ferments have been truncated by a newly divisive populism drawing on both legitimate and illegitimate, genuine and contrived grievances. Most prominently, neoliberalism has perpetrated serious assaults on humanity and community – yet, equally, on the economy. There seems to be no assurance that a renewed social democracy will be able to redress these, but postulation of the tasks ahead is necessary. If new circumstances have severed the nexus between controlled political conflict and beneficent societal outcomes, political economy has already

sown the seeds for restoration. However, a progressive future is imaginable only if available lessons are not lost.

Neoliberalism

William Davies has depicted the neoliberal era and its aftermath as ‘irrationalism from above’ and ‘unreason from below’ (2016: 121). It might as well have been: elite-driven contempt for facts, historical achievements and argument from above, with impotence-driven contempt for policymakers’ preferences from below. More so than during the ‘age of Keynes’, which drew on both rational and anti-rational longings to expand the reach and possibilities of politics, the era since the mid-1970s fiercely presented as incontestable several propositions intended to curtail political aspirations, with scant consideration of consequences. Mostly these were mounted to delegitimise national economic policies said to belong a former era and now in need of ‘reform’. The claims of the economic liberals are familiar enough:

- (a) wages needed to be deregulated and supportive institutions accordingly abolished or hollowed out;
- (b) the level of activity should be managed by monetary policy rather than fiscal policy (with responsibility for the former devolved to specialist institutions and experts rather than broader parliamentary processes, without any plausible criteria of usefulness);
- (c) government spending and public debt needed to be constrained (by constitutional fiat, some argued), despite the incessant need to bring forward some investment from the future – when the costs will be met and rewards obtained – to the present when activity can be instigated;
- (d) public enterprises and their distinctive extra-market rationales needed to be abandoned so they could continue along ‘normal’ commercial lines without the distortions of political impositions;
- (e) taxation and business regulation needed to be simplified, rationalised or reduced, irrespective of centuries-long argument and agitation pointing to developmental and counter-cyclical functions of public activity;

- (f) some aspects of government, always a burden, had become grossly dysfunctional for society, with the welfare state, social security and increasingly diverse forms of decommodification often cited as undesirable accretions of citizenship ‘entitlement’ encouraging laxity or irresponsibility elsewhere, too.

Such was the neoliberal agenda: it was an attempt to install liberalism as the default position for both the economy and polity. It could never have been a realistic series of proposals for improved economic performance. By abstract reasoning, it exaggerated the inefficiencies of big government and ignored structural factors demanding, in wealthy economies, an ever-expanding scope for politically mandated criteria. By way of contrast, heterodox reasoning suggests that maturing economies (with industry linkages and dependencies) functionally require greater state capacities, even when the demands are difficult to execute and costly (Higgins and Dow 2013: 416ff).

Critiques of the six elements of the neoliberal project have been well-known for some time. First, regulated (centralised) wage fixation, such as existed for a century in Australia, has been a major factor militating for high and equitably distributed incomes – even if complications arose as additional purposes were added over time. It also provided an extremely effectual anti-inflationary mechanism, particularly as emergent distributive disputes fuelled cost inflation during downturns. The centralised and compulsory system presumed, and confirmed, that high wages (insulated as much as administratively possible from periodic downturns) would be beneficial for both the populace and economy as a whole. As Australians learned over the decades, such wage regulation demanded bespoke institutions (an arbitration system) – usually involving peak organisations of functionally important participants. These developments contravened the expectations and urgings of economic liberals, but were never an actual burden. They averted the more corrosive inequalities that would otherwise have arisen. And for a few moments in the 1980s, an expansive, corporatist addendum was available – for this reason, the advent of reactionary forces in the polity assumes even more disheartening dimensions.

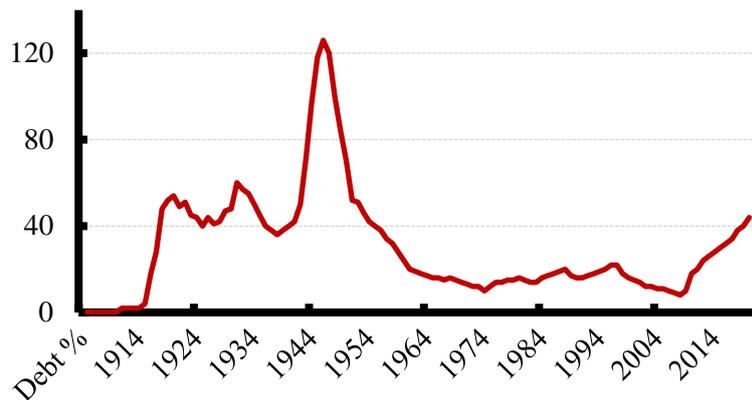
Second, economists (not only Keynesians) have also been increasingly obliged to concede the significant limitations of monetary policy (using interest rates to ‘fine tune’ activity) as a tool of macroeconomic management. Indeed, it is akin to attempting to push a bar of wet soap up

a slope with a piece of string – an argument John Kenneth Galbraith had been mounting since the 1960s. Never a serious means of expanding economic activity – but only of impeding it – Galbraith saw monetary policy instead as a sequence of protocols for the ‘carefully orchestrated’ protection of error (1977: 204). Active fiscal policy, on the other hand, could ensure that available public moneys would be spent and resources thereby used. It has been the political directness of fiscal policy (especially to commission infrastructure projects) that disposed economic liberals in treasuries and central banks around the world to prefer much less effective and more discriminatory monetary policy measures.

Third, neoliberal assertions concerning the need to constrain public spending and debt have failed to find grounding in reality. Total government spending, both in Australia and the OECD, has been more or less constant during this century – within a range of 34-37 percent of GDP in Australia and 40-44 per cent of GDP for the OECD (OECD 2019: 38). These figures seem in accordance with expectations derived from political science and the steady accretion of state capacities everywhere, but have yet to repeat the growth rates (in the size of government) experienced after the two World Wars and into the 1990s. Even with the neoliberal hostility to public activity over the past half-century, long-term expansion of public expenditures, revenues and social transfers seems to be assured – even if usually not at the level afforded by our affluence and experience.

Public debt, too, at slightly above 40 percent of GDP, is not near the levels reached in previous crises (see Figure 1). Even with increases expected from 2020, the only concern reasonably warranted is that it is so low, representing unactivated opportunities for decommodified social transfers and national development.

Historically, Australia’s public debt has been about 70 percent of GDP in the later parts of the nineteenth century, slightly more than 40 percent of GDP in the prewar decades, about 125 percent at the end of the World War Two, and generally below 20 percent since the 1960s. The Rudd government’s stimulus spending increased the figure to 36 percent, while the most recent stimulus packages implemented by the Morrison Government is likely to see the figure rise to 46 percent of GDP – still only about half the OECD average.

Figure 1: Public debt as a percentage of GDP in Australia, 1905-2020

Sources: Australian Treasury, ABS and *Sydney Morning Herald*, April (2020).

According to Keynesian counter-cyclical and capital-creating principles, debt can be incurred during times of downturn or crisis, with the presumption that it will be repaid when ‘good times’ return, so that the public budget is balanced over the cycle (30-40 years) rather than each year.¹ Theoretically, however, debt need never be repaid, provided a polity adjudges the anticipated societal returns from present investments that cannot be easily funded otherwise will exceed the servicing charges. So the crucial determinant ought to be the need for, and quality of, the spending, not its level. Public debt should not be snidely equated with ‘living beyond one’s means’, even if that phrase had serious meaning for a nation – presumably, borrowing for infrastructure is always more defensible than borrowing for recurrent spending. Public debt allows a nation to expand its productive capacities, insofar as resources exist and would not otherwise be satisfactorily deployed. Yet, public capital spending in Australia as a share of GDP is only about half the OECD figure.

Since the end of the First World War, Australian public revenues and public spending have been kept below the average of other developed countries

¹ For historical data, see DiMarco *et al.* (2011); for current data see (OECD 2019: 38-45).

with a parallel under-development of living standards. Though Australia scores well on the UN's HDI (human development index), and has historically also done well in comparative indicators of equality, Thomas Piketty's (2014) empirical findings for inequality show a significant (politics- and policy-driven) worsening since the 1970s. In addition, Piketty also demonstrates a reversal of the encouraging developments during what could be called capitalism's 'golden age' – from 1945 until 1975 for all advanced economies. Australia has not been immune from these shifts; in fact, it is apparent that the economic 'reforms' undertaken in the 1990s (particularly in industrial relations matters, by both Labour and Coalition governments) were the institutional changes chiefly responsible.

Fourth, neoliberal contempt for democracy is revealed most dramatically by the privatisation and commercialisation of public enterprises from the mid-1970s. All principled rationales for public provision – developmental, managerial and social democratic – have been violated in the past four decades. Simultaneously, a significant deterioration in all areas of service provision has been observed, including in education, health, water, banking, anti-recessionary policy, maintaining pre-emptive public skills, imposing deliberative capacities, and extending citizenship entitlement. These are fields of activity where demand can be created by political action and wherein the rules of fiscal hypothecation need not apply. In this respect, as Thorstein Veblen concluded early in the Twentieth Century, not only ideas, but also crucial institutions should be judged as 'imbecile' (Camic and Hodgson 2011: 32).

Notwithstanding all these refutations from within political economy, one charge against neoliberalism remains: that from former liberal and now principled conservative, John Gray.² Gray's critique is of Enlightenment rationality itself – a key feature of mainstream economic analysis since Adam Smith – on the basis that liberalism wrongly deduces scientific authority as able to assure progress ('modern economic reason'). Market institutions disembedded from community irrationalisms are neither heuristically nor sociologically justifiable: '[l]iberal practice has no special claim to be authoritative, even in societies in which it is long-standing, independently of the contingent contributions it makes to human well-being' (1995: 169). Intractable variety makes universal solutions

² A conservative critique of liberalism was also mounted by John Ralston Saul (1992).

impossible – a ‘vain enterprise’ (2003: 273) – and hollows-out the global organisations trying to enforce them. Mainstream presumptions are weakened to the extent that social and economic institutions – reflecting tradition and diversity and political variety and ‘fate’ – survive. If there are also persistent historical enmities, a level economic playing field is not what civilized humanity requires. Instead, a ‘modus vivendi’ – ways of proceeding, ‘rules of thumb’, even in the absence of unanimity – will be necessary.

This admission of unfinishedness is what has elsewhere been called ‘Keynesian reason’. Politics always need paths to action, though paths to perfection are unavailable. Indeed, ‘[t]here is no politics that can escape it’ (Mann 2017: 19). Neither fulfilment nor disaster is inevitable; a radically different world is a possibility now. Policy orthodoxy is never inevitable.

Populism

Earlier generations of conservative politicians have certainly exploited and misused bitterness and tribal rancour, and often disparaged plausible compromises. However, in the Twenty First Century, latent discontents and political disorder have been multiplied and allowed to fester as never before. Harry Frankfurt has noted that the recent tendency to elide the difference between what is true and what is false in public life has been quite deliberate – on the part of perpetrators, it constitutes a ‘tireless effort to getting every word and image they produce exactly right’ (2005: 23). He argues that ‘insidiously disruptive forms of nonsense’ (or ‘bullshit’), able to be mobilised ‘whatever the circumstances require’ (2005: 51-3), tend to become ‘more expansive and independent, with more specious opportunities for improvisation’ and hence a ‘greater enemy of the truth’ than lies in diminishing or relativising the ‘notion of objective enquiry’ (2005: 61-5). British conservatism has confidently transitioned to populism in similar ways: deploying ‘an air of decadence’, ‘slapdash radicalism’ and ‘upper-class insouciance’ to assist the mutation (Beckett 2019).

Regretting her country’s descent into what she regarded as intemperate and uncompromising politics, Theresa May’s Chatham House speech in July, 2019, deemed the winner-takes-all approach not only as populist, but as anti-political:

This absolutism [...] is the opposite of politics at its best. It refuses to accept that other points of view are reasonable [...] And it views anything less than 100 percent of what you want all the time as evidence of failure, when success in fact means achieving the optimum outcome in any given circumstance (van Leeuwen 2019).

Political frustrations have emerged both at the top and bottom of contemporary politics, almost everywhere. Though conservatives have traditionally endorsed stability, wary of liberals' recklessness in the unleashing of uncontrollable forces of market-led change, May's successor in the form of Boris Johnson has latterly harnessed mistrust and regional deprivation and, in the process, stoked new acknowledgement that many policy preferences in the past 45 years were mistaken. While the sentiment is global, the resentments are primal.

A precondition for all populisms is wide disaffection with policies, institutions and decision-making processes in the macro-polity. Such alienation tends not to be class-based – if it were, more normal political responses would be in evidence. Further, the resulting estrangements cannot be reliably mapped-on to existing movements for political voice or change. Ernesto Laclau's (1977) discussion of populism some decades ago indicated that in weak polities (those with underdeveloped or misdirected state capacities), mistrust of conventional outcomes, together with distrust of the reasoning behind policy preferences, could cause explicable disruptions to prior, though well-articulated, political programmes or strategies. In short, formerly passive groups (provincially located citizens, losers from competition, victims of unreasonable inequalities and discriminations, societal outliers, adherents to fringe ideas or dogmas) might then instigate purposeful action, distorting conventional politics and highlighting asymmetry between economic and political settlements. In any resulting ferment, antagonisms or discontinuities can be attributed to *present* structures and priorities, not to history, claimed Laclau (1977: 158). Critics in the Marxian and post-Keynesian traditions have also long argued that market society itself permanently recreates situations which render politics – particularly transformative politics – ineffectual or worse (see Higgins and Dow 2013: Ch.10).

In 2007, before the Obama years, Joe Bageant wrote presciently (and humorously) about working-class anger in America, the product of what he considered to be a new underclass in the country. He included in his depictions of fault-lines the rise of illiteracy and decline of civic morality, the impact of low-wage jobs, poor public health care, lapses in governance

standards, manipulation of patriotic and religious attitudes, and the presence of an anti-intellectual section of the population apparently impervious to information and truth. Something was happening that was not quite captured by either commentators or the participants themselves. These have since become momentous developments, all underwritten, of course, by low taxation and its ensuing weak state.

Bageant's forewarning was to the same elites as those targeted by populist critics. He had noticed that the bellicose and degrading 'war against reason' was nonetheless inclusive (2007: 181, 214). Specifically, it spoke to underdogs and signified the uncompletedness of the liberal-progressive aspirations which a few decades earlier had promised (but failed) to guarantee 'new deal' arrangements.

A similar tone has been struck in David McKnight's discussion of populism in Australia (2018). Here is a claim that adoption of neoliberalism by the 'political class' (including its absurd defence of the conversion of private debt into public debt) led to the doctrine's subsequent discrediting in multiple jurisdictions.³ Many affected citizens have endured a shrinkage of the 'democratic space' as public services were constrained, wage incomes suppressed, civic decencies eroded, inequalities allowed to widen, and taxation and regulatory capacities distorted away from the public purpose. Despite the continuing growth of some types of public activity (including social security transfers), socially important functions in finance were relegated behind unbridled private excess. In these circumstances, 'we all lose' (McKnight 2018: 128).⁴

Unfortunately, reactions against past policy folly have not been entirely spontaneous and only apparently anti-rational, as William Davies has noted (2016). Much contemporary discontent has been manufactured: it has been built upon (what is now known to be) a fateful combination of institutional misadventure and populist instinct observable everywhere. In the UK, the responses are exemplified in somewhat erratic and unsystematic musings by Dominic Cummings (see also Collini 2020). Regretting that the modern disregard for rules has occasioned the enervation and despoiling of politics, Davies nonetheless resists suggestions that a new form of 'anti-politics' has emerged. Like Laclau,

³ Wolfgang Streeck has controversially addressed aspects of the argument; see Dow (2016).

⁴ Acknowledgement of the problem has now reached mainstream public policy analysis too; see Head and Banerjee (2019).

he ascribes the ‘diffuse mood of anti-elitism’ more to disjunctions between what capitalism needs and what its proponents have repeatedly said is necessary (2019a, 2019b). Although James Meek, too, links the mistrust and scepticism reflected in recent British political developments with a populist ‘yearning for a return to the gender and racial stereotypes of forty years ago’ (2019: 13), it is clear the current dispositions are structural, not arbitrary or dependent on particular practitioners’ eccentricities. This makes a critical political economy, once again, indispensable.

As indicated earlier, some conservatisms seem to embrace populism’s hostility to globalisation (‘neoliberal restructuring’) as an opportunity to re-invoke political conventions and national peculiarities that disdain not only abstract reasoning but what they see as the hubris of intellectuals who promote it. If this is part of contemporary populist sentiment, its appeal is not to ‘ordinariness’, but to a different elite (not rationalisers, but traditionalists). Hence, the UK’s decision to leave the EU is articulated as a celebration of Edmund Burke and Shakespeare and the English language (Englishness generally), now embraced as bearers of centuries of conservative, anti-internationalist tradition. In John Carroll’s hands (2019: 20), it is a refutation of Europe’s alien rationalism (‘bureaucratic centralism’) – paradoxically seen as weak governance, because it is susceptible to stiff codification and non-traditional preoccupations. In turn, it is supplanted by ‘truths of the human condition’, including the ‘secret concatenation of society’ organically linking its disparate elements, good and bad, illustrious and obscure. The current enthusiasms are less an ideology than an anthropological return to an unmanufactured stability which economic liberalism had done much to undermine – less vision, more messiness. Timothy Garton Ash thinks Europe deserves less mess, more perseverance (2019).

Defences of cultural exceptionalism and social solidarity can be found elsewhere too. For instance, Adrian Pabst attributes the revolt against ‘ultra-liberalism’ (globalisation) to both ‘bureaucratic overreach’ and ‘rampant individualism’ (2019). However, whereas some facets of western civilization – music, architecture, philosophy, literature, poetry, religious belief – are endorsed, the list does not include politics; a common civilization has not emerged. A re-politicised capitalism equally intolerant of last century’s labour-capital settlements and business domination of major international institutions, and able to mobilise cruder purposes, seems to be poised for supremacy. As Robert Saunders (2019) concludes, the paradox has been present within British conservatism since the days

when the ‘disposition to preserve’ gave way to the much more liberal and less cautious Thatcherism. This is the situation new forces are now seeking to address through an all-or-nothing, but potentially dangerous ‘civilizational pivot’ – if it moves away from national involvement in multilateral cooperation, it risks reawakening historical rivalries. However, if the populist backlash (Rodrik 2018) also forfeits civic reason, which carried postwar hopes for thirty years, or if it repudiates consensus too licentiously (Bacevich 2020), something more vital may be abandoned. If the ‘pivot’ succeeds as more than a fleeting phenomenon – that is, if domestic policy capacities are dislodged, dismantled, destroyed or discredited so that extreme inegalitarianism prevails – this strand of populism will assist the liberalisers in consolidating the abandonment of social democracy for a long time.

Such Janus-faced reactions to dislocation are not unknown in political economy. Mercantilist thinking has both captured a real cause of underperformance (insufficiency of investment) and highlighted an apparently ongoing problem (the risk of unwise ambitions). Lars Magnusson claims that economic heretics, often more in-tune with economic reality than to intellectual discourse, more explicitly appreciated the need for stimulus to employment and investment – though at the risk of favouring (national) power over (national) plenty (2019: 300). Already in the 1950s, Eugene Golob, also linking Keynes’s ideas with the mercantilists, saw under-investment as a major problem (triggered largely by the liquidity preference of business); albeit, temptations to self-sufficiency or unwise public responses (monetary policy) remained ever-present (1954: 156, 163). For these non-orthodox traditions, both experiment and tradition would always be in play. Undoubtedly, mercantilist and populist propensities can unsettle national alignments while identifying actual pathologies such as economic rationalism and social indifference.

Social democracy

The characteristics of social democracy are uncontentious. Its policy preferences include high taxes, more social security spending, more state provision, more intervention in markets, more capacity to control the location and level of production (and its cyclical disruptions), innovative ways to effect socially desirable distributive outcomes (and to negate

undesirable ones), continually evolving institutional competences in the public sector, expanded forms of economic democracy and corporatist arrangements for macro-level decision-making. All such policies are intended to provide to citizens, through the polity, what the economy is capable of providing. Only superficially at odds, constraints on capital's autonomy have been acknowledged as key to the historical development of capitalism by many strands of political economy. The purposes of science and critique are inexorably linked (Burawoy 2020: 89-95; but see also Riley 2020). Dispute exists in respect of the timing and extent of many of these; but no dispute is possible concerning the broad historical thrust of the social democratic project.

In our book, *Politics against pessimism* (2013), Winton Higgins and I mounted a more disputatious case: arguing that labour's priorities had become more, not less, achievable over the past half-century and that this reflected a fortuitous combination of non-volitional (structural) developments and volitional political programmes. It is important to remember that labour is never the sole author of its objectives (or of their failings); but that 'solutions' to recurrent problems can become transformative even when they are not permanent fixes.

There can be little doubt that contemporary polities have lost confidence in trends that empower social democracy, though they pertain still. Our book summarised the neoliberalism of the post-1974 era in these terms:

decades-long unemployment, low growth, increased inequality, slowing productivity improvement, manufacturing decline in rich countries, infrastructural disinvestment in most countries, low-quality employment, and evidently excessive consumption – all accompanied by the loss of redistributive and democratic capacities (2013: 411).

The contemporary task of social democratic reconstruction is, therefore, to secure a politics able to recapture the concerted action that turned postwar prosperity into an epochal wonder and to reverse directions in-place for the past forty-to-fifty years.

The trends that are, nonetheless, available for enlistment in the required redress are growth of the public sphere and public revenues, and the growth of decommodified consumption (social transfers, still close to 25 percent of GDP). These are all still above their 1974 levels in most places. State growth contains social democratic elements, and though preservation of structural accomplishments requires increasingly conscious and

volitional effort (2013: 332-9), many desirable socio-economic trends have survived the neoliberal onslaught.

Structural stability and resilience suggests 'agentless trends' without discernible wind-back. In addition, capitalism still operates through differential (though largely unintended) modes of regulation, signifying that there remains room for political manoeuvre. Yet, the future of labour's 'historic mission' (social democratic advance) will be dictated by its ability to engage a number of anticipatable difficulties.

First among these is the persistent tendency of non-dirigiste economies to generate wealth at a faster rate than they generate employment, thus revealing a substantial structural problem. The sheer difficulty of attaining full employment has been known for some time, though the grandest threat of all is premature intellectual retreat, not the economic trends themselves. More can be learned about the functioning of a capitalist economy from its moments of crisis than from pondering or speculating about its supposedly optimal behaviour. From the experience of persistent or recurring unemployment, it is possible to infer that industrial dislocation is usual. Yet, to declare policy thereby ineffective would be to pronounce closed the potential of political economy for all humanity.

A second enduring difficulty, also marked by intellectual abrogation, is the vexed question of how we should conceive the duration of recessions. What we know for sure is that the conventional journalistic conception – two successive quarters of negative GDP growth – is thoroughly inadequate to the task, and probably intended to distract from more robust and controversial views. In an age of 'jobless growth', the persistence of growth is no decent indication of economic success; growth is quite compatible with economic failure.⁵ None of the traditions of analysis outside orthodoxy allows that recessions come in months or quarters: Keynesianism and its variants, Marxism and its disputants, economic sociology with the 'social economy' tradition, historical and evolutionary economics with their preference for inductive reasoning and holism, and diverse 'cranks' and heretics in specific national contexts all understand that the rise and fall of industries transpires over decades. Perhaps the density of these maverick insights can be gauged by examining the range

⁵ Post-Keynesian theory postulates a recessionary downturn as that period in the cycle when productive capacity is falling and economic activity is below full employment (Kalecki 1933: 10).

of methodological approaches developed in response to them.⁶ Though the existence of a *longue durée* can conceivably be disputed (Mann 2017), recessions are not short-term phenomena. The current period of mass unemployment in OECD countries has lasted since 1974 – what others have termed a ‘long recession’ or ‘great contraction’ (eg. Duménil and Lévy 2011: Chs 1 and 2).

Third, it is necessary for social democratic policy purposes to acknowledge that modern economies exhibit permanent, structural tendencies to excess capacity (or excess competition) or secular stagnation. Critically, many of these tendencies will probably be transformational and are likely functions of maturity (wealth with anti-liberal potential) itself (Higgins and Dow 2013: 403-24; see also Dow 2015: 82-8). Democratic politics is not impotent in the resultant unfolding of economic reality, but it can become delusional if the ways in which voluntaristic action interacts with ‘emergent’ institutions are not fully appreciated. It is not that ‘counter-tendencies’ are unimaginable or impossible, but that they usually require enhanced regulatory objectives with different socio-economic interlinkages. One reason is that ‘stability is destabilising’ (Wray 2019: 532) – a settled sectoral arrangement in one era holds no guarantees for the next. Controversy continues over whether economic activity in wealthy societies is market-affirming or market-eradicating, though the latter is at least a mooted proposition (Howard and King 2008; King 2012). In either case, it is the task of social democracy to exploit the contradictions affluence yields, including the potential for inefficient but desirable activity.

These three sets of challenges are complex because they are conferred upon social democratic politics (and other strands of anti-liberal politics) by capitalist economies. Since conflicts within (and over) the state long predated explicitly social democratic policy-making, even in Australia, social democratic practice is incomplete without a consideration of the debates – conceptual and practical – around statist political economy.

Peter Groenewegen and Bruce McFarlane’s history of economic thought in Australia mentions the ‘populist and underworld foundations’ of economic reasoning in the country – particularly issues concerned with wage fixing, national development, protection of ‘infant industry’ and

⁶ An indication of the Keynesians’ interdisciplinary, imaginative and intuitive approaches is articulated in Dow (2017).

public finance (fiscal redistribution policy). However, despite propitious beginnings – for some decades until around 1914, Australia had the world’s largest public sector – it is clear that a statist mode of development did not survive the relentless challenges the orthodox economists mounted to what had never seemed (even then) an open-ended tableau on which to inscribe an egalitarian and developmental ethos. What was once known about the ‘correction of maladjustments’ was soon lost (1990: 130); but debate continued between advocates and opponents of statist accomplishments.

Though initially comparatively large, the state in Australia never became the dominant deliberative force able to use public enterprise to promote economic development along lines envisaged by some European conservatives. There has always been pressure to curtail democratic expectations. In 1915, Australia’s public sector spending was about 17 percent of GDP (compared with 13 percent for the countries that now make up the OECD); by 1935, those figures were 15 percent and 23 percent respectively, with the shortfall now almost 10 percent of GDP for the same selection of countries (35 percent in Australia, compared with 41 percent for the recently augmented OECD) (OECD 2019: 38). Despite the enduring popularity of protectionist sentiment, public enterprises and basic income compensation arrangements, Australia now has the near-lowest threshold for political determination, despite almost having the highest a century ago. *Staatsräson* (in an activist state) according to Weberian or Machiavellian principles was never a probability here – though it seems likely such a development would not have been entirely unpopular in rural areas. Even so, some ‘autonomisation’ of state activities (*eg.* for officially sanctioned public responsibilities to ‘creep’ upwards) can be observed – such as in current levels of social transfers, as noted earlier. Elsewhere, such enlargements appear to be engineered by the state itself (Jessop 2007); but given the hegemony of liberalism, this does not seem a convincing argument in Australia.

On occasions, it has been argued that for a statist state to do ‘its job’, it needs to be radically autonomous (from specific influences) – as was apparent when the state assisted bourgeois transitions to capitalism. However, governments’ responsiveness to aggressive campaigning against tax increases for particular sectors, or against climate change policy, in the past decade suggest, instead, a radical subservience to a lowest common denominator of non-interventionism. In other contexts, such self-interested manipulation would have been declared authoritarian, parasitic

or predatory – a sign of a weakening, compliant polity. Economists, in association with prominent businesspersons, often resist higher and more progressive taxation and argue for hypothecation (thereby denying government legitimate opportunities for cross-subsidisation). The deregulatory impulse always aims to unleash competitive self-interest and to ‘smother’ progressive politics (Reinert and Viano 2012: 10).

Australian statism, if it can still be imagined, has foundered most commonly (at least until now) on the institutional prestige and influence of economists. For instance, generations of employers fought against centralised wage fixation from 1907, even though it was spectacularly able to deliver the egalitarianism of the ‘golden age’. The same forces have opposed the labour movement’s collective voice across the board in economic policy debates, despite the principle of using high and inflexible wages to force industry rationalisation (transformation pressure) being well-established in other high-wage societies, and though high non-wage incomes (social transfers) are cynosures of good societies elsewhere. Mainstream economists still endorse changes to federal-state financial relations that would undercut the obligation to ensure regional equity. They have sullied debate over industry policy (political determination of industry structure) by calling it protectionist. Ha-Joon Chang (2008) and Erik Reinert (2007), have separately insisted that a ‘renaissance approach’ to industry renewal – along lines forged by the Italian city states and responsible for the latter’s ‘*grandezza*’ – is a product of selectivity, diversity (one economic activity is not as good as any other) and a commitment to the ‘common weal’. Good republican traditions (a good polity and a good society, with good architecture, good art and music, good education and recognised civic amenity) *cause* economic success, not the other way round.⁷

There is one further important aspect of statism (with other types of intensified politics) that warrants concerted attention from the advocates of social democracy. Keith Tribe in *Social democracy and the rule of law* speculates that the supremacy of politics (which he urges) depends on overcoming a real and conceivable weakness in parliamentary decision-making. Does democracy require levels of ‘social homogeneity’ (observable inherent unity) that are unattainable? If sectional interests are unable to choose and endorse leaders, politics might gravitate towards

⁷ See Botero (1588) and Serra (1613) for surprisingly ‘modern’ defences of industry policy.

becoming judicial (prioritising only laws). Unresolvable problems accrue if opposed interests no longer wish to participate. There might be no basis for a modern social republic (1987: 20-1). This potential is not unique to social democracy, but it is amplified in any polity (or society) wanting to foster state (political) solutions to intractable problems. More recently, Keith Tribe has joined conservatives in invoking Goya's famous opposition between intellectual endeavour and its ruin: 'Reason, if left to work alone, creates monsters; while imagination unalloyed by the power of reason gives rise to futile ideas' (1995: 1). Knowing that aspiration can be thwarted, can the common weal be advanced without the incessant possibility of regress? An answer seems to depend on recasting politics and the state as organic, and ascribing them a 'duty' to depart from instrumental roles.

It may even be the case that state capacity (where penetrative, extractive and coordinative powers have been successfully created, allowing the state to overcome internal opposition) eventually becomes 'its own gravedigger'. Early problems do not stay constant – solutions to the problems of the 1920s are not necessarily optimal for the 2020s. Institutions designed to 'outflank' recalcitrance in one era typically need to be reconfigured to deal as effectively with problems that occur decades (or a century) later. So, the state is rarely free to make history as it chooses (Evans 1992: 403-4). This appears to be a recurrent concern for many infrastructure projects, even when infrastructural (non-despotic) power has been well delivered and maintained. 'Unjudicious expansion of the menu of tasks leads too easily to a vicious cycle. State capacity grows more slowly than tasks expand' (Evans 1992: 411). As Post-Keynesians such as Joan Robinson have claimed, institutions evolved for specific purposes often take on other functions and impose particular contingencies on economic decisions (Kerr 2019: 398). Corporatist wage determination in Australia eventually proved able to dispense social security and anti-inflationary policy with pregnant suggestions (for a time) of forays into economic democracy and social provision; but these intensifications provoked additional oppositions.

Conclusion

This article on the macro-political dilemmas of our age has identified the most important failure of neoliberalism since the mid-1970s as its failure

across many jurisdictions to generate productive forces in accordance with capitalism's technical abilities. This is an argument also made by Cédric Durand in his comments on the unwanted transformations wrought by this century's paradigm shift in favour of finance (2019). Durand similarly ascribed the new nationalism and xenophobia to the neoliberal project, spectacularly failing in its stated objectives and constantly generating new incongruities. Two available indicators of the chasm between intended and actual outcomes from politics in Australia have been public debt and public spending – both unhappy registers of underdeveloped and badly understood political possibilities. This becomes a reminder that capitalist economies routinely under-create and under-provide capital; therefore, development is stymied or diverted into avenues which are less beneficial than might otherwise be the case. The ideological elements in this process of deformation (spin) are neoliberalism; while its agents are forces that do not appreciate (or care) that outcomes for the majority are less than promised. Weaker-than-needed accumulation, the manufacture of unpropitious inequalities, and a diffusion of assets more liable to worsen than to improve the human condition are among the outcomes. Destruction of past accomplishment is another. Perhaps we can never be sure how this unfolding will end, but the auspices at the moment are not good.

If in past decades neoliberalism thwarted social democratic advance, today populism is confounding it and disrupting it. Populism may be correct in its contempt for international liberalism and domestic rationalism; and there has been a long history of campaigns for a balanced industry structure, quality employment and national autonomy. Some parts of some reactionary movements are doubtless justified in drawing attention to resurgent casualties of unwanted liberal reforms. Nonetheless, more helpful would be an admission that to procure the maximum functioning of a modern economy, policies that are resisted by its notional defenders would be needed. This is where considerable 'room for manoeuvre' can still be fought for and won. In 2020, such scope seems as likely as not. We have done it before.

Although the substantive economic trends available to advance economic activity, equality, social provision, participation and civilised affluence can readily be dislodged, sidestepped and discredited by the worst aspects of politics, the worst need not prevail. Discrepant schools of non-orthodox enquiry and interpretation have contributed to present understandings of what has been achieved, as well as what current trends promise. Admittedly, they also bequeath ample confirmation that labour's state-

building responsibilities are far from ensured. Yet, as indicated above, the material base for advance remains unimpaired. Ambiguities in political economy have been known for a long time, along with avoidance of them. It seems clear that political economists need to do more to stimulate expanded state capacity, perhaps by re-asserting the principles which guided substantive anti-liberal reforms a century ago. If contemporary controversy has not been up to the challenge, we know where to look for intellectual encouragement.

Geoff Dow is an associate of the School of Political Science and International Studies, University of Queensland.

geoff.dow@uq.edu.au

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