

# DISSENTING TRADITIONS AND AUSTRALIAN POLITICAL ECONOMY

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Although political economists are typically critical of economic orthodoxy, they have diverse approaches to understanding economic issues. The labels heterodox and post-Keynesian acknowledge this diversity within political economy. Disagreement is inevitable, even over the object being studied – an autonomous economy or a managed economy? – and behind that, over evidence, method, interpretation, conclusions and policy implications. Heterodox post-Keynesians share the significant disquiet about the presumptions of mainstream (orthodox) economists that has been there since the discipline first consolidated in the eighteenth century. They have always insisted that important aspects of contemporary ‘market-based’ economies have not been well-captured in conventional scholarship. This intellectual anxiety at the heart of political economy has led to continuing conflict over the types of state intervention (policymaking and institution-building) that can be condoned by the polity, as well as how to accept any non-economic foundations for the economy. The sceptics are unwilling to accept that market outcomes should be regarded as sacrosanct; yet deliberated outcomes are too readily shunned.

Attempts by humanity to consciously revise, transform or transcend what would otherwise occur are, of course, the essence of politics. Politics informs political economy both directly – it sanctions the private *and* public activities that together constitute an economy – and indirectly – it is there to be invoked, or not, whenever remedial or ameliorative actions to alter its priorities become imaginable.

Post-Keynesian political economy emerged as a critique of postwar policy orthodoxy and its conceptual underpinnings. Its advocates were initially

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inspired by John Maynard Keynes and the generation of nation-builders after his death in 1946. They then became discouraged by the renunciation of Keynesian ideas from the 1950s – repeatedly, sometimes cataclysmically, experienced in the decades thereafter. In particular, they attributed cycles in economic activity to fluctuations in (usually) private investment (giving rise, for example, to high or low unemployment); insisting that these irregularities could be tempered (though probably not eliminated) through policy-driven injections of public investment. The post-Keynesian critique of orthodoxy concentrated on institutional and considered mechanisms to publicly manage investment. The dissidents have also explored systemic complications for effective counter-cyclical activity (for example, the demands put upon each sector by its relationship to or effects on other sectors). Specific challenges imposed by the wage inflation after 1974 (to which specific policy responses were imaginable, though under-utilised) have also been a source of contention. Similarities with the recurrence of inflation a half-century later – and intellectual controversy concerning its explanation – continue. Less subject to detailed examination have been the imaginable limits to any public policy in a world where much economic activity is affected by actions beyond national political overview or where policy competences commensurate with the problems are lacking, underdeveloped or compromised.

Tragically, the implied deficiencies in policy effects (lower or less-balanced levels of activity and development) can be attributed to an unwillingness to recognise the interconnectedness between the variable substantive and facilitative conditions that inevitably constitute any mature economy.

Many of the outcomes that non-traditional institutions are committed to alter, both wealth-creating and distributive ones, have been investigated within post-Keynesianism – in parallel with heterodox political economy. Hence sociological, historical, political, even (pre-capitalist) religious and mercantilist perspectives have been deployed. And these have often offered complementary and non-trivial insights into our understanding of how contemporary economies function and dysfunction. The resulting interdisciplinarity now comprises the rich and expanding intellectual traditions in political economy.

## **Australian political economy**

Although fractious debates persist over the extent to which worldly problems can be resolved through politics, Australian theorisation and institution-building aspirations have had more impact than might have been expected. Perhaps this is because our small population and geographic isolation gave rise to a federal system where the need and scope for ‘fiscal-equalisation’ arrangements quickly emerged. The possibility of disassociating capacity to pay from the normal standards and expectations of a civilised society (and then continually enhancing the latter) was similarly appreciated early in the federation’s history. This led to successful practices of regional cross-subsidisation as well as publicly debated and periodically adjusted principles.

Subsequently, the constitution authorised a long-standing system of centralised wage regulation (including bespoke institutions and a role for functionally important collective participants) to subject the level and distribution of income to political determination. These developments were long held as cynosures of Australian progressiveness. Australian policy-makers were unusually optimistic and prepared to experiment (for example, the early franchise encompassed social concomitants and guarantees that proved much more open-ended than initially envisaged, though such enhancement of citizenship was routinely resisted by economic liberals).

As a result, the links between equality and affluence (that the former encourages the latter) were probably understood more readily in Australia than in other pace-setting jurisdictions (such as Scandinavia). A mutual interaction between societal achievement and material development was appreciated here well before it became a more generalised topic of academic excitement in the opening decades of the twentieth century. Many of these provisional though popular strands of policy-making have been rescinded in recent decades.

## **Portraits of Australian political economists**

In 2019, I commissioned Melbourne artist Lewis Miller to prepare a series of five portraits of heterodox and post-Keynesian Australian political economists. The commission was motivated partly by the fact that Australia has for long contributed ‘above its-weight’ to, first, Keynesian,

then post-Keynesian, later heterodox political economy; partly by what seemed to be Australia's increased reluctance to take ongoing intellectual ferment and academic debate seriously; and finally by the somewhat disheartening under-performance (itself not uncontested) of the Australian economy in recent decades – particularly reflected in normal recourse to conventional and austerity-invoking measures (such as monetary policy) in public management.

For a political economist working outside a conventional Economics department (and one trained at least as much in accordance with sociological and political science disciplines, hence implying the interdisciplinary approach of the humanities), maverick traditions offered a more generous and appropriate framework with which to interrogate the problems which had emerged since the turn of the century. These contributions, if recognised, could then potentially be mobilised to counter depredations emanating from the populism and demagoguery witnessed in mature democracies over the same period.

The five chosen 'sitters' were Geoff Harcourt, Peter Kreisler, Joseph Halevi, Frank Stilwell and John Quiggin. All were at or near the end of their careers and unembarrassed by being selected in accordance with the above criteria. The idea of commissioned portraits originated, for me, by having seen Robert Hannaford's impressive depiction of Hugh Stretton at the Art Gallery of South Australia a few years earlier.<sup>1</sup> Social scientists are not nearly as well represented as judges, politicians or pastoralists in publicly available art, a dispiriting situation that I sought to rectify by approaching Lewis Miller who had earlier produced a series of sketches of more than 60 scientists working on the human genome project.<sup>2</sup>

## Five Australian dissenters

*Geoff Harcourt*, in the 1970s, popularised the 'Cambridge critique' of capital – showing that the Economics discipline's attempts to treat it as a

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<sup>1</sup> Now in private collection.

<sup>2</sup> The portraits of all five political economists (each 60cms X 80cms, oil on Belgian linen) are currently in the Noel Butlin Research Archives Centre at the ANU. They are on permanent loan from Manning Clark House, Canberra.

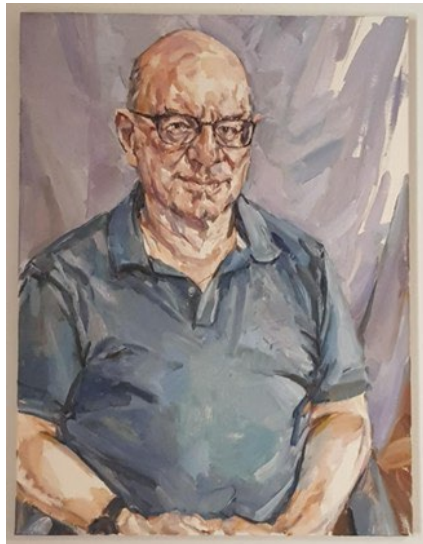
‘factor of production’, commensurate with labour or land, each receiving its proper compensation (rewards always aligned with contributions) in a harmonious setting, has been flawed. On this issue, as for others, intellectual concerns have long been ignored despite their shattering implications. Conceptual disquiet dates back to the classical writings (Smith, Ricardo, Marx) which had always doubted conventional ‘parables’ concerning the beneficent (self-correcting) properties of unregulated markets if deployed as an over-riding philosophy (explanation and anticipation) of behaviour – and, later, outcomes.

The Cambridge critiques also insisted that capital itself could be neither measured nor defined in the way it needed to be for the orthodox allegory to apply. In fact, capital has always been more than a sum of money or a cache of resources; it also implies specification of the conditions under which labour and capital (people and money) are combined in production processes. Because these social conditions differ from sector to sector, and according to the stage of the accumulation process, they cannot be accommodated by conventional understandings and implicate causes and effects discoverable mainly within other disciplines. The ensuing intellectual ferment (which has not been without social benefits) has followed directly from Harcourt’s persuasive moral and political values.



*Peter Kriesler* has done much to elaborate the implications for growth, distribution and sustainability of post-Keynesian thinking, not just in Australia. His writings describe the ‘instability of economic stability’; that is, that even periods of high employment may be latently impermanent and unsustainable, for internal or endogenous reasons. We commonly appreciate that industrial adjustment is ongoing; so, if intermediate periods of stasis suggest the elimination of crisis tendencies, the inferences are mistaken. New crises (new rounds of industrial transformation with new bouts of dislocation/renewal, and renewed threats to high employment), always loom. Moments of quietude usually harbour later problems needing resolution (perhaps sooner rather than later). Periods of growth will usually be periods of disequilibrium.

Economies are always unfinished projects, partly unaccomplished and imperfect phenomena. It’s not just that history is always unfolding, but that economic activity continually produces disjunctions which continually require (new or revamped) social and political responses. Efforts to create durable corrective institutions will always be ongoing. Distributional arrangements, too, remain contentious and precarious.



*Joseph Halevi* has been crucial to the attempt to remind us that the dialogue between Marxism and twentieth-century post-Keynesianism postulates the unlikelihood of permanent full employment. Such controversies as these are underwritten by unsettled conceptions of crisis – whether disruption is a short-term or long-term phenomenon, whether crisis tendencies are primarily internally generated (endemic) or external (contingent), whether they are self-replicating or transformative, and the extent to which political influence can be brought to bear on them.

History and particularity always assert their effects. For such reasons, a firm demarcation between times of growth and times of breakdown cannot always be specified, even conceptually. Much economic history (as well as all else) takes place *between* moments notionally represented as stable. And the possibility of intellectual error (unnecessarily impairing policies and politics) persists.



*Frank Stilwell* has for long emphasised the need to respect cross-disciplinary insights in both knowledge-formation and public action. The configuration ‘economies+societies+polities’ can be found in institutional and evolutionary political economy. In Australia much of this knowledge

has been garnered and re-presented for political economy students at the University of Sydney. Although it is as a political economist that Stilwell is most well-known, his interests and capacities have been informed by familiarity with dissident social scientific advances across sociology, history, social philosophy, urban studies and environmental activism. He has blended interdisciplinary understandings and critiques of liberal economics – from classical and modern, conceptual and empirical, progressive and conservative, rationalist and anti-rationalist traditions. This work has not only explored the widening of inequalities in current times; but has shown why orthodoxy has not provided a sufficient basis for a reliable understanding of economies in any epoch.

Economies are always supported by political and societal institutions (often inherited from the past) that then define and differentiate them. Economies cannot be depicted as discrete, free-standing entities. The most imaginative and useful branches of political economy recognise the inevitability of disorder. Economies change over time, not just quantitatively, but also in terms of the capacity of their respective citizens and ancillary supports to manage production, to maintain collective cohesion, to defend past attainments, to adapt to unwanted change, to create competent institutions, and to respond to external pressures. Societal instability, and its implied discontinuity, needs to cement its place in the concerns of political economy.





*John Quiggin's* critiques of major strands of current policy (with their disclosure of intellectual cant and dissembling) are – or should be – an ongoing thorn in the side of ‘business-as-usual’. His work highlights the constant need for intellectuals and policy-makers to refute mistakes (which are often more akin to fraudulent misrepresentations) and to consult actual experience before conventionally convenient formulations become unintended habits in the policy-makers’ mindset. Economic data has been misread and misinterpreted too: journalistic characterisations of recession often pre-empt policy reactions (by minimising the former’s structural and recurrent aspects), for the origins of inflation-in-recession to be confused with inflation during a boom (and its non-monetary dimensions to be missed), for levels of economic growth to become a proxy for levels of economic activity, for the future benefits of debt-funded projects to be disregarded, and for the national costs of low taxation to be overlooked (biasing economic activity towards excessive private consumption).

It is through associated processes that theorisations and realisations of the postwar period such as the welfare state and its enabling shell, the mixed economy (which sociologists know as ‘welfare capitalism’), have been despoiled. Acceptance of the intellectual endeavours of the postwar generation has recently become grudging and disheartening, the achievements accordingly devalued.



These five political economists have not always agreed on the implications of their findings. Harcourt strongly defended the integration of economic and social objectives (the imposition of social goals onto wages policy) following inflationary conflicts from the 1970s. Kriesler and Halevi drew from regressive historical experience elsewhere the conclusion that progressive solutions (such as real wage maintenance over time, or institutionalised equality) to redistributive struggles would be improbable. Stilwell favoured the derivation and use of more robust measures of social progress (opposing subsequent retreats from it). Quiggin has preferred more innovative (if insufficiently discussed) criteria for distinctly public activity (including regulatory principles). From the same evidence, diverse analytical conclusions and policy inferences have been derived; while disparate aspects of the same historical reality have sometimes become rival foci, even obsessions. Such ferment, with its ongoing controversies, has been particularly evident in Australia.

### **Analytical traditions and the future of affluence**

Despite shared discontent with the mainstream, the dissident tradition to which Harcourt, Kriesler, Halevi, Stilwell and Quiggin have contributed is not a convergent one, intellectually or politically. Its scholarly objectives are often discrepant, as are restless ideas fostering unresolved intellectual problems. The different traditions even appear not to share the same enthusiasm for exploring policy solutions to anticipatable difficulties, often devoting more effort to the identification and honing of critiques of observed and anticipatable tendencies.

Nonetheless, as different as they are, the heterodox tradition(s) and the post-Keynesian one exist on a continuum (it must be noted, in the age of resurgent populism, that heterodoxy can accommodate either progressive or reactionary possibilities). From this observation it is possible to proffer some suggestions concerning both what politics is reasonably able (or not able) to achieve and what unexpected peculiarities can be anticipated. The five political economists discussed here have not tendered consolidated opinions, though extrapolation from the existing scholarship is possible.

Since the nineteenth century, reasoned argument in political economy has held that affluence increases the demand for public, as opposed to private, activity. Since then, developmental and Keynesian aspirations have been augmented by social-democratic ones. These developments tend to be

increasingly costly and contentious because they imply universal entitlements (unrelated to contributions). Further, expanded aspirations imply expanded political efforts to eliminate resistances to the full utilisation of capacity (people and resources). New responsibilities and possibilities for public action have emerged, often without the explicit intention of their practitioners.

Yet in recent decades neither academic research nor bureaucratic enthusiasm has endorsed such shifts. Government (the state) now accounts for about 50 percent of total spending in rich countries and almost the same percent of revenues (slightly less in Australia). And nearly 25 percent of total national income is received in the form of transfers mandated by politics (again, slightly less in Australia). Yet most mainstream effort has been directed towards frustrating rather than facilitating this growth and development of the public realm. The latter's enlargement has become, over the past century, a clear structural phenomenon, persistently epitomising the democratic and civilising purpose behind it. The altered conditions accord neither with conventional depictions of market capitalism's responsibility for affluence nor of a benign polity's responsiveness to its citizenry. Substantial empirical confirmation has now been marshalled on modern policy-makers' complicity in foiling institutional trends towards the egalitarianism and reduced insecurity that followed the 'age of catastrophe' (roughly 1914 to 1945).

An invigorated heterodoxy for the future might be expected to outline more anticipative political potentials for the political economy of the rich societies – those with high per capita incomes and realised wealth, but accordingly low rates of growth. In such circumstances, affluence coincides with enhanced capacity for policy experiment, for activation of unheralded priorities, for reaffirmation of the social and moral sphere in political economy, not to mention a need for redoubled attention to unusual emerging complexities, such as sectoral conflicts in 'hard times' or resource depletion or climate change or migration. Synergies between post-Keynesian analysis and social-democratic politics have always been apparent (for example, the mutually accommodating relationship between redistributive emphases and productive ones). However, contemporary scholarship has not fully celebrated the positive political and social impacts of higher taxation, income egalitarianism (incomes divorced from contributions to productivity), high expenditures on infrastructure, compulsory and centralised wage fixing responsive to non-economic criteria, a social economy which actively amplifies the scope of non-

market allocation, or industry policy able to side-step managerial preferences in favour of long-term developmental ones. Mainstream commentary (for example, through mainstream media) seems to have colluded in resisting the integration of these viewpoints into public discussion of public possibilities. Associated policy lapses and failures are now increasingly being experienced, not quite accurately, as the hollowing-out of democracy.

Looking ahead, it is likely that the most salient inference from debates in Australian political economy since the 1970s has been the waning of a distinctively statist (or nation-building) perspective. Statism implies that only when governance (politics) is right can sound economic outcomes follow. Liberalism reverses such causal expectations.

Departures from deliberative statecraft have dominated conventional public policy for almost fifty years. This abrogation has delineated, for the worse, established political analysis as well. Institutional retreats, social dislocations, uncertainties, inequalities, wasted opportunities and resentments are being encouraged, often egged-on by the fickle practitioners and self-serving charlatans of 'new public management' which has successfully eroded the singularity of the public realm. It is acridly comforting, if belated, to observe the sporadic reversals, after perhaps a decade, of public bureaucratic adventures with decentralisation and hypothecation, and to experience the deafening non-appearance of apology, not just for damage done but for gratuitous efforts to demolish what had taken a singular cohort of principled public officials decades to instigate. Yet some major public policy aficionados have begun to concede recently that their responsibilities might involve extending societal cohesion as well as economic performance. We shall see if such a possibility comes to fruition. There is no shortage of academic warrant.

To reclaim the role for politics that an earlier generation of social scientists optimistically thought had been secured requires an expansion of principled government and popularly accepted taxation (financing) imposts. Of course, these must be seen as the unavoidable 'costs of affluence'; wealth legitimates them. Politics writ large has become unavoidable in equal measure. It remains for humanity to acknowledge that long-lived institutional processes can consent to many of the social and moral obligations that will always accompany progress. We were wrong to expect that the 'anti-rational' bases for human advancement could be by-passed indefinitely; the destruction unleashed under the

auspices of economic liberalism has been real – though it can, even now, be corrected.

We know via many channels, not just economics and political economy, but also from literature, philosophy, art and undisciplined speculation, that economies are not ‘knowable’ without intuitive appreciation. This was one of Keynes’s most suggestive appreciations; the post-Keynesians have since asserted that some economic matters must never be decided according to market principles. Obviously the ‘follow-on’ responsibilities of good economic management will be complicated and contentious too: from responsible productive organisations to permanent macro-regulatory and governance arrangements, to ensuring enhanced modes of negotiation, to securing support for higher-cost solutions, and to adjudicating technological developments and environmental protections.

Despite the manifest success of *JAPE*, its contributors and institutional supporters over the last half-century, political economists seem to have lost traction, though they were well-placed to explain discrepancies between the promises of the post-1945 era, when the uniqueness of the public was taken seriously, and the deliveries of recent decades. Politics have clearly retreated from former commitments to full employment, balanced development, egalitarianism, broadly based welfare and the institution-building required to sustain them all. If today, still-ardent custodians of unproven anti-interventionism sometimes appear to regret the eclipse of popular enthusiasm for multilateral *laissez-faire* and the economic ‘reform’ mentality, any return to deliberation seems nonetheless far from assured. In multiple jurisdictions, including within our universities, public controversy has been downgraded in favour of ‘performance indicators’, while critique has been discounted and substantive principles of determination subjected to castigation. Civility and institutional memory are still widely derided as indulgent and unaffordable; regulation is abandoned as the statist conceit of a former era; and past social accomplishments are discarded as if they were insignificant and their costs unbearable.

Even so, the specific difficulties of contemporary affluence – how to bring the creation of high-quality employment (a distinctive challenge for any epoch) into line with wealth creation (which has been substantial, though subject to disruption and imbalance) – are questions that remain unaddressed. They increasingly resemble development problems. That is, they require lavish investment in activities where previous experience and

previous success do not immediately yield solutions (for example, environmental remediation, public childcare, universal healthcare, education attuned to future problem-solving, some forms of infrastructure). Refurbishment of the public realm, anticipated by its pioneers as a harbinger of societal development, must be reckoned as continually necessary – not only as new demands (and obligations) are placed upon it, but as new possibilities (and criteria) for collective provision arise.

However, in critically facing new challenges and embracing new potentials, dissident political economists are ‘standing on the shoulders’ of predecessors in many disciplines. And for this we must be pleased.

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