

ACHIEVING CONSENSUS IN A PLURALIST SOCIETY: REALISABLE GOAL OR WISHFUL THINKING?

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Introduction

The 1980s has seen the realization on the part of policy makers in this country that the traditional prescriptions of fiscal and monetary policy do not offer a solution to the twin dilemma of inflation and unemployment. Based on the conventional wisdom that a short-run inverse relationship existed between the rate of inflation and the level of demand (as proxied by unemployment) it was believed that by curtailing the level of aggregate demand the economy could be cured of high rates of inflation.

A sociological account of inflation, however, sees the fundamental cause of inflation not as one of excess demand, but rather as the result of conflict which tends to be generated within economies (see Goldthorpe 1978). A growing body of economic thought which has come to be labelled "Post-Keynesian" also subscribes to this view, at least in part. Restrictive fiscal and monetary policies accordingly are seen as adding fuel to the inflationary process by further reducing the volume of income and output and thus heightening the struggle between labour and capital for the available income (see the collection of articles in Eichner 1979).

Assuming that distributional conflict is likely to manifest itself most immediately in the form of industrial disputes and strikes, Barber and McCallum (1982) have tested, in an econometric study of eighteen OECD countries, the relationship between conflict and the level of price stability. They regressed the rate of increase in prices over 1973 to 1979 on the level of strike activity over the period 1950 to 1969 and found a strongly positive relationship between long-run strike activity and the *acceleration* of inflation over the 1970s (as compared with 1971-72).

What is needed it is argued, therefore, is some form of incomes policy which, if designed and implemented correctly, will ensure that national income is distributed in an acceptable manner. Only when such policies are in place can the problems of inadequate aggregate demand and unemployment be tackled by more conventional policy instruments without fear of once again setting off the inflation process.

Incomes policies: the experience to date in brief

A number of different forms of incomes policy have been experimented with, with various success, in different countries over the post-war period. In the United States, the United Kingdom, and Australia, those types of policies that have been implemented from time to time have typically been implemented on a short-term basis and by and large, while there are indications that the implementation of such measures do reduce the immediate rate of inflation "... there is no evidence that such measures have a *permanent* effect on countries' inflation rates" (Anderson and Turner 1981, p.84).

The most dominant forms of incomes policy in the U.K. AND U.S.A. have been of two broad types; statutory wage and price controls, and voluntary wage and other income guidelines. A dominant theme of this paper is that inflation arises out of conflict between the competing claims for the available income. Consequently, a successful incomes policy will reconcile these claims bringing about a distribution of income and output which is perceived by the community at large as fair. Statutory wage and price controls cannot hope to succeed because they do not address the question of income distribution at all, and indeed such one-sided policies as the Wages Pause of the Fraser Government only promote confrontation, intensifying the struggle over the distribution of income.

The other popular approach, "jawboning", relies on moral suasion to induce economic agents to internalize the effects of their actions on the rest of the economy. One of the main aims of such measures was to provide education, thus the Council on Prices, Productivity and Income (CPPI), established in the U.K. in 1958, was "... not concerned with specific wage claims or disputes ..."; rather it was hoped that it would "... create a further appreciation of the facts ... amongst those immediately concerned with cost and price matters" (*Hansard* (UK) cited in Ingham 1981, p.265). In the United States, the Council of Economic Advisors to the President were even more explicit, issuing guidelines for noninflationary price and wage behaviour over the period from 1962 to 1966. The early 1960s saw the U.K. adopt this type of approach with the Government attempting to influence price and wage movements by setting the "normal" rates of pay increase (the "norm"). These occurred under various guises such as the "Guiding Light" and the "Statement of Intent".

The main problem with such measures is that they lack any effective enforcement mechanisms, relying predominantly on persuasion to convince the relevant economic agents that it is in their interests to comply. However, with general compliance to the suggested guidelines, it is in the interest of any individual not to comply, and once one individual bucks the system the importance of relativities is likely to lead to generalized flow-ons throughout the economy. Blackaby (1980, p.69) in fact, argues that the "norm" tends to be viewed as a minimum entitlement and thus only militates against relative pay flexibility without doing anything to restrain the momentum of inflation.

It could be argued, therefore, that this sort of voluntarist approach cannot succeed, and that legal forms of compulsion are required. One alternative has been to attempt to gain compliance by offering quid pro quos in the form of tax concessions if compliance is forthcoming. This has been a major element of income policies in many OECD countries during the 1970s (see Anderson and Turner 1981). Alternatively, increasing public expenditures on items within the "social wage" could be offered.

The main element in attempting to secure substantial compliance, however, must be in legitimizing the policy in the eyes of those most directly affected by its operation. This requires involving the recognized leaders of the major economic interest groups in agreeing on an appropriate policy for incomes such that a genuine consensus is achieved; a consensus which the parties to the agreement believe to be fair and equitable. That this can reduce inflation lies in the root cause of inflation - conflict. Such an approach is based on co-operation and trust and should therefore form a much sounder basis for wage and price restraint.

This type of long-run approach has formed the foundations of macroeconomic policy at times in many Western European countries since the 1950s. In countries such as Austria and Norway the "social contract" has been used as the principal vehicle of prices and incomes policy. In Austria, for example, the Joint Commission on Wages and Prices comprising representatives of the Chamber of Labour, the Chamber of Trade and Industry, the Chamber of Agriculture, the Federation of Trade Unions (OGB), and the government, though the government representatives have not used their votes since 1966 (Dean 1980, p.177), is the central link in the sozialpartnerschaft. By and large, its decisions have met with general compliance. An additional element of its operation has been that it has had a major impact on the determination of overall economic policy in Austria. In sum, it would seem that the major actors in the economic arena have been induced to accept the macroeconomic consequences of their bargaining activity and in return they have been given a role in formulating overall economic policy.

In West Germany, on the other hand, it is often asserted that there is no incomes policy. This undoubtedly is because of the lack of direct intervention by government in the bargaining process. Since 1967, however, a discussion forum was established between the government, the Central Bank, unions, employers, and the Council of Economic Experts described as "concerted action" (Addison 1981, p.227).

"The function of concerted action is to reach a consensus

on the future prospects of the economy ..." (Addison 1981, p.227).

Thus, while the concerted action process does not attempt to directly control the process whereby wages and prices are determined, it does provide and help develop the infrastructure and institutions wherein prices and wages are not determined without due consideration given to the general state of the economy.

The Prices and Incomes Accord

The Prices and Incomes Policy of the Hawke Government follows the tradition of European incomes policy by pinning its hopes on the achievement and maintenance of consensus. The policy-making process was based on one of co-operation rather than imposition, and moreover, it was concerned with controlling not just wages but prices, non-wage incomes, taxation and the "social wage". The policy first appeared in the guise of The Accord, which was struck between the Australian Labor Party (ALP) (shortly to win election to office) and the Australian Council of Trade Unions (ACTU). It thus could not in any sense be said to have been a genuine effort to reduce the conflict over the distribution of income because of the non-participation by employer representatives. An attempt to arrive at consensus between the major parties to conflict in society, however, was made not long after the victory of the Hawke Government in the form of the National Economic Summit Conference convened in April 1983.

Attended by representatives of government (at all levels), the major "peak" union body, the Australian Council of Trade Unions (ACTU), some sixteen major employer groups, eighteen of Australia's largest firms, and three major professional groups, the summit was to prove a real coup for the Hawke Government, with many of the principles outlined in The Accord achieving endorsement in the final communique to the Summit Conference (National Economic Summit Conference 1983, pp.196-200).

Consensus as a sustainable long-run objective

Towards the end of 1984 and into 1985 signs that The Accord was in trouble began to appear. Industrial conflict, which had been declining virtually non-stop since the end of 1982, began to intensify once again with lengthy strikes occurring across a broad spectrum of industries during the first half of 1985. Second, substantial earnings drift of between 2 and 4 percentage points, depending on how it is measured, emerged over the course of 1984 (see Dawkins and Blandy 1985). While it is difficult to break drift down into its constituent components, Dawkins and Blandy (1985) cite some anecdotal evidence which suggests that some unions have obtained wages in excess of that handed down by the Arbitration Commission (and thus gained outside the sphere of the Prices and Incomes Policy). Third, the ACTU has mounted a concentrated effort to extract improved levels of various non-wage benefits, in particular superannuation, on the grounds that these items were not explicitly mentioned in The Accord. Fourthly, the right-wing Queensland government of Mr Bjelke-Petersen has effectively renounced the underlying principles of The Accord by rejecting the use of consultation and co-operation as a method for resolution of the Queensland power dispute, instead preferring an open confrontation approach. All of these factors represent a challenge to the viability of The Accord as a consensus-based incomes policy.

Some theoretical considerations

A consensus agreement is much more likely to be achieved the fewer the number of parties to the bargain. While the participation at the National Economic Summit was certainly broad in terms of institutional representation, it is still the case that the number of participants were relatively few and this will mean that the distances between the negotiators and those they purport to represent will be great. If the negotiators to the bargain are going to be able to deliver on their commitments then this will require either:

- (a) the existence of mechanisms for the legal enforcement of compliance with the agreed-upon bargain; or

(b)the existence of and/or the creation of the infrastructure and institutions necessary to facilitate the internalization of wage and price behaviour by the major economic groups.

Resorting to compulsion, however, has already been ruled out because this promotes adversarial labour relations, leading to conflict and thus intensifying the struggle between competing claims on the available income. The question that thus remains is, does Australian society possess the necessary features conducive to achieving consensus without legal compulsion?

Following Olson (1982), what is needed is interest groups which are relatively large and encompassing organizations. Such organizations

"... will internalize much of the cost of ineffcient policies and accordingly have an incentive to redistribute incomes to themselves with the least possible social cost, and to give some weight to economic growth and to the interests of society as a whole"
(Olson 1982, p.9).

For such organizations, increasing the volume of national income available for redistribution is of vital importance.

On the other hand, in societies where there is a multitude of relatively small interest groups, each group stands to gain relatively little from accounting for the social costs of their action. The benefits from redistributing the volume of income at the expense of others, however, are likely to be substantially large. Olson denotes such interest groups as distributional coalitions.

Another implication of Olson's theory is that:

"Stable societies with unchanged boundaries tend to accumulate more collusions and organizations for collective action over time" (Olson 1982, p.41).

It takes time for unorganized interests to become organized, thus the longer a society has been in existence free of major political and economic disruptions the greater the number of distributional coalitions there are likely to be. This process is aggravated by the tendency for older coalitions to continue to survive "... even if the collective good they once provided is no longer needed" (Olson 1982, p.40). Thus over time societies tend to accumulate distributional coalitions.

Some hypotheses

The above discussion leads us to conclude that:

- (1)Consensus is more likely to be achieved where the major interest groups are large and encompassing; in particular labour unions and employer groups.
- (2)Consensus is much more likely to be achieved if the interests of the parties to decision-making are highly centralized. That is, centralized labour federations and centralized employer interests will be more conducive to consensus.
- (3)Where unions and employer groups are competing for members then the level of distributive conflict is likely to

- be higher, and this will militate against consensus.
- (4) The larger the time period over which stable democracy has existed without major political disruption the greater the likelihood of distributive conflict.

To the above we can also add the following:

- (5) Centralization of labour and employer interests is likely to be facilitated by collective bargaining which takes place at a national level, rather than at the plant level. Blyth (1979, p.75) notes a high correlation between highly centralized structures and the prevalence of national bargaining.
- (6) Highly centralized collective action is more likely to occur in societies which are highly homogeneous in terms of ethnic and racial make-up.
- (7) Centralization and thus consensus is more likely to be attained in small, open economies.
- (8) Societies where the political process is organized on a federated basis are more likely to accumulate distributional coalitions thus reducing the likelihood of attaining consensus.

Paloheimo (1984) has attempted to test a number of these hypotheses by applying a casual interpretation to bivariate correlations between a logarithmic transformation of the average annual days lost in labour disputes per 1000 workers over the period 1970-1979 (our proxy for the level of distributional conflict) and a number of variables designed to proxy inter-union competition, centralization of labour and employer federations, the level of wage bargaining, years of stable democracy with unchanged boundaries, and the extent of openness and size of the national economies, for 18 OECD countries (including Australia). The results indicate that the level of distributive struggle is highly correlated with the level of inter-union competition, the extent to which wage bargaining is decentralized, and the degree to which labour federations are decentralized. Support is also found for the hypothesis that democracies with a history of long stability tend to be characterized by relatively high levels of inter-union competition, and a low degree of labour federation centralization. Finally, a somewhat weaker connection was found between the degree of openness of an economy and the degree of product monopolisation, which Paloheimo (1984) suggests is highly correlated with the degree of centralization of employer organizations.

Implications for Australia

Australia, like the United Kingdom and the United States, is a pluralist society which typically lacks the necessary features for consensus to be easily attained, and more importantly, maintained over relatively long periods of time. This section of the paper will attempt to point out some of these missing features, and outline those institutions in Australian society which are not conducive to the maintenance of consensus.

Firstly, Australia is a culturally diverse society populated by descendants from races all over the globe. This serves to create economic groups which cut across other economic strata increasing the number of special interest groups in a society. Moreover, it inhibits the level of interaction within more broadly defined economic groupings. A measure of ethnic diversity can be found in Taylor and Hudson (1972) and is outlined for 18 major OECD medium or low consensus countries (following Paloheimo 1984), in column 2 of Table 1.

As can be seen, the ethnic diversity for Australia (0.32) is one of the highest in the sample, only being exceeded by Canada, Belgium, the United States, Switzerland, and New Zealand. This compares with the very ethnically homogeneous societies of Japan, Germany, Norway, Sweden, Austria and the Netherlands which all fall into the "strong consensus" bracket. Moreover, in recent years, with the influx of a large refugee population from South-East Asia, the degree of ethnic diversity must have increased substantially in Australia.

Secondly, Australia has been free of political upheaval and invasions, and thus the development of many interest coalitions has been facilitated. In column 3 of Table 1 we have dated the beginning period of stable democracy according to when universal male suffrage, voting by secret ballot, and responsible government were all present (following Hewitt 1977). We are interested in uninterrupted periods of social stability and thus following Paloheimo (1984) these dates have been adjusted according to the occurrence of invasions and war-time occupations.

Countries such as West Germany, Austria and Japan saw their old interest organizations destroyed during World War II. As a consequence new organizations and institutions had to be created. Moreover, the organizations that were created were more or less imposed in a way that was more in tune with the needs of post-war economic policy. Thus organizations appeared with relatively encompassing characters. In countries such as Britain, Australia, New Zealand and Switzerland a much more complex network of interest groups exists precisely because unorganized interests have had many years over which to organize.

Thirdly, while Australia is small in terms of population, in terms of geographical size we are large, which has tended to mesmerize discussion within this country, promoting the belief that we do not need to compete on world markets and that we should protect our own industries from the forces of international competition. Column 5, Table 1, shows that in 1980 the combined total of imports and exports in this country amounted to only 36 per cent of GDP which represents a level of international trade activity which exceeds only the USA and Japan, the two largest economies amongst eighteen. Given that openness is both a function of the level of trade activity and of the size of the economy, it is apparent that Australia is one of the least open economies (if not the least open) in the sample. Again this acts to promote the diffusion of interests. Because the forces of international competition are not so apparent, less need is felt for economic agents to combine to act in the overall interest of society. Moreover, organized interest groups exist who "... have an interest in blocking mutually advantageous trades ..." (Olson 1982, p.208).

Fourth, political and consequently much of economic decision-making is organized on a federated basis and this acts as a barrier to the development of encompassing organizations. Federalism is based on the assumption that society is not homogeneous, and that considerable socio-economic differences exist between different geographic regions. Moreover, the acceptance of the need for federalism implies that the degree of co-operation and trust between the various socio-economic groups in society is not sufficient to warrant unification. In essence, a federal system exists to protect certain configurations of interests which might have been swamped under a more centralised regime. It thus serves to encourage the development of narrow interest coalitions based on feelings of separateness and rivalry. Furthermore, such interest groups have a vested interest in defending the status quo and resisting the forces making for change, making it even more difficult for centralism to proceed.

This process has been compounded by the related development of industrial courts and tribunals at both the federal and state level, which act as arbitrators where labour-management disputes arise, and also set minimum wages and a vast range of other conditions of employment for most occupations. A legacy of this development has been the prevalence of a large number of trade unions, given the relatively small size of the Australian labour force, which brings us to our fifth feature, the decentralized nature of the union movement. Currently some 319 trade unions operate in Australia, the majority of which are very small and operate in only one state. Indeed some 234 unions account for only 8 per cent of the total union membership, representing an average size of only 1000 persons (ABS 1984a). Rawson (1978, p.54) has argued that the arbitration system has acted to encourage the growth of many small unions by effectively providing a protective umbrella under which to operate. This is largely facilitated by the institutionalized practice whereby the terms of one award generally flow on to the other unions' awards, irrespective of the degree of bargaining influence. Thus the unions with greatest bargaining power have used the arbitration system as a vehicle for registering, and guaranteeing, those agreements reached via private bargaining. The gains these unions have made have then been obtained by many smaller unions through the intervention of the courts in permitting flow-ons. While it can be

argued that the importance of wage relativities is likely to have led to such flow-ons occurring eventually in any case, it would be doubtful that the myriad of small weak unions could have survived for so long without the protection of the arbitration system.

However, amongst the countries that have been classed as "strong consensus" countries are a number with a great many small unions. Norway, which Carew (1976, p.51) identifies as the Scandinavian country with the most centralized labour movement, has approximately 140 unions, while the Netherlands has some 440 unions (Windmuller 1981, p.416). More striking is Japan with its 34,000 enterprise unions (OECD 1979, p.93).¹ Windmuller (1989) argues that a more appropriate indicator of union centralization is the number of unions affiliated to the major central labour federations. In Norway and the Netherlands, for example, approximately 150 and 400 unions respectively are small, independent organizations without federated ties, and are therefore extremely weak. Thus if we turn to column 6 of Table 1 we see that the "strong consensus" countries typically have relatively few, but very large, unions, affiliated to the major central labour federations, and these unions account for from 71 per cent of the total union membership (in the case of Norway) to 100 per cent of the union membership (in the case of Austria) (Windmuller 1981, p.47). While the ACTU purports to represent between 75 and 80 per cent of all union members in Australia, the interests of these unionists are spread between 157 different unions (ABS 1984b) and this large number is conducive to the development of factionalism.

Dabscheck (1983, p.404) makes the point that it is the union affiliates to the ACTU who define the functions and activities that the ACTU will pursue. Historically, these affiliates have regarded each other with suspicion, as reflected in the on-going debate over the composition of the ACTU executive. Such factionalism has resulted in affiliates from both the left and right being reluctant to release their grip on the ACTU purse strings, lest the ACTU leads them where they do not want to go. The consecutive nature of the union movement has thus kept the ACTU at a minimum level of funding which severely limits the human and material resources which the ACTU has at its disposal. This operates as a major restraint on the ability of the ACTU to both sell to its affiliates the need to co-operate with a national incomes policy, and to monitor the extent to which their affiliates stay within the agreed upon guidelines.

Some of these influences have been included in indicators of union centralization by Headey (1970). The indicators he uses are:

- (a) the degree of power the national labour federation have in intervening in the bargaining process;
- (b) the amount of control such federations have over the volume of strike funds;
- (c) the number of staff members the federation has per 100,000 members; and
- (d) the amount of dues it collects from each member.

Columns 7 to 11 in Table 1 illustrate the variables used by Headey with some additional information provided by Wilensky (1976). In addition, the figures in brackets attempt to recode some of the variables so as to account for noticeable changes that have occurred in the degree of labour union centralization. As Table 1 shows, the only area in which the ACTU has been accorded any large measure of influence has been in the area of wage bargaining, and certainly one objective of The Accord is to increase this degree of influence. (That is move Australia from the value 1 to 2 in column 7.) But does the ACTU have the strength to prevent unions from acting in their own interest and benefiting from the restraint exercised by other unions? The greater the number of organizations that follow the guidelines laid down in The Accord, the greater the incentive for any small group of individuals to renege upon the arrangement. However, very few unions in this country have the bargaining power to obtain concessions outside of those gained on their behalf by the ACTU or State Labour Councils via the arbitration system. Thus the problem devolves to one of constraining a few key, usually militant, unions, such as the Builders Labourers' Federation. Clearly some of these unions are inevitably going to challenge the system when their bargaining power comes to exceed that which is exercised within an incomes policy, by resorting to the loopholes that

will exist in any consensus policy. Thus, in the communique to the National Economic Summit Conference it was stated that "... a suppression of sectional claims is essential except in special or extraordinary circumstances ..." (National Economic Summit Conference 1983, p.197). Any consensus-based incomes policy must then come to expect some amount of wage drift to occur due to sectional claims, and indeed such drift has been a feature of wage patterns in a number of countries where consensus forms the cornerstone of economic policy, such as Austria and Norway. Indeed, this does not have to really threaten the basis of the incomes policy, if other labour groups can accept shifts in relativities in the short-run. If relativities are not permitted to be disturbed, not even temporarily, then consensus-based incomes policies are likely to break down.

Of the areas listed by Headey, the ACTU obtains low scores in every case. The ACTU has absolutely no control over the strike funds of individual unions in contrast to Austria where the OGB controls 100 per cent of the strike funds. Currently there are some 38 staff members at ACTU headquarters, which when distributed amongst approximately 2.3 million members, amount to little more than 1.5 staff members for every 100,000 union members.

On the subject of dues, the ACTU in 1982 was only collecting 60c per member (Rawson 1982, pp.119-20), while as long ago as 1970 the OGB in Austria were receiving up to 1.5 per cent of a workers' gross wage per annum. In sum, the effective authority and power that the ACTU is able to wield to uphold its end of The Accord would seem limited.

An even more important obstacle is the way in which unions are organised in this country. Because unionism is based on occupational groupings, unions typically draw their membership from across many industries, and thus within any single enterprise one can expect to find several trade unions representing the interests of the employees. This leads to competition between the unions for the available members. The need to compete for members ensures that each union will attempt to at least maintain a level of wages and conditions of employment that will ensure inter union relativities are preserved. As a consequence, the emergence of wage claims outside The Accord is likely to be followed by competitive claims elsewhere to restore relativities. Occupational based unionism thus militates against short-run pay flexibility which is necessary if consensus-based incomes policy is going to have any chance of success.

As can be seen from column 12 of Table 1, all of the "strong economic consensus" countries have a union structure where unions are not in direct competition with each other, and indeed in several multivariate regressions Paloheimo (1984) finds this to be the most significant explanator of cross-national differences in the level of industrial disputation.

In these "strong economic consensus" countries, unions are organised along industry lines, which is conducive to the development of harmonious labour-management relations, especially where the major issues of conflict, in particular wages, can be removed from the plant level. In Europe this has been achieved by determining wages on a national or industry-wide basis. Other aspects of the labour relationship have then been determined, or rather co-determined, at a more decentralised level. Basically, co-determination emphasises the exchange of views and ideas between management and workers aimed at improving the quality of working life and productivity. For such co-operative labour relations to emerge, however, requires as a prerequisite the absence of adversarial relationships within the workforce itself.

Leaving unions, it is now time to give some attention to the other side of the coin, organised employer groups. Not surprisingly, the rise of organised labour in Australia promoted the counter growth of employers' associations, and over time the machinery of compulsory arbitration helped to facilitate the emergence of diverse and numerous employer interest organisations. This for two reasons. First, the arbitration system was seen as a vital defence against the excesses of union power and second,

"..., once established, employers' associations like most other associations, developed a vested interest in their continued survival and growth and gain in expanding

industrial regulation an assurance in their own security and development" (Ford, *et.al.* 1980, p.225).

Consequently in 1983 there were 464 employer bodies registered under Commonwealth or State legislation (ABS 1984b). These registration lists, however, are not a very accurate indicator, and according to Plowman (1980) substantially underestimate the actual number - in excess of 700. One source however puts the number of employer groupings at around 2000 (see Dobson 1982, p.116).

Now, an important element in a consensus-based incomes policy must be an agreement on the part of employers that they restrain the dividends component of profits, and that they will not attempt to escape the effects of the incomes policy by raising prices and by transferring capital (see Isaac 1972, p.143). The relative weakness of employer groups in this country therefore, represents what is probably an even greater hurdle for consensus-based incomes policy than the lack of cohesion on the part of the union movement.

"The dichotomy between the trade and industrial activities of associations and their members helps account, in part, for the proliferation of employer associations. Thus, while on the industrial front much lip service is given to the need for solidarity against trade unions, on the trade front divisiveness is a logical outcome between factions which may regard the activities of other employer groups as more threatening than trade union activities. Small shopkeepers will be fearful of departmental stores, retailers of wholesalers, wholesalers of manufacturers, manufacturers of importers. What is gained by one group is often at the expense (at least in the short term) of the other" (Plowman 1980, p.262).

Furthermore, even within associations competition exists. This is hardly surprising given that the fellow members are likely to be competing with each other in the market place. In general, employers reserve the right to act as they see fit, expecting their associations to merely represent and advise them.

These elements of competition also continue to manifest themselves at the national level where the peak councils attempt to co-ordinate the interests of their respective affiliated employer associations. In general the individual associations have maintained their right to pursue their own policies.

Despite this, a centralization of employer power has occurred over the last decade. Recession and other factors making for rationalization, the growth in the influence of the ACTU, and the operation of the arbitration system, particularly the move to a centralized wages policy in 1975, have all acted to encourage this centralization of authority. The creation of the Confederation of Australian Industry (CAI) in 1977 effectively merged most of the major umbrella organizations in the country at the time. However, by 1982 only forty associations were affiliated (Dobson 1982, p.155). Since then a number of affiliates have resigned largely because the CAI "... failed to achieve the national prestige and political clout ... that in theory it should have" (Dobson 1982, p.115), especially given the affiliation fees involved. Moreover a number of the larger manufacturing organisations claimed that their own lobbying power declined considerably in the wake of the creation of the CAI. Finally in 1983, the influence of the CAI was greatly undermined by the creation of the Business Council of Australia (BCA), representing large individual companies. The BCA has placed a large emphasis on the well researched and intelligent presentation of issues affecting business and has become more and more influential within industry and government circles.

To sum up, there seems to be little sign that employers and employer groups see any great incentive from engaging in collective action. Their main concerns are with their own economic well-being and because their interests are so narrow, social costs are not likely to be a major consideration affecting their behaviour.

This was to be expected given the relative lack of centralisation on the part of the union movement. As Wilensky (1976, p.24) notes "... there is usually an interaction between the centralization of unions and their federations and the centralization of employer federations ... they try to match each other expert for expert, brief for brief ...". Thus some approaches were made towards centralization of employer interests in order to match the growing power of the ACTU, however, the process did not proceed to anywhere near the point where interests were encompassed on a massive scale because there was no need. In contrast, countries such as Sweden and Germany are characterized by large, very encompassing employer associations, which are the major agents on the employer side in negotiating collective agreements.

Conclusions

The overwhelming conclusion that arises out of the preceding discussion is that The Accord cannot be sustained. Consensus-based incomes policies, it was argued, involve creating an environment whereby the main economic agents internalize the effects of their wage and price behaviour on the rest of the economy. The success of such policies however, requires a society where narrow interest coalitions are not dominant. This is facilitated where:

- (a) the population is homogeneous in terms of its cultural background;
- (b) the economy is relatively open to the forces of international competition;
- (c) the interests of the main economic agents, in particular labour unions and employers, are highly centralized; and
- (d) the degree of competition between parties within the major economic groups is low.

In turn the existence of highly fragmented interest organizations can be inhibited by major political upheavals and disruptions. Such events can lead to the destruction of the many old collusions of interests which had accumulated over the previous period of stability, and moreover, facilitate the creation of interest organizations which are more encompassing and which are more in tune with the needs of modern political and economic decision-making.

The importance of each of the above factors varies across societies. In Australia however, the accumulation of special interest organizations has been promoted by our relatively long history of political and economic stability, by our diverse multicultural background, and by our protectionist attitudes towards competition. Furthermore, the major economic groups in our society, unions and employers, are not highly centralized; the respective organizing federations lacking the cohesion and resources to wield any effective authority over their affiliates. Finally, within these groups competition is rife. The occupational-based structure of unionism in particular, militates against the sharing of objectives within the union movement itself, let alone with other groups in society.

In contrast, most of the countries identified as having a high degree of consensus were relatively small and homogeneous, the degree of inter-union competition was low, and the interests of unions and employers were highly centralized. There were exceptions to this pattern, Japan being the most notable. Consensus in Japan, however, was facilitated by the emergence of an industrial relations framework after the war which stressed the need for co-operation between labour and capital, which placed great importance on long-term attachments between employee and employer, and which organized unions in such a way that inter-union conflict was non-existent. As a consequence the interests of the firm and the worker were tied closely together and as Paloheimo (1984, p.22) notes, this makes for the development of interest organizations which, while small relative to the total economy, are encompassing in relation to a particular firm or industry.

Moreover, Shimada (1983) has argued that the role centralization plays in improving communication between economic agents and information flows in the corporatist societies of Western Europe has been filled by:

"... a complex structure of information channels ... centering most intensively around unions in metal industries, among employers also relatively more intensively around major companies in metal-related industries, and interactive routes of communication were developed involving peak organisations of labour, capital and the government ..."
(Shimada 1983, p.197).

In practice, this system of information-sharing is typified by the synchronised wage determination procedure, known as *shunto*, which has been able to suppress inflation by the interacting and sharing of information between the organised actors during the period of the wage round. In sum Japan has made use of corporatist type solutions to help resolve the macroeconomic problem without recourse to the formal corporatist arrangements.

Inextricably bound up with the above however, has been the high rates of productivity and output growth enjoyed in Japan. so far in this paper we have adhered to the view that the fundamental cause of inflation is unresolved distributional conflict. Now I would like to supplement this with the idea that human behaviour is heavily influenced by a basic desire for the acquisition of goods and services, and the level of conflict that emerges in society will tend to depend on the level of aspirations of members of society and the extent to which such aspirations are frustrated (see Panic 1978). Economists have a related hypothesis denoted the real-wage hypothesis which states that inflation arises out of endeavours by labour to obtain a certain path of real wages to which they aspire. On these theories the greater the capacity of an economy to meet the aspirations of its population, the lower will be the resultant inflation.

The objective of consensus-based incomes policies is basically to persuade the principal economic groups to agree on the "fair" distribution of income in order to prevent the conflict surrounding the struggle for the available income from emerging. Such policies are superfluous, however, if productivity and output growth is great enough to diffuse the attention given to questions of income redistribution.

In Australia, where none of the key features necessary for the success of a consensus-based approach to the macroeconomic problem are evident, government energies would be more usefully diverted into devising instruments and policies for ensuring that economic growth rates are sufficient to enable the economy to meet the real wage aspirations of its workforce. This would leave incomes policies to play a short-run role of attempting to carry the economy, as best it can, through those periods where economic growth falls to inadequate levels.

NOTES

1. Enterprise unions in Japan, however, are generally affiliated to larger industrial unions (TANSANs), and thus in one sense are equivalent to the plant branches of industry unions found in most of Western Europe.

Table 1: Some Determinants of Consensus, 18 OECD Countries

	Working days lost per 1000 employees 1962-1981	Ethnic diversity ^a	Beginning date of most recent period of stable democracy ^b	Population (millions) -1980	Exports plus imports as a % of GDP -1980	No. of labour unions affiliated to major labour federations ^c	Centralization of Labour Federations ^f					Inter-union competition ^h
							Influence over collective bargaining	Control of strike funds	Staff/100,000 members	Amount of dues collected	Total score ^g	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<u>Countries with 'strong economic consensus'</u>												
Austria	27	.13	1955	7.5	80	16	2	2	1	2	7	1
Fed. Rep. of Germany	47	.03	1949	61.6	54	17	0(2)	0	0(1)	1	1(4)	1
Japan	113	.01	1952	116.8	29		0	0	0	0	0	1
Netherlands	25	.10	1945	14.1	106	37	2	1	2	2	7	1
Norway	43	.04	1945	4.1	89	34	2	1	1	2	6	1
Sweden	91	.08	1917	8.3	62	49	2	1	1	2	6	1
Switzerland	3	.50	1872	6.4	77		1	0	0	0	1	1
<u>Countries with 'medium economic consensus'</u>												
Belgium	188	.55	1945	9.9	123	31	1	2	1	2	6	1
Denmark	162	.04	1945	5.1	67	74	1	0	0	2	3	1
France	195	.26	1945	53.7	46	103 ^e	0	0	1	0	1	2
New Zealand	205	.37	1879	3.1	59	302 ^d	0	0	0	0	0	2
<u>Countries with 'weak economic consensus'</u>												
Australia	497	.32	1892	14.6	36	157	1	0	0	0	1	2
Canada	765	.75	1898	23.9	57	214	0	0	0	0	0	2
Finland	444	.16	1917	4.8	69		1	1	2	1	5	2
Ireland	695	.04	1923	3.4	121		0(2)	0	0(1)	0	0(3)	2
Italy	1347	.04	1945	57.0	53	114 ^e	0	0	0	0	0	2
United Kingdom	386	.32	1924	55.9	54	115	0	0	0	0	0	2
United States	474	.50	1904	227.7	21	108	0	0	0	0	0	2

TABLE 1 (cont.)

Sources

Column 1:	Creigh and Poland (1983)
Column 2:	Taylor and Hudson (1972, pp.271-74)
Column 3:	Derived from Paloheimo (1984)
Column 4:	United Nations (1983b)
Column 5:	United Nations (1983a)
Column 6:	For Austria, Canada, Germany, Japan, New Zealand and Sweden - OECD (1979) For Australia - ABS (1984a) For Netherlands, Norway, United Kingdom and United States - Windmuller (1981) For France and Italy - Carew (1976).
Columns 7 to 11:	Headey (1970), Wilensky (1976) and Paloheimo 1984)
Column 12:	Paloheimo (1984)

Notes

- a. Data applies to the period 1960-655.
- b. The definition can be found in the text.
- c. These numbers relate to different years depending on the source. In general where the source is Windmuller (1981) or OECD (1979) they relate to the 1977-78 period. Figures from Carew (1976) probably relate to the 1974-75 period, while figures for Australia are for 1983. Note that these numbers are only rough approximations in some cases, and that it is difficult to compare union structures between some of the countries because of the very different ways in which unions are organised.
- d. The total number of unions includes only registered unions, while amongst the unions affiliated to the major union federation are some unregistered unions.
- e. The unions included here are industrial or regional unions which represent the interests of local branches or local unions.
- f. Figures in brackets are recoded values to account for changes that have occurred since the original assessment by Headey (1970). The key to the coding is as follows:

0 = low level of centralization
1 = medium level of centralization
2 = high level of centralization
- g. Sum of columns 7 to 10.
- h. Key to column 12:

1 = weak competition for members between different unions.
2 = high competition for members between different unions.

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