

# GOVERNMENT 'INTERVENTION'

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Language is a secret weapon in the conflict over competing claims to social resources (or class struggle for short). No better indication of this is to be found than in the attention given by U.S. public relations propagandists since World War II to development of a favourable image for the American corporate sector.<sup>1</sup> The label 'capitalism' was a major casualty. The word, like the system it accurately described, had received a lot of bad press through the age of the robber barons and during the 1930s depression. Considerable time and money was devoted to creation of a more palatable substitute, and the replacement labels 'free enterprise' or 'private enterprise' have now successfully entered the public consciousness. 'Industrialisation' is another popular substitute.

Another casualty has been the language of class. The chairman of the Steamship Owners' Association saw the great strikes of 1890 in these terms:

All the owners throughout Australia have signed a bond to stand by one another... They are a combined and compact body, and I believe that never before has such an opportunity to test the relative strength of labour and capital arisen.<sup>2</sup>

'Labour' and 'capital' have since been replaced by 'employees' and 'employers' or 'management', at least for the purposes of public consumption. Generations raised in the period since World War II have come to interpret words like 'capitalism', 'labour' and 'capital' as both pejorative and inflammatory. These are 'value-laden' words and are preferably not used in respectable company. The most lenient interpretation is that these words were fitting description for a system that has now passed on, but are now inappropriate for a system of management-run corporations, white collar workers and the consensual resolution of industrial conflict.

Language that is used by, say, the Chinese Communists to generate and sustain a popular idiom is seen as being utterly ludicrous. Yet the local equivalent is unquestioned as involving value-free definitions with genuine substance. Thus economic 'development' refers to the extension of the capitalist mode of production into non-capitalist spheres; economic 'growth' refers to the accumulation of capital and the expansion of commodity exchange; technical 'progress' refers to transformations which often involve a degradation of the labour crafts; and so on.

In the context of the post-1974 global economic crisis, another label has achieved prominence in the popular vocabulary of economics. The word is 'intervention' and it is typically prefaced by 'government'. Thus 'government intervention' is a major object of enquiry as to the causes of the post 1974 economic crisis and of its persistence. One example of many comes from the Liberal Party's October 1983 electoral platform in the wake

of its loss of office in March 1983. In the words of the reporter to the conference:

[The Liberal Party] would be committed to the creation of wealth and enhancing the prosperity of the whole nation without [tolerating] stifling government intervention.

In the words of Andrew Peacock:

Under a Liberal government, government intervention in the economy will be limited to the bare minimum needed to ensure the efficient operation of free market forces which determine the allocation of rewards in our society.<sup>3</sup>

'Government intervention' is contemporary orthodox language for the presence of the State in the capitalist economy. The label has powerful connotations - there is the tacit presumption that the State is, in some sense, 'outside' the economic sphere; that the State's role in the economic sphere is 'unnatural'; and that the workings of the economic sphere have been 'distorted' by the State's role.

Loaded language here substitutes for argument. The most significant tacit implication of the label's usage is that the natural structure of the economic sphere is that of a system of 'free market forces'. An even more deeply embedded presumption is that a system of free market forces works towards the public interest. The connection is now treated in an elusive manner in respectable orthodox economic theory, professional economists having backed off from the certainties of the turn of the century, when they still talked with some assurance of people's happiness and the means to its achievement through the competitive market mechanism. Still, preoccupation of professional economists with 'market forces' means that the argument, while more sophisticated and more qualified, is nevertheless just as strident in its

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Income up  
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**SUCCESS**

**I**NFORMATION Technology in Australia, the major study commissioned by the Federal Government, recommends a broad range of programs designed to bolster Australia's involvement in the important areas of computer-related high technology industries.

The report, a three-volume set, recommends that the Government and private enterprise should invest at least \$170 million over the next five years to boost Australia's information technology industry.

\$170m mooted  
for industry

**DEREGULATION  
BOUNDARIES  
SHOULD BE  
WIDENED**

**FOR**

ideological force. The qualifications appear to be absent at the more popular level - an explicit connection between unhampered market forces and the public interest rolls glibly from the lips of (right-wing) libertarian politicians.

It is in this context that an academic with some pretensions to respectability can write seriously of the State's role as that of "... the bureaucratisation of market forces".<sup>4</sup> It is also in this context that 'deregulation' is a natural policy response to the ideological implications of 'intervention' - the role of the State as unnatural and distorting. There has been a veritable clamour for 'deregulation', a pressure from which the Hawke government has obviously not felt immune.<sup>5</sup>



This story of the role of the State, is of course, inaccurate. There is no such thing as a pure economic system of free market forces, there never has been in the past and there could not be in the future.

The State has been integral in the creation of capitalism. The heyday of British capitalism, the long boom from the late 1840s to the mid 1870s, was the presumed pinnacle of *laissez-faire*. Yet it was premised domestically on the long-term transformation of the British State to serve 'bourgeois' interests, and internationally on the colonising activities and naval power of the British State.<sup>6</sup> There has been a close historical association between the proponents and beneficiaries of free trade and the possession of military might. In nineteenth century Germany and Japan, the development of the capitalist mode of production was not merely dependent on the State; rather, capitalism was a vehicle for the stability of the State and the integrity of the nation. U.S. capitalism was vitally dependent both upon the State-secured revolution against Britain and the victory of the North in the intra-State civil war. Again, the State's role was vital in the development of capitalism in Australia, for example, in the control of the location and character of settlement and in the provision of infrastructure.

The State has been integral in providing the conditions for the continuing success of capitalism. Capitalist competition (so-called 'market forces') has required perennial State assistance - in the form of subsidies

or rationalisation measures, especially in times of crisis. Again, it is probably at the international level that the State's integral role has been most visible - tariffs, export subsidies, cartellisation support, not to mention gunboat diplomacy (brilliantly manifest in the nineteenth century partitions of China and Africa).

Finally, the State has been integral in the absorption and processing of claims from the victims of capitalist competition against its adverse effects. State-directed social security measures, factory legislation, public amenities, etc. form part of the so-called legitimation of the organisation of society along capitalist lines.

Thus the State has been integral in the creation of capitalism, in providing the conditions for its continuity by supporting profit generation, and in providing the conditions for the system's legitimacy. Capitalism without the nation State (especially that of the super powers) is like a body without its skeleton. The so-called market mechanism does not have a backbone of its own. Capitalist competition was preceded by "bureaucratisation" and it, in turn, produces bureaucratisation. Although the State's integral role has been pointed out many times, this does not appear to have made a significant impact on the still dominant vision of a purist version of the 'market mechanism'. Thus late nineteenth century Australia has been labelled as 'colonial socialism'<sup>7</sup> because this dominant vision cannot be reconciled with detailed inquiry into Australian economic history. If capitalism is synonymous with market forces then the evidence on the major role of the State must indicate some form of socialism.

Given this distorted image, how is it possible for the calls for 'deregulation' to be taken seriously? In all probability, the proponents do not form a monolithic group. Some are genuinely convinced of the accuracy of the image - they have swallowed the implications of their own language. The bulk of this sub-group, I believe are 'arrives' to privilege and status - many are in academic positions, but there are significant representatives in conservative political parties - for example, David Stockman in the Reagan administration, and Keith Joseph and Margaret Thatcher herself in Britain. Other proponents push deregulation in a more self-interested manner. This is particularly true of peak business organisations, such as the Australian Industrial Development Association.<sup>8</sup> For such groups, deregulation proposals are necessarily selective, arraigned merely against measures which inhibit corporate flexibility



and measures which impose claims on public expenditure with no direct benefits to the members of such organisations.

Thus governments which are formally committed to reducing 'intervention' across the board are engaged, in practice, in a restructuring of the State's role. Regulations are removed selectively (e.g. the Prices Justification Tribunal), welfare measures are reduced (e.g. public housing, government schooling, women's refuges, etc.), but industry assistance is enhanced.<sup>9</sup> In this context, a persistence with the concept of 'intervention' involves a calculated act of public deception. Behind the language, peak business organisations and conservative parties share with Marxist intellectuals a belief in the structural impossibility of taking the government 'out' of private enterprise.

One should refrain, however, from pre-judging all calls for a reduction in the State's role as inequalitarian in their impact. Most of the proponents of small government and deregulation are business groups and right-wing ideologues, but individuals of other persuasions might find themselves in agreement with the possibility that particular sections of the State are unproductive. Various bureaucracies in charge of aboriginal affairs, for example, have not adequately served the interests of the aboriginal people. In a quite different sphere, restrictions previously tolerated in the stock-broking industry amounted to the right to generate surplus profits. Calls for deregulation, regardless of their origin, need to be examined individually and judged on their merits. Moreover, self-interested calls for deregulation may not always work out as the proponents intended, due to the fluidity of the political process. Thus, the Australian trading banks have lobbied for the elimination of regulations on their operations (such as interest rate controls); yet the Federal Treasurer, Paul Keating, in observing the partisan character of this lobbying, has responded by creating conditions which expose the trading banks to greater competition from other financial institutions. Keating's response has, in turn, to be examined on its merits.

Paradoxically, however, there is a sense in which the term 'intervention' is meaningful. This is in reference to acts which are conscious, strategic and designed to effect a transformation of the existing polity. A different perspective is available from this interpretation. Firstly, much of the State's role, indeed the bulk, cannot be automatically so classified as 'intervention' - it is an integral part of the existing politico-economic structure. Elements of this role may be the result of decisive interventions in the past, but are now institutionalised. Such, for example, is the nature of the Reserve Bank in Australia, as an institutionalised instrument of monetary policy. The state-owned railways in Australia provide a similar example.

Secondly, institutions other than the State engage in acts of strategic intervention - in particular, corporations and corporate sector groupings. Recent moves by GMH can be interpreted in this way - constituted by a series of assertive acts of rationalisation that include the closure of the Pagewood plant in NSW, and the replacement of Australian-manufactured engines by imported Nissan-built engines. At the more comprehensive level, corporate groupings have engaged in systematic activities of strategy coordination, lobbying, propaganda, etc., as a means of altering their public



image, their benefit from the State, and their balance of power with labour. The most striking examples of this type are provided by U.S. organisations like the National Civic Federation (a reformist organisation, active before World War I) and the National Association of Manufacturers (hard-line conservative). As indicated above, the very language which structures our thinking is an object of such interventions.

In addition, loose groupings have waxed and waned providing coalitions for social intervention, especially in periods of perceived crisis. Scores of welfare organisations have arisen in times of genuine destitution of working class communities. Another example in a strongly contrasting milieu is the formation, by a number of businessmen and army personnel in 1920s Australia, of secret militia that would serve as a counter-revolutionary force against a suspected bolshevik-type insurgency.<sup>10</sup>

Moreover, labour has engaged in strategic intervention, fundamentally as a means of offsetting what it perceives as its structured subordination in capitalist society. The two most significant forms of intervention have been the formation of collective organisations in the workplace (unions) and the creation of working class-based political parties.

In the present context, it is worthwhile elaborating on the character of a genuine intervention by the State. To repeat, we are concerned with strategic acts by which the State attempts to transform, sometimes dramatically, the inherited politico-economic structure. Of course, 'the State' comprises

a number of distinct instrumentalities - parliament, the bureaucracies, the judiciary, etc. All of these institutions may be variously the instigator and subject of strategic intervention, though popular wisdom vests in parliament the greatest legitimacy for the instigation of change.

In Australia, the Curtin/Chifley years stand out as a good example of parliamentary intervention in a progressive direction; so also do certain elements of the Whitlam program, such as the sheer breadth of the welfare measures enacted and the attempted creation of the Petroleum and Minerals Authority under Rex Connor. Interventions, however, may also be of a (literally) reactionary character. The systematic attack on labour by Labor Nationalist governments under Billy Hughes after 1915 provide one example. More recently the years of the Fraser government yielded many examples: the 'Razor Gang' Report; cuts in the social wage; the undermining of wage indexation, etc.



There is an important lesson in the Fraser program. Governments that are characterised ideologically as opposed to 'intervention' are in fact aggressively interventionist. For example, selective deregulation is an aggressive act of intervention. From this perspective, the Thatcher government must be seen as one of the most interventionist

governments in post-war history. In quantitative terms, the Reagan administration's commitment to military buildup provides an excellent example of strategic intervention.

In general, by viewing the label 'intervention' in this different light we are exposed to a substantial transformation in the way in which we interpret capitalist development and the State's role. The concept of a self-contained free market mechanism with links to an external detached State is an unreal idealist construction. The capitalist State develops symbiotically with the development of capitalism. If any metaphor is apt, the State's involvement is one of chemical fusion rather than one of mechanical linkages.

At least three implications follow from this. Firstly, one must attempt to comprehend government behaviour not in terms of the operation of some detached 'collective will' that might be rational or irrational depending on one's own ideological position, but in terms of the end product of centuries of political struggle directed by the ebb and flow of the balance of forces. Secondly, one can more readily appreciate the differences in government behaviour across capitalist countries as reflecting the specific balance of forces behind each country's development. Finally, the calls and actions towards so-called small government and deregulation are not moves against a generalised government presence; they are rather class-interested interventions in their own right, and demand to be met both by critical counter-propaganda and counter-interventions of a progressive

nature. The issue is not one of market economy versus government intervention, but one of reactionary intervention versus progressive intervention in which various instrumentalities of the State constitute an important arena of conflict and struggle.

#### FOOTNOTES

1. Alex Carey, "Social Science, Propaganda and Democracy", in P. Boreham & G. Dow, Work and Inequality, Vol. 2, Macmillan, 1980.
2. Quoted in Ian Turner, In Union is Strength, Nelson, 1976, p.40.
3. Ian Perkin, "Libs Promise Less Tax, Small Government", The Australian, 3 October, 1983.
4. Michael G. Porter, "The Australian Monetary System in the 1970s - a brief survey", in Porter (ed.), The Australian Monetary System in the 1970s, Faculty of Economics and Politics, Monash University, 1978.
5. See, for example, John Hewson, "Deregulation Boundaries should be Widened", Business Review Weekly, August 18-24, 1984. More generally, see Gavan Butler, "The Limits to De-Regulation" Journal of Australian Political Economy, 11, January 1982.
6. On the development of a favourable legal structure for capitalist development see, for example, Michael Tigar & Madeleine Levy, Law and the Rise of Capitalism, Monthly Review Press, 1977, esp. Part IV & V; on the significance of British colonialism see, for example, E.J. Hobsbawm, Industry and Empire, Penguin, 1969, p.49.
7. See N.G. Butlin, et.al., Government and Capitalism: Public and Private Choice in Twentieth Century Australia, Allen & Unwin, 1982.
8. See Butler, op.cit..
9. Some empirical detail on the priorities of the Fraser government are provided in Evan Jones, "Monetarism in Practice", Australian Quarterly, 55, 4, Summer 1983.
10. See Andrew Moore, "Guns across the Yarra: Secret armies and the 1923 Melbourne police strike", in Sydney Labour History Group (ed.), What Rough Beast? The State and Social Order in Australian History, Allen & Unwin, 1982.



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