THE AUSTRALIAN CRISIS FROM BOOM TO BUST

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> ...the pattern of the economy emerging in these winter months will have an all-too-familiar ring of hopelessness. The sag this winter will make four years now of short-lived start-ups, which have aborted early and sagged back to the bottom of the business cycle. (Syntec, June 1977[1])

> Australian manufacturing industry is in acute financial crisis. Unemployment is high. Factories are running below capacity. Many firms have borrowed to the hilt, with capacity under trust deeds and credit standing eroded...In part, manufacturing's problems are manifestations of the world economic crisis in which all countries, including Australia, are enmeshed. But, in Australian manufacturing, there is a deep-seated and long-standing malaise. That malaise has sharpened the impact on industry of the current economic crisis. When it passes, the malaise of manufacturing will still be there. (Jackson Report[2])

I. INTRODUCTION

The period from 1969 to the present has been a major turning point in Australia's economic and political history. After twenty-five years of boom conditions, the Australian economy has experienced rampant inflation, accelerating unemployment and a deep economic recession, combining to produce the most serious economic crisis in Australian capitalism since the Great Depression. At the same time, Australia has seen the end of twenty-three years of Liberal-Country Party government with the election of the Australian Labor Party in December 1972, the A.L.P.'s re-election in May 1974, and its final defeat after the dramatic coup of 11 November 1975. Since then, the Fraser government has taken over the reins of administration of the Australian state and has implemented one of the most vicious attacks on the Australian working class and minority and underprivleged groups since the 1930's.

The major manifestation of the crisis has been the record post-war unemployment, which rapidly increased from 1.1% in 1969 to the present record figure of well over 5% of the work force.[3] This contrasts with the post-war boom conditions when the rate of unemployed averaged about 1.5%. Concurrently, the period has seen inflation accelerate from under 3% in 1969 to a peak of 17.6% in 1974-75, and currently running around 14%. Again, this compared with a post-war boom average rate of inflation of about 3%. Productivity, investment and output have fluctuated, and, since 1974, have been at extraordinarily low levels. Furthermore, the latest figures point to a further decline in real output and investment in the coming years, as well as increased unemployment.[4]

The developments of the 1970's have marked the end of the post-war boom and Australian capitalism is now caught not only in a cyclical but in a profound

structural crisis. This crisis has shattered the illusions of bourgeois economists that Keynesian economics had once and for all placed economic crises into the history books. Blinded by twenty-five years of near-continuous boom, bourgeois theorists came to the belief that the age of prosperity and full employment had been finally and permanently reached and that the role of economists was to use Keynesian techniques of demand management to steer the Australian economy along a steady path. But what the theorists had failed to understand was that the prosperity of the Australian economy during the post-war boom was the product of a unique combination of international and national economic forces. Solely concerned with studying day to day economic phenomena, economists were totally oblivious to the historical and international context in which the boom was taking place, and, therefore, could not see that the laws of motion of capitalism were at work undermining the very prosperity that had been achieved. Just as the economic boom of the 1830's and the long boom from 1860 to 1890 had seen economic collapse in their wake, so, too, did the post-war boom herald recession, stagnation and unemployment.

Bourgeois economics has reacted to the crisis with a proliferation of new theories. Some argue that Keynes was misunderstood and that he, himself, warned of the danger of inflation inherent in deficit financing. Others blame the working class and the general increase in militancy which developed in the late 1960's. The most popular guru of the ruling class, however, has been the arch-reactionary and friendly adviser to the fascist Junta in Chile, Milton Friedman. Friedman's theories, which have been applauded on a number of occasions by the Fraser government, were hardly taken seriously even six years ago, but, since 1974, have been vigorously grabbed by governments across the capitalist world. This is because they provide a very useful ideological justification for the most savage attacks on the working class and the weakest and least organised sections of society.

In the past two years, the ideological offensive of the ruling class has been much more successful than most would have predicted and the media has launched a powerful campaign blaming unions, 'big government' and the 'selfish citizen' for the crisis. The victims themselves are being convinced that they are to blame.

Yet, in counteracting this offensive, there has been surprisingly little concrete Marxist analysis of the crisis in Australia — that is, an analysis that shows how the contradictions within Australian and international capitalism have generated inflation, unemployment and recession. This gap is partly a reflection of the as yet small number of Australian political economists, but it is also, in our view, due to a misdirection of some of the analysis that has been undertaken. We believe that there has been an unfortunate tendency for too much concentration on some of the theoretical debates without making any attempt to link them to historically specific analyses of Australian capitalism. This is not to say that theory is not important. Indeed, it is crucial. But, considering the dearth of concrete analysis, which is desperately needed by those fighting Fraser and the ruling class, it does seem that to stay at the level of theory is not only likely in itself to lead to incorrect theory, but it is also wrong in terms of political priorities.

This article attempts to make some steps towards analysing the current crisis in Australia from a Marxist perspective providing a general overall framework in which to understand the present recession. Two points should be made about what it does not do. Firstly, it does not, by any means, cover the territory <u>thoroughly</u>. Space makes this impossible and what follows should therefore be seen as a <u>sketch</u> which needs to be considerably expanded. Secondly, the article makes no attempt to explicitly discuss bourgeois theories of the crisis. It would be useful to counterpose these with Marxist analysis, but again, space does not permit this.

Section II briefly discusses Marxist theories of crises and it gives an account of the theoretical framework which is used in this article. Section III examines the post-war boom in Australia, the forces generating it and the changes that it brought about. Section IV discusses the contradictions of the boom, and, in particular, the structural changes in Australian capitalism at the end of the boom which were beginning to generate a crisis. Section V provides a more concrete analysis of the crisis from 1969 to the present, an analysis which is made in terms of the contradictions discussed in Section IV. In concluding, Section VI tries to assess the general prospects for recovery.

II. MARXIST THEORY AND ECONOMIC CRISES

The accumulation of capital through the expansion of surplus value is the starting point of Marxist analysis of crises. The driving force of the capitalist system is the necessity of the ruling class to constantly expand value through capital investment and increased production and to reproduce social relations necessary for the maintenance of this capital accumulation. This process, however, does not occur smoothly, and the development of capitalism has always been through periods of economic expansion and collapse.

What causes this uneven process? It is the Marxist view that it occurs because of the inherent contradictions of capitalism, that is, the process of economic boom generates forces which lead to crises and the crises generate forces which provide the basis for a new period of expansion.

However, Marxists have not agreed on the mechanisms which operate in producing these contradictions and broadly speaking, there have been four different theories which attempted to explain the contradictions: the theory of tendency of the rate of profit to fall, the underconsumptionist theory, the neo-Ricardian theory, and the disproportionalities theory. The first argues that the process of capital accumulation leads to crises because as it occurs machines tend to replace men in the production process, leading to higher costs in constant capital (machinery and raw materials) relative to variable capital (wages) — that is, in Marxist terms, a high organic composition of capital. Assuming that the rate of surplus value remains more or less constant, this causes a reduction in the rate of profit which eventually leads to economic collapse.

The second theory, associated in particular with Baran and Sweezy[5] concentrates on the distribution of income between labour and capital, and it suggests that as the accumulation process takes place, capital is able to extract a higher rate of surplus value (i.e. capital's share in the national income increases). Eventually, there is an overproduction of goods and this heralds recession. This theory is similar to the neo-Ricardian theories which stress the distribution of income as the key to understanding the crisis but contrary to the underconsumptionists, they argue that it is because labour has increased rather than decreased its share of the national income that the collapse has taken place.

The disproportionality theory is less precise in pin-pointing the central focus of crises. It stresses the anarchy of production and argues that the conditions for an unplanned economy to remain on steady course of economic growth are so difficult to achieve, that it is inevitable that crises are sparked off when the correct proportions of inter-industry flows are not maintained. In a sense, the underconsumptionist theory is a special case of disproportionality.

Each of these theories emphasise different aspects of the capitalist mode of production, the first concentrating on production, the second and third on distribution and the fourth on exchange. And, indeed, each of these aspects are vital elements in economic crises, as Marx so strongly emphasised in his discussion of circuits of capital in Volume II of Capital. However, it is precisely because each of these theories in isolation neglects the complex and contradictory relationship between the three circuits of capital (productive, money and commod-

ity capital) that they are all inadequate theories of crisis. The neo-Ricardian and underconsumptionist theories are inadequate because they ignore the most important circuit of capital, the circuit of productive capital. This results in a neglect of some of the most crucial aspects of capitalist crises, such as the impact of class struggle on technological change and the labour process. The same inadequacy applies to the disproportionalities theory, which presents a one-sided perspective of the importance of market relations. In this sense, the most important of the theories is the tendency of the rate of profit to fall since its central focus is the production process.[6] However, the weakness of this position is that, in analysing the impact of the organic composition of capital on the rate of profit, it is often asserted a priori (that is, at the level of theory) that the rate of profit must fall in the process of capitalist development. Yet mere assertion is not good enough, and, for this reason the tendency of the rate of profit to fall is of no greater status than the tendency of the counteracting influences to raise the rate of profit.[7] As is the very essence of historical materialism, it is only by locating the analysis within a concrete historical framework that the real movement of the so-called 'tendencies' and 'counter-tendencies' can be seen. Hence the importance of the traditional Marxist theory of the tendency of the rate of profit to fall lies in the concepts it provides in conducting a concrete historical analysis, rather than any mechanistic scenario for crises.[8]

This view of capitalist crisis stresses that economic crises lay the foundation for renewed capital accumulation. Hence, the function of crises in capitalism are first to establish and stimulate the preconditions for a restructuring of productive capital. This evolves around an enhancing of the concentration, centralisation and internationalisation of capital allowing a restructuring of the labour process and the introduction of new plant and equipment to enable higher productivity to increase the rate of profit. Second, and in complex relationship with the first, a crisis provides the conditions for an increase in the rate of surplus value by creating a pool of unemployed to weaken the working class and thereby allowing wages to be held down and the intensity of labour to be increased.

In addition to the restructuring of the sphere of production and distribution to raise the rate of profit, it is necessary to complement these changes by stimulations in the sphere of exchange to allow these changes in the sphere of production to be realised. In particular, recovery of production requires growth in demand both nationally and internationally.

The state plays a crucial role in capitalist recovery by creating the general economic, political and ideological conditions for these changes in the spheres of production, distribution and exchange necessary for the increase in the rate of profit to occur. This includes direct intervention to aid capital restructuring, intervening in the class struggle to hold down wages and to provide the conditions necessary for increase in labour discipline and productivity, as well as the introduction of expansionary policies when required to stimulate demand.

Finally, it should be emphasised that a theory of economic crisis in 'late capitalism' needs to focus on the central structural features of capitalism at this advanced stage of development. Important here is the increasing internationalisation of the process of concentration and centralisation of capital and the combined and uneven impact of this process on the various capitalist formations.

The following sections attempt to apply this theory of crisis to an historical analysis of Australian capitalism, stressing the inherent contradictions that generate a series of booms and recessions. For the purposes of exposition, this historical analysis is conducted within a framework that, first of all, looks at the relationship of Australian capitalism to the international capitalist economy. It then focuses on the domestic economy, looking in turn at capital and labour, analysing the conflicts both between these classes, and within fractions of each class. Finally, the role of the Australian state in relationship to this class conflict is discussed.

III. PRELUDE TO THE CRISIS — THE LONG BOOM IN AUSTRALIA

A. Introduction

In the post-war period from about 1945-1970, Australian capitalism experienced the most sustained boom in its history. For twenty-five years, production, investment and productivity were at high levels and the economic fluctuations that did take place were minor and short-lived. Overall, Australia's real G.D.P. grew at an average of 4.5% and the population, largely because of massive immigration, grew at 2.2%, providing an overall average of 2.3% increase of output per head of population. The seeds of the boom took root in the Second World War for, during these years, the industrialisation of Australian capitalism received an important and forceful boost. Suddenly, almost overnight, a wide number of new industries mushroomed in response to the demands of the war. Australian industry, which had been industrially and technologically weakened and underdeveloped in 1939, acquired from the war new skills, new technology, a greater diversification of scientific and technological knowledge, and a considerably expanded industrial base.

As has been the story of Australian industry, this new impetus was largely caused by the forced severing of trading ties with the imperialist centre, Britain. Like the First World War and the Great Depression, the forced independence of Australian capitalism — in particular, the cutting off of imports — hastened industrialisation considerably. The pressures of the Second World War were particularly favourable since domestic industry was boosted by the full mobilisation of all productive resources.

The immediate post-war period saw an upsurge in production and investment. Not only the strengthened industrial base, but the pent-up demand for goods which had been in short supply during the war, created such ripe conditions for industrial expansion that the major difficulty was the inflationary pressure caused by shortages in imported plant machinery and raw materials and the limited supplies of fuel, power and labour, given that women workers went back into the home after the war. This period was characterised by an intensification of class conflict which was partly reflected in the outburst of strike activity in a number of industries and was the product of the political and economic climate of the time. Although there had been full employment during the war, workers had, in what they considered to be the national interest, refrained from pressing the full force of their industrial muscle. Thus, when the war ended, they were no longer prepared to allow talk of restraint to prevent increases in real wages. And, as a consequence of their determination, major victories were made such as the achievement of the forty-hour week in 1948 and the famous Amalgamated Engineering Union dispute in 1946-47, which was largely responsible for destroying Chifley's attempt to implement a policy of freezing wages. It is an indication of the enormous momentum of economic expansion that, despite the significant gain to the working class, surplus value was at sufficiently high levels to maintain a high level of economic growth through to the end of the decade.

B. The International Perspective — Australia in World Capitalism

(i) The post-war settlement. The boom of the 1940's may well have come to an end if not for the combination of international and national economic forces that were operating throughout the 1950's and into the '60's. Of crucial importance were the structural shifts that had taken place in world capitalism as a result of the war and the post-war settlement. Until the end of the war, the world imperialist system was characterised by alignment within blocs and competition between them to carve up economic, political and military empires. After the war, however, the United States emerged with such overwhelming power compared to the other imperialist powers that it was able to assume the role as leader and organiser of the entire imperialist system. In this role, the U.S. not only established military bases across the globe, but it pursued its policies through

agencies such as the World Bank and the International Monetary Fund (IMF), activities such as the Marshall Plan and agreements such as the General Agreement on Tariffs and Trade (GATT). The aim of these policies was to ensure that no more nations would fall out of the international capitalist system as had the U.S.S.R. after World War I, that there would be a steady growth in world trade without the beggar-my-neighbour tariff policies which characterised the inter-war years and that capitalist nations would create a 'healthy' environment for the expansion of foreign investment.

Australia was more than cooperative in the American plans for international capitalism, not only at the economic level, but both ideologically and militarily. In 1944, Australia participated in the Conference at Bretton Woods in the United States which established the IMF and the World Bank (the International Bank for Reconstruction and Development) and recognised the U.S. dollar as the international unit of currency. And in 1947, Australia signed the GATT in Geneva which was a most significant step towards a multilateral reduction in tariffs and hence towards the preservation of the existing international division of labour. As well as this, Australia became open territory for foreign investment. On the ideological level, the Menzies government was active in perpetuating the Cold War by launching a major anti-communist campaign in what turned out to be Australia's strand of McCarthyism. Furthermore, Australia readily formed a military alliance with the United States, which set the groundwork for the establishment of important American military bases on Australian territory.

(ii) The international boom in the era of late capitalism. American policy suffered some major defeats during the period of the post-war boom, the most spectacular being the victories of the revolutions in China, Cuba and Vietnam. However, the major success of the post-war international capitalist order was the establishment of a stable environment for the growth of world production, trade and investment. In fact, the expansion of production was quite remarkable. From 1955 to 1970, the gross national product of almost all the major capitalist centres shot up, Japan's annual percentage increase being 10.4, West Germany's 5.9, Italy's 5.6, France's 5.5, followed by the more developed economies of the U.S. and Britain at 3.4 and 2.6 respectively.[9] Even more rapid than the growth of production was that of trade which grew faster than the G.N.P. of most of the industrialised capitalist countries. As with production, it was Europe and Japan which provided the greatest impetus to this growth, the latter's annual increase in exports from 1955 to 1970 being as high as 14.4%.[10]

Yet, perhaps the most outstanding dimension of the capitalist boom was the process of internationalisation of the concentration and centralisation of capital in which big corporations of the world, mostly but not exclusively American, exploded into the gigantic multi-national corporations they have become today. As Wheelwright has pointed out, it has been calculated that by 1970 the total value of production of foreign subsidiaries of American companies abroad added up to about the third largest G.N.P. in the capitalist world, and there are estimates of some 200-300 large nulti-national corporations controlling three-quarters of the private assets of the capitalist world by the end of the century.[11] These developments have so sharply marked off earlier epochs in the history of capitalism that it is becoming increasingly accepted that they represent a new historical stage — a stage Mandel has called 'late capitalism'. Mandel argues that this has been the era since the Second World War in which capital has become both internationally concentrated and centralised through the multi-national corporation, the dominant organisational form of big capital.[12]

Australia was harnessed into these changes in world capitalism through both its trade and investment relations with the imperialist centres. The growth of trade and production in these centres had a significant impact on the domestic economy which was highly dependent on trade with exports comprising between 15-20% of G.D.P. between 1950 and 1970.[13] As well as this, the growth of Australian

industry was heavily dependent on the massive inflow of foreign investment. Over the period from 1947 to 1970, $9 billion poured into Australian industry.[14] This investment contributed approximately 10% of the funds for capital investment in local industry, but more importantly, it took up positions in the most profitable, rapidly growing and strategically important industries. The multi-national corporations which contributed most of this investment had access to the full range of technological advances which penetrated the most dynamic centres of industry, not only transforming methods of production, the labour process and reducing costs, but also creating a vast network of new, fast growing industries and markets.

(iii) The shifting power centres. America entered the period of late capitalism as the most powerful capitalist nation, but, having reached the zenith of its economic power, U.S. hegemony was gradually undermined by economic developments of the post-war boom. For the imperatives of maintaining the global stability of capitalism and, in particular, of satisfying the needs of U.S. corporations, required the expansion of the production and markets of the other capitalist economies. It was Western Europe, Canada and Japan which received the vast proportion of American capital and already by 1967, $60 billion from private corporations alone had flowed into their economies which compared with $7.2 billion in 1949.[15] The growth of these economies soon developed considerable momentum and, as we have seen, over most of the period of the '50's and '60's, their annual increase in G.N.P. was well ahead of that of the U.S. By the mid-1960's there was a striking difference in the relative economic positions of the U.S., Britain, Europe and Japan. Britain had declined even further as an imperialist centre, Europe's strong growth had reduced the enormous gap between itself and the U.S., and Japan was well on the way to becoming a major new centre of world imperialism. The United States had lost its absolute superiority, but it maintained its relative strength vis-a-vis the other centres.

For Australia, these changes led to a considerable weakening of ties with the 'mother country', Imperial Britain, as Australian capitalism became reoriented towards the United States and Japan. Australian trade figures provide a rough indication of these new structural relationships. In 1952-53, for example, over 41% of Australian exports went to the U.S.A. and under 10% to Japan. At the same time, over 41% of Australian import goods came from Britain, under 17% from the U.S.A. and not even 1% from Japan. Twenty years later, an entirely new picture had emerged. In 1972-73, Japan was receiving over 31% of Australian exports and providing over 17% of Australian imports, whilst the U.S. was receiving over 12% of the exports and providing over 20% of the imports. However, exports to Britain had declined to under 10% and imports from Britain to under 19%.[16]

In terms of foreign investment, although there were still significant inflows of capital from Britain throughout the boom period, it was North American investment which grew at the fastest pace. Hence, in 1947-48, there was a capital inflow (public and private) from the U.K. to the value of $41 million compared to $13 million from the U.S. and Canada. In 1967-68, the value of U.K. investment had increased tenfold (in monetary terms) to $357 million whilst North American investment had shot up more than thirtyfold, its value being $402 million.[17] Japanese investment remained low and it was only at the tail end of the boom that it began to gradually increase.

(iv) Rural, manufacturing and mining industries — linkages into the global economy. So far, we have discussed Australia's shifting position in world capitalism in aggregated terms; yet to fully understand the changes, it is essential to differentiate between industrial fractions and the way they geared into the international capitalist economies.

A dominant feature of the history of Australian economic development has been its role of providing primary products to imperialist centres often with the

finance flowing from these centres. Even as late as the 1920's, so close were the ties between British and local finance capital and Australian rural industry that many manufacturers found it exceedingly difficult to gain access to finance for industrial expansion. Despite some industrialisation since then, at the beginning of the post-war boom rural industry was still by far the most important exporting industry, with rural exports comprising 81% of total exports from Australia in 1952. Developments during the boom led to a sharp decline in the relative dominance of rural exports (as well as rural production generally), and, although remaining the main export sector, by 1970, exports from rural origin had declined to 50%. Hand in hand with this was a very large drop in the relative amount of foreign capital flowing into rural industry which had been displaced by the manufacturing, and later, mining industry, as an attractive investment outlet.

It was the mineral industry which, with an extraordinary growth rate from the mid-1960's, replaced much of the decline in rural exports. The output of this industry increased from $A492 million in 1964 to $A1867 in 1972; and the export of mineral products grew from less than $A230 million to $A1450 million. Furthermore, Australian minerals increasingly played a strategically important role in the Japanese expansion to a global economic power. For example, already by 1972, Japan was relying on Australia for 43% of its iron ore, and 42% of its coking coal.[18]

Overall, more than 70% of Australian mineral exports were feeding into the Japanese economy. Much of the expansion of this industry was through the operations of subsidiaries of multi-nationals, and towards the end of the boom years, the inflow of foreign capital into mining completely swamped capital inflows into other industries. In the five years from 1967 to 1972 alone, more than $1000 million of direct investment poured into the mining sector, which was over twice the investment in manufacturing.[19] And by 1972, this sector was 60% foreign controlled.[20]

In contrast to rural and mining, Australian manufacturing has always been primarily oriented towards the domestic market. Consequently, although during the boom era manufactured exports more than doubled, the exports were narrowly based comprising in large part the transformation of rural and primary produce. This industry, therefore, has had a different structural position within imperialism, its mean feature being that of an outlet for the investment of the imperialist centres. For most of the boom, until the flourishing of the mineral industry, most of the foreign investment in Australia went into manufacturing, which was especially attractive because of the protection it was afforded. And much of this investment was in the most profitable industries. Thus, by 1966, the motor vehicle industry which some economists consider to have been the backbone of capitalist growth in the post-war period was 88% foreign controlled. There was 84% foreign control in non-ferrous metals, 81% in oil, 78% in industrial and heavy chemicals and 76% in pharmaceuticals, to name some of the industries. By 1972, twenty-five of the largest fifty manufacturing companies operating in Australia were controlled by foreign interests.[21]

C. Internal Dimensions of the Boom

The international economic forces fuelling the Australian boom reinforced domestic forces which were highly favourable to capital accumulation. Firstly, the relations between the main fractions of the ruling class resolved themselves in such a way as to maintain tariffs, behind which grew a whole wave of new industries and new technology. Secondly, class conflict was considerably dampened in the 1950's and most of the 1960's which prevented any major challenge to the rate of surplus value and assisted the further expansion of investment. The composition of the working class changed with large-scale immigration from a diversity of countries. Finally, the interventionist state not only guaranteed demand for the output of many industries, but took an active role in socialising some of the

increasingly important costs of production — education, roads, other capital infrastructure, research, etc. Let us consider the forces in turn.

(i) Capital. The political manifestation of the conflict between the main fractions of the Australian ruling class, manufacturing, mining and rural capital has been the struggle over tariffs, import quotas and subsidies, for it is these which decide how the surplus value is distributed between industries. Until the mid-1960's, prior to the sudden expansion of Australia's mining sector, the most important conflict within the ruling class was between manufacturing and mining capital. This conflict can be traced throughout the whole of twentieth century Australian development and its roots go even further back into the nineteenth century.

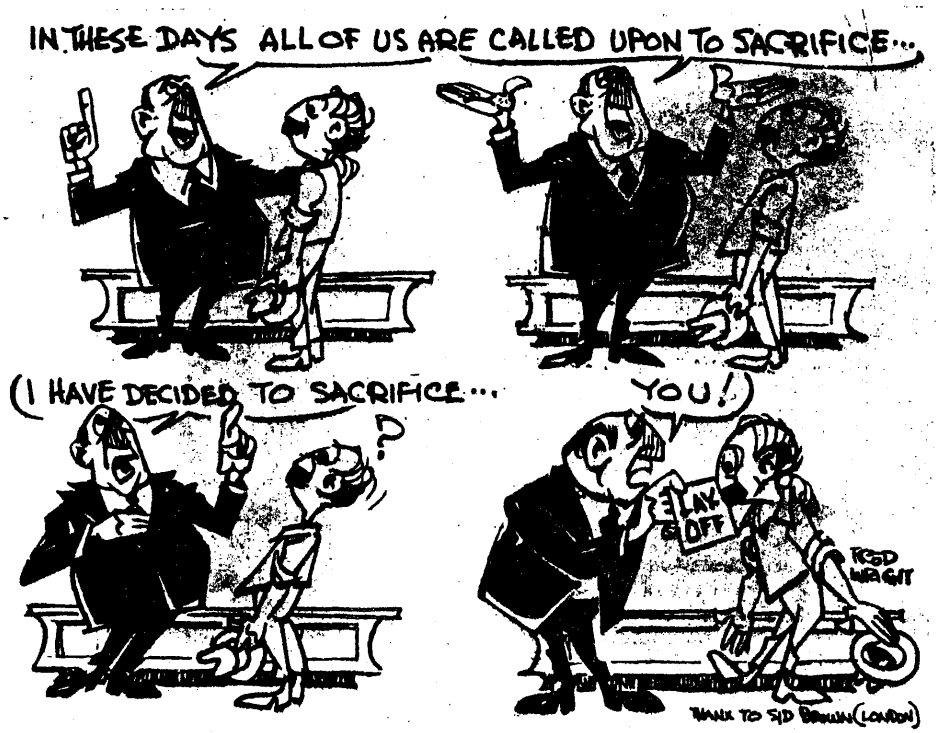
The post-war industrial momentum in Australia was heavily dependent on the high protection which was provided to key industries throughout the '40's, '50's and '60's, since many of the fastest growing industries were not internationally competitive until the 1960's. The substance of this protection was through import restrictions after which they were superseded by tariffs. The impact of these was to adjust industrial growth away from market forces by subsidising import competing industries at the expense of others. The greatest beneficiaries of such protection were the manufacturers who were effectively being subsidised by the export oriented rural industries. Rural exporters were forced to pay higher costs for their manufactured inputs of production whilst at the same time receiving prices which were determined on the international market.

It would be wrong, however, to conclude that the ability of manufacturing capital to extract such support from the state reflected the political strength of this industrial fraction. In fact, relative to other countries with comparable living standards, Australia has always had a rather weak industrial structure and the state has not, except in times of war, taken a strategically active role in strengthening it. In the post-war period, the role that the state did take through assistance was more the result of a series of ad hoc developments than anything else. Thus, in the immediate post-war years, it was the ideological impact of the war which gave weight to the defence and self-sufficiency arguments for the maintenance of the import restrictions imposed during the war. In 1952, these restrictions were extended not because the government had any overall perspective on the direction of manufacturing growth but rather as a result of the immediate short-term pressures of a severe foreign exchange shortage. Indeed, at the same time, the government made a highly significant but often neglected statement about the importance of rural industry in Australia's economic development. Reacting to the foreign exchange problem the statement said that rural development would receive high government priority so that rural exports would expand and that there would be a series of new measures to assist primary industry. This statement's significance was that it highlighted the considerable political strength of rural capital, a relative strength which was almost unparalleled among industrialised capitalist countries at the time. And concomitant with this strength was the relative political weakness of manufacturing capital.

In the early 1960's with the end of the import restrictions and with the Tariff Board assessing the justifiability of tariff protection for particular industries, the protection of the manufacturing industry came under closer scrutiny. However, no major changes were made for the entire decade, due primarily to the political strategy of John McEwen, backed by his powerful Trade Department. McEwen decided that it would be essential for the long-term viability of the Country Party to forge an alliance between manufacturing and rural capital. To do this, he developed strong links with manufacturing industry by becoming an outspoken supporter of tariff protection, whilst at the same time pushing for subsidy assistance to rural industry. This alliance could not last due to the deep conflict of interests it involved, and McEwen came under increasing pressure from within the

rural sector.[22] However, it did delay the onset of those forces which were seeking to pull down the tariff wall.

By the mid-1960's, a new element within the ruling class began to emerge and significantly alter the alignment of forces. With the extraordinary growth of Australia's mineral industry, there was an intensification of the pressure on tariffs at the economic and political levels. Economically, it effected a transfer of resources from manufacturing not only by attracting domestic and overseas funds, but also through the upward pressure that mineral exports were imposing on Australia's exchange rate. Politically, the minerals boom hastened the demise of the McEwen strategy as a new alliance between mining and rural industry was being developed.



Overall, then, the thrust of expansion of Australian manufacturing was facilitated by the maintenance of tariff protection, and this was counterbalanced to a certain degree by subsidies to the rural fraction. The state, however, had no longer-term perspective for manufacturing and even the minor attempts by the Vernon Committee to inject some concepts of economic planning were rejected out of hand. With a rapidly growing domestic market, this did not seem to matter. Employment was high, and there was a general optimism from industry about the future of the Australian economy.

Technological changes penetrated key sections of Australian industry, reducing costs and creating a whole network of new markets. Much of this industry could not have survived protection and much of the technology entered Australia because the tariffs and quotas encouraged overseas investment. The new technology was of such importance to the Australian boom because they contributed to the accumulation of capital by enabling the corporate sector to continually expand surplus value. This is because they led to significant gains in productivity, producing increases in relative surplus value and reductions in the value of machinery and wage goods (constant and variable capital respectively). In other words, the new technology had an immediate impact of reducing the organic composition of capital, helping to increase profit rates. Furthermore, these value increases them-

selves became self-reinforcing since high profitability led to the introduction of even newer technology which, in turn, led to further productivity gains. In this sense, the notion of waves of technology leading to long booms is partially correct since the momentum of technological change carries from industry to industry as new markets expand.

Both producer goods and consumer goods industries were transformed by the changes. However, consumerism was a particularly vital component to the perpetuation of economic growth and Australia saw a tremendously rapid expansion in the production of consumer durables as new innovations supplied a seemingly insatiable market with transistor radios, television sets, record players, cassette and tape recorders, stoves, refrigerators and washing machines. The Vernon Committee estimated that, by the mid-1960's, 95% of homes had a refrigerator and at least one radio receiver, 80% had a vacuum cleaner and a washing machine and 50-60% a television set.[23] By the end of the 1960's, these figures had increased markedly, as had the ownership of air conditioners, clothes driers, dishwashing machines and other consumable durables. The growth of these industries was supported by a significant expansion of finance capital, which provided forward finance for consumer spending.

Above all, it was the automobile industry, whose new techniques and rapid growth had the most profound effects on Australia's post-war development. For most of the period the production of cars was so high that the industry's growth almost trebled the average growth of G.N.P. By 1963, Australia was one of the highest car-owning countries with only the United States, Canada and New Zealand ahead.[24] The direct economic impact of this industry was, therefore, enormous and it soon became the largest employer in Australia. On top of this, however, was the indirect impact of the automobile which, in many respects was even greater, leading some economists to argue that it was the backbone of post-war economic expansion.

(ii) Labour. However, the technological advances alone could not have sustained the boom if the social relations of production during the period had not been conducive to high rates of surplus value or profit. Perhaps the most striking feature of economic development in the 1950's and most of the '60's was the way in which the intensity of class conflict, and hence, worker militancy was dampened in comparison to the late 1940's and earlier periods of Australian history. This was reflected in the sharp decline in working days lost through strikes during this period. Between 1955 and 1960, for example, an average of .47 days were lost by each worker in the mining, manufacturing, construction and transport industries which compares with an average of 1.029 in the decade immediately after the war, and with 2.562 just prior to the Great Depression.[25]

The interesting feature of these developments is that it occurred in an economic climate that would traditionally have cultivated a resurgence of industrial unrest. The 1950's and 1960's were years of unprecedentedly high levels of employment in Australia, and only twice, very briefly, did unemployment exceed 2% of the work force. In such conditions, the power of labour was enormously enahnced since the threat of unemployment could not be used as a weapon of class struggle.

An important factor in this decline of militancy was the dominant ideological atmosphere of the time. The repressive environment of the Cold War effectively moderated forceful union campaigns, which were even further weakened by the internal divisions within the labour movement caused by the attempt of the right wing industrial groups to wrestle for control over militant trade unions. Even more crucial, perhaps, was the impact of the massive inflow of migrant labour during the boom period. Migrant labour contributed more than 50% of the increase in the work force, and was a key element aiding the accumulation of capital. Migrants, especially from Southern Europe, were placed in the lowest paid, most menial and

low status jobs and they functioned as a buffer group which flowed from job to job, and in and out of the labour force according to economic conditions of the time. This was also the case with women workers, many of whom were migrants, and by occupying the most exploited jobs in industry migrant workers relieved the indigenous male workers of these positions. Instead of united action, the working class was severely divided along racial and sexual lines, which was reinforced by a powerful racist and sexist ideology. These divisions resulted in the neglect of these workers, and it meant the capitalist class was able to maintain high profits by hiving off jobs with the highest level of exploitation to the least organised and weakest sections of the working class. This was a crucial factor in maintaining capital accumulation especially in labour intensive sections of Australian capital.[26]

The result of these forces from about 1933 to 1969 was that capital was able to push labour's share of national income to a level of 5-6% below that share which had been attained in the late 1940's and early 1950's.[27]

(iii) The state. The rapid accumulation and monopolisation of capital, of Australian capitalism in the stage of late capitalism, brought with it an explosion of state expenditure in many areas which were formerly left to private capital or else neglected. This growth was closely associated with Keynesian demand management and the ruling class' acceptance of Keynesian techniques was marked by the handing down in 1945 of the Commonwealth government's White Paper, Full Employment in Australia. The central thrust of this paper was the Keynesian rejection of the necessity for a balanced budget and the acceptance that the state should intervene in the 'fine tuning' of the economy to hold it along a path of full employment and price stability.

From 1953 to the late 1960's, the state expanded from 25% to 32.5% of the G.D.P.[28] There is not the space here for a thorough analysis of why this growth took place, although it is of crucial importance for understanding one of the major forces underlying the boom.[29] Essentially, this expansion has been the political outcome of the structural role the state has played in post-war Australian capitalism. In this role, the state has, on the one hand, had to mediate the conflicts within the ruling class such as the divisions between rural and manufacturing capital to which we referred earlier. This mediation has partly been reflected in the overall distribution of surplus value resulting from tariffs, subsidies and quotas, but it has also been critically determined by the spending and taxation patterns of federal and state budgets, as well as their monetary policies. On the other hand, the state, constituting as it does the political power of the ruling class, has been forced to make political compromises with the working class in order to maintain the overall stability of capitalism. As Gough has put it, 'This "unstable equilibrium of compromise" provides the basis for the whole series of social and economic reforms extracted by the working class in the post-war "welfare states" of advanced capitalist societies, which yet leaves untouched the political power of capital and the repressive apparatus of the state on which it is ultimately based'.[30]

The post-war boom in Australia could not have been sustained without the state taking this interventionist function. And thus, even though the conservative Liberal-Country Party governments were, from the early 1950's committed to restraining its growth, there was steady increase during their rule. This occurred because, in the process of accumulation and in mediating the conflicts within the ruling class, and between the ruling and working classes the state has had to become actively involved in the socialisation of the costs of production. These costs have had several dimensions. Firstly, there have been the expenses associated with the massive concentration of capital and inflow of migrant labour. Here, the process of accumulation, combined as it was with urbanisation and suburbanisation, required the state to provide increasing amounts for essential infrastruc-

ture such as roads, railways, communications, research and development, water, sewerage and electricity. These expenses are what O'Connor calls the social constant capital or social investment. These have gone hand in hand with the second aspect of state expenditure, social variable capital, which is the increased expenditure on the maintenance of labour-power. One of the most important consequences of the accumulation and concentration of capital during the boom has been the necessity for raising the quality of labour-power, which has meant higher standards of education, health and housing for productive workers and the growth of state spending in these areas by the Australian state has been the result of this requirement. These expenditures have been crucial for the accumulation process since the more advanced technology demanded more specialised skills which were generally too expensive for private capital to fund. Finally, there has been an increase in spending on social welfare and support schemes for disadvantaged sections of the society. O'Connor calls these 'social expenses' since, unlike the other categories of expenditure, they are not even indirectly profitable from the perspective of capital.

IV. THE ONSET OF THE RECESSION – CONTRADICTIONS OF THE BOOM

The structural changes created by the boom fuelled its growth, but, at the same time, they established the conditions for the prolonged crisis of the 1970's.

At the international level, the intensifying inter-imperialist rivalries between the U.S., Japan and Europe were placing increased strain on the international monetary system as the threat of its collapse was becoming imminent. Furthermore, the rapid growth of multi-national corporations had led to a very high integration of the world capitalist economy, which meant that economic fluctuations and price movements were being transferred across national boundaries at an increasingly rapid rate.

For Australian capitalism, the shift towards the heavily monopolised and foreign dominated mining sector as a major exporter was starting to produce strains within the ruling class. For the upward pressure that mineral exports were beginning to exert on Australia's exchange rate combined with growing political pressure on Australian tariffs as the shadow of McEwen began to fade away, and stronger links between the export oriented rural and mineral capital were being forged.

Even without the pressures from other fractions, manufacturing capital itself was beginning to move from the road of prosperity towards a severe crisis. From as early as 1966, there were signs that the rate of investment in new capital was slowing, especially in comparison with other industries. This, in fact, was one of the central propositions of the Jackson Report when it referred to the 'deep-seated and long-standing malaise'.[31] In a specially commissioned study for that report, it was revealed that manufacturing had shown a long-term decline in profitability, debt capacity and liquidity[32], a trend which was quite apart from fluctuations in the business cycle. At the heart of this trend was a chronic structural problem for Australian manufacturing, a problem which comprised two distinct and separate elements. Firstly, the domestic orientation of capital intensive industries throughout the boom created a severe overcapitalisation of Australian industry caused, not only by the inability of these industries to minimise costs because the small market prevented economies of scale, but also from the internal market structure which tended to support more companies than was most efficient from the cost perspective. In short, relative to other capitalist centres, there was a high organic composition of Australian manufacturing industry. Throughout most of the boom, the rapid penetration of new techniques of production and the creation of new markets were constantly working to reduce it, enabling the profit levels to remain steady or even increase. However, by the late 1960's the rate of growth of this new technology was beginning to slow, as was demand for products of consumer goods industries, putting upward pressure on the organic com-

position of capital and further effecting a severe squeeze on profits. Furthermore, the diminishing profit rates tended to prevent the introduction of new capital equipment and the capital became increasingly outmoded.

The other element of the structural crisis in manufacturing was related to the labour intensive industries, and is again fundamentally due to Australia's position within world capitalism. With the gradual industrialisation of the underdeveloped countries of the Asian and Southeast Asian region, Australia's labour intensive industries such as textiles and footwear were increasingly becoming subject to competition from overseas and only fairly heavy tariff protection had been able to prevent the dismembering of these industries. However, with the higher degree of internationalisation of capital, it became easier for manufacturers in Australia to move their production plants offshore in order to minimise labour costs.

The effect that these structural problems were to have on different sections of manufacturing industries depended almost entirely on the financial strength of the companies involved and the industries from which they were operating. For the smaller manufacturers in the more competitive areas, the pressure on profits and liquidity was to become increasingly intolerable, and it led to waves of bankruptcies throughout the 1970's. The larger national and multi-national corporations had much greater manoeuvrability, and their general reaction was to pass on any increased costs through price increases. And for manufacturers in labour intensive areas, there was, through the '70's, a greater tendency to move production plants to Southeast Asia, creating further domestic unemployment.

Significant changes had also penetrated the labour movement by the late 1960's. Compared to the weak and divided predicament it was in prior to the war, it had gained considerable strength, although many divisions still remained as we saw with respect to the conditions of migrant and female workers. This strength was partly in response to the increased concentration and centralisation of capital, but it also resulted from years of persistently high levels of full employment.

And finally, the economic function of the state had, as we have seen, undergone a major transformation by the end of the boom. Yet, as the crisis began to intensify, there were increasing pressures on it to provide support in a wide number of areas. O'Connor, in reference to America, has argued that this pressure is at the basis of the 'fiscal crisis of the state' in which the state had become the focal point of an excess of political pressure for financial support.[33] During the boom, the high rate of accumulation prevented this pressure from spilling into crisis proportions, although there was an inflationary bias built into it. However, when the recession began to set in, the crisis accelerated since the state could no longer give the required support without significant increases in the money supply. The first sign of this crisis was the McMahon government's reaction to the 1970-72 recession when it budgeted for the highest deficit in the post-war period. And during the Labor period, the crisis became even more severe.

By the late 1960's, therefore, these structural changes had transformed Australian capitalism to the point where the demands on the system were becoming greater than the system itself could sustain, and soon the crisis was sparked off. These changes have inter-reacted with conjunctural factors such as the inflationary impact of the Vietnam war and the oil price rises. However, it was the underlying structures which were the basis of the crisis, which explains why the economic system did not bounce back into a recovery as it had with the minor recessions of the boom period. In the next section, we will discuss the historical interplay of these structural and conjunctural factors.

V. AUSTRALIAN CAPITALISM 1969 TO 1977: CONTOURS OF THE CRISIS

A. 1969-1972: The End of the Liberal Era

The dynamics of sustained capital accumulation of the long post-war boom showed the first major signs of faltering in the recession of 1969-72. During this period, the rate of inflation jumped dramatically to its highest level for twenty years. Contrary to Keynesian inflation/unemployment trade-off theorists, this was matched by a rate of unemployment rising to 2.1% in August 1972 — the highest level for ten years. The very processes which had generated economic growth with fairly full employment and price stability internationally and domestically led to rising inflation coincident with rising unemployment. (The movements of growth and the shares of labour and capital in national income for the whole period 1970-77 are shown in Graphs A and B respectively.) During this period the major influence from the international capitalist economy stemmed from the uncontrolled growth of the world money supply and the consequent collapse of the international monetary system — a collapse which was a direct product of the inter-imperialist rivalries and the international concentration and centralisation of capital during the long boom. With gold tied to the U.S. dollar under the Bretton Woods system, the large-scale capital outflows to finance the global penetration of U.S. multi-nationals was financed by large deficits in the U.S. budget and balance of payments. As Rowley emphasises, there was a progressive fall over the post-war period in the ratio of U.S. gold holdings to overseas dollar holdings from 0.84 in 1948 to 0.25 in 1965. The huge costs of the Vietnam war in the '60's — itself an attempt to maintain U.S. economic and political hegemony — further undermined the international monetary system because of the necessity of increasing further the internal budget deficit of the U.S. economy to finance the way.[34] The direct consequence of this was a dramatic increase in international liquidity, with one estimate by the London Times suggesting that this process led to a generation of international liquidity in the three years to 1973 that was 'equal to the whole sum of those previously created since the beginning of history'.[35]

This led to the suspension of the convertibility of the dollar into gold in 1971, initiating a period of international monetary crisis and uncertainty in which flexible exchange rates replaced the old fixed parity system. And this new system increased the susceptibility of each country to international price fluctuations. The most immediate consequence of the growth of liquidity and collapse of the international monetary system was the inflationary impact on Australia and the rest of the capitalist world.

The years 1970-71 and 1971-72 saw record levels of capital inflow into Australia. Foreign investment in 1970-71 was $1399 million; more than double the $675 million that entered Australia in 1969-70, and stayed high at $1306 million in 1971-72.[36] Much of this was speculative capital — the so-called 'hot money' — that flowed into Australia in anticipation of currency realignments in the wake of the breaking of the ties of the U.S. dollar to gold in August 1971. A significant amount of this money found its way into the skyscraper and mining shares boom of the early 1970's. In the March quarter 1971, for example, private gross fixed capital expenditure in non-residential building and construction increased 55.9%.[37] These factors were instrumental in the large increase in the domestic money supply, which had shot up from 6.8% in the year 1970-71 to 10.5% in 1971-72 and 25.7% in 1972-73.[38]

Much of the inflationary impetus of the 1969-72 period was rooted in the increasing incidence of class struggle that emerged in Australia in the late 1960's. Like most of the European capitalist countries, the burst of working class militancy was a consequence of the decades of full employment and prosperity that were a key feature of the post-war boom. It was also a product of a changed ideological environment as a challenge was being made to the basic precepts of the cold war. The protests against the Vietnam war, the 'discovery' of poverty in

America and other capitalist countries, the intensification of the struggle by oppressed groups, in particular blacks and women, the increased questioning at the authoritarian structures which had been extended during the boom period such as within universities, all created a higher level of militancy within capitalist society. Despite an inflow of some three million migrants and a substantial influx of women into the Australian labour market, the demand for labour often was greater than that supplied. The working class was able to use this leverage to its advantage, achieving rates of above award wage increases that exceeded the rate of inflation in the late '60's.[39]

In an effort to stem the tide of rising wages, the Liberal-Country Party government had earlier supported the scheme to abolish the basic wage margins structure which was finally implemented in 1966-67. To stem the growing tide of industrial action that followed, the government used its penal powers in 1969 when it gaoled Clarrie O'Shea for the refusal by the Victorian Tramways Union to pay fines incurred under the arbitration system. As Evans argued, this action 'sparked off the most extensive uprising of the working class in Australian history. It has been estimated that about one million workers became involved in the struggle and doing it rediscovered forms of direct mass action that had been almost totally absent from its practice for the previous twenty years.'[40] Increased strike action was to be a feature of the period through to 1975.[41]

These wage increases were led by the militant A.M.W.U. and had strong impact in particular on the profitability of manufacturing and rural capital. Manufacturing capital, with a high organic composition of capital, due to its structural problems which we discussed earlier, could hardly afford the impact of wage increases which were eroding their profitability; the similarly declining agricultural sector could ill-afford the effects of rising wages on their international competitiveness in a period that saw the loss of traditional U.K. and E.E.C. markets.

In this context of rising inflation, there was a minor recession in Australia from 1970 to 1972. The response of the Liberal-Country Party government was along traditional Keynesian pump-priming lines. With unemployment reaching high and unacceptable levels in an election year, the McMahon government brought down a deficit budget of $215 million (as compared to the 1971-72 surplus budget of $405 million), accompanied by an expansive domestic monetary policy.[42] This stimulation allowed a temporary recovery in the rate of growth from 3.2% in 1971-72 to 3.8% in 1972-73. Unemployment fell, although money wages and prices and the rate of the money supply continued at high rates.[43] It was in this economic context that the Whitlam government took over the reins of the capitalist state in Australia.

B. December 1972-December 1975: Labor in Office

(i) The period of optimism: 1972 to May 1974. In December 1972 the Whitlam-led Australian Labor Party was elected to power for the first time in twenty-three years. Given the A.L.P.'s ties with the trade union movement, and its traditional working class electoral support, this was an important change in Australia's political history. The A.L.P. was elected on a platform of economic and social reform of Australian capitalism, gaining support from swinging middle class voters and significant sections of capital in its electoral victory.

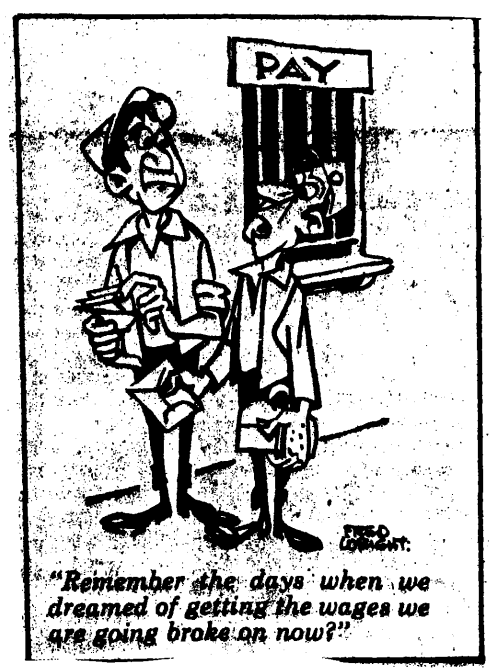
It will be convenient to outline first of all the general features of the international capitalist system so as to set the broad framework for the Australian economy during the 1972 to mid-1974 period. In the period 1972-73, the contradictions inherent in the long wave of sustained capital accumulation emerged in the form of a generalised inflationary mini-boom that followed sharply on the heels of the recession of 1969-1972. The recession brought a traditional Keynesian

response of expansionary government policies. These policies induced an injection of the pent-up savings and postponed capital expansion of the recession period, leading to a powerful surge of demand in both government and consumer expenditure. Demand was further accelerated by the very high amount of international liquidity in the period.

The most significant feature of the mini-boom is not that Keynesian pump-priming led to a growth in demand, for this had happened throughout the post-war period. Rather the peculiar attribute of the 1972-73 mini-boom was that it occurred in all the advanced capitalist countries, Australia included, at about the same time and with similar intensity. In other words, the business cycles of the capitalist nations moved in phase with each other for the first time since the Great Depression of the 1930's. It was this synchronisation of the movements in each capitalist country, rather than the uniqueness of the movements themselves, that bestowed on the mini-boom its rapidity, intensity and generality. Prior to this, a recession in one country was offset by a boom in another, allowing world trade and production to continue its upward path. To quote The Economist in this regard: 'The overheating, supply shortages and bottlenecks were an international phenomenon which occurred when rational economies, considered separately, were not overstretched. Because everyone moved up together, instead of one going up and the others down, total world demand outran supply...This excess demand caused the commodity price boom, leading all countries to import cost inflation.'[44]

This mini-boom, feeding on both the huge increase in world liquidity that characterised the collapse of the international monetary order and on the escalating class struggle throughout the world capitalist system triggered off a wage-price-profit spiral. Since prices for primary goods were more volatile than for manufactured goods, the boom saw a rapid rise in the price of primary products which was further intensified by the twofold increase in oil prices by the Arab states in October of 1973. The powerful increase in demand was unable to be met in the first instance due to bottlenecks and shortages that were a product of the recession. In particular, the supply of labour was often inadequate to meet demand, further strengthening the pressure on wage increases by increasing the economic leverage of the working class. These bottlenecks added further impetus to inflation, and led to large-scale ordering ahead and expansion of production plans.

The Australian economy during this period reflected the condition of the international capitalist economy: a shortage of goods and materials, a tight labour market, and severe inflationary pressure. Total spending on goods and services in 1973-74 increased more than twice as fast as domestic production.[45] In the labour market unemployment progressively fell from 2.5% in August 1972 to 1.7% in August 1973, while registered vacancies at the end of 1973 had risen to the highest seasonally adjusted level in almost twenty years.[46] The inflation rate for 1972-73 averaged 6%. These conditions stemmed from a combination of the international boom and the expansionary policies of the McMahon government.



"Remember the days when we dreamed of getting the wages we are going broke on now?"

Capital in Australia responded to the boom conditions, so that business fixed investment in 1973-74 was 12.3% higher than that of 1972-73[47], although the substantial increase in the second half of 1973-74 was not forthcoming due mainly to the tight

labour market and bottlenecks, as well as business uncertainty with the rising inflation rate. Those factions of capital geared to the international market — agriculture and mining — reaped strong gains on what was a sellers market, although the volume of imports increased substantially, by 30% in volume terms, to meet domestic shortages. Dwelling construction reached record levels at the end of 1973-74.[48] On the other hand, foreign capital inflow fell off dramatically in 1972-73 to $272 million from the high 1970-72 levels of around $1300 million.[49]

It was in this context of economic recovery that the Whitlam government took office to introduce its policies of economic rationalisation and extension of the welfare rate. Immediate welfare policies included increases in pensions and a substantial increase in government expenditure on education, health and urban and regional development, as well as a proliferation of think tanks, enquiries, commissions and the like into many aspects of social reform.[50]

The program for rationalisation (especially of the featherbedded and inefficient manufacturing industry) centred around policies to increase the competitiveness and hence profitability of Australian capital. The major planks in this policy were a 25% cut in tariffs across the board in July 1973, and twice revaluing the Australian dollar between December 1972 and September 1973 by a total of 12%.[51] A manpower policy, centring around the NEAT scheme and an increase of women workers in the economy to replace traditional reliance on migrant labour inflows was to facilitate the labour adjustments resulting from the structural changes to Australian industry. At the same time restrictive policies on capital inflow and foreign ownership and control of Australian industry would ensure increasing local equity in Australian mining and manufacturing industry.

The underlying prerequisites for the success of the A.L.P.'s program of reform was a sustained increase in the rate of economic growth, as well as a continuing ability to minimise class conflict and maintain support of the traditional working class as well as sections of the ruling class and the swinging middle class voters. However, these pre-conditions were increasingly eroded after the second electoral victory of the A.L.P. in the May 1974 general election.

(ii) Retreat from reformism: May 1974 to December 1975. The period 1974-75 saw a sharp reversal in the international capitalist economy, with the mini-boom giving way to the severest recession of the post-war period. In sharp contrast to the boom years, total output and production remained stagnant in the O.E.C.D. countries in 1974 and declined in 1975 by 2% and 1.8% respectively[52], while inflation continued at high levels. The generalised international recession was a product of the 1972-73 boom and the underlying structural forces that lay behind the long post-war boom. Specifically, the surge in demand that was a product of the 1972-73 mini-boom led to a large-scale building up of stocks, inventories and production plants. However, the expected sustained growth in demand, which was largely speculative in character, failed to materialise and the boom turned into a crisis of overproduction. As the volume of goods stockpiled, production was cut and excess capacity appeared on a large scale, particularly in those industries such as automobiles and housing that had been the backbone sustaining the high rate of capital accumulation in the long boom. Large-scale unemployment was a direct consequence, with some fifteen million workers officially recorded as unemployed in the O.E.C.D. countries. In addition, world trade contracted dramatically, such that by the end of 1975 U.S. exports had fallen by 12%, Japanese exports by 15%, and West German exports by 16%.[53] Although the recession had some impact in slowing the rate of price increases, inflation remained high by historical standards.

The Australian economy was not spared from the recession, and production and investment fell sharply diving in the latter half of 1974 and 1975. Unemployment and inflation continued to rise, with unemployment reaching a record level of 5% in August 1975, and inflation running at an annual rate of about 17%. All sec-

tions of capital were severely and simultaneously hit by an erosion of profits brought about by the sudden juxtaposition of boom and recession. The earlier economic policies of the A.L.P. government — tariff cuts, revaluation and the credit squeeze of September and October to offset earlier expansionary reformist policies, had slowly worked their way through the economy and only served to intensify the recession. Profitability of capital was hit severely. Operating with large excess capacity and a large build up of stocks, the effect on capital of rapidly declining domestic demand was intensified by a sharp rise in the level of savings.[54] Manufacturing capital, which was already beset by a structural crisis, was severely hit. Finance capital suffered severe difficulties under the impact of unprecedented levels of inflation. This led to rising interest rates, creating the so-called repayment gap[55] and hit both consumer goods and housing markets severely. The large property boom and non-dwelling construction boom of the early '70's collapsed, with floor space greatly exceeding demand.[56] The export sections of capital faced depressed markets, with large stocks and low world prices, and large unused capacity, particularly in the mining industry.

The profitability of capital was further eroded by the high level of class struggle that succeeded in gaining substantial increases in wages. The heightened level of industrial conflict of the late '60's rose to a peak in 1974, which saw the most intensified period of industrial unrest and strikes since 1929. Together with a permissive policy on wages by the A.L.P., led by Cameron's 'fat-cats' in the public service, policies to increase female award wages to that of males intensified the move to a rise in average weekly earnings of 25.2% in September 1974, a post-war record level.

The effect of these record wage increases was to decrease the rate of relative surplus value and put further pressure on falling profits in the period. Subsequently, large sections of capital fell into bankruptcy. Over the period 1975-76, 1243 businesses, large and small, were officially declared bankrupt, with many others just holding their head above water.[57] No sections of capital were saved. The collapse of Cambridge Credit Corporation in September 1974 was one of the largest sections of finance capital to go under; and the collapse of Mainline soon after indicated the demise of the overextended property developers of the early '70's.[58] Mining and manufacturing capital experienced a similar though less dramatic slump.

The response of the Whitlam government to the deepening crisis saw an abandonment of social reform and the pursuit of policies seeking to cut real wages in order to increase profits and stimulate private capital accumulation. After a series of intense political upheavals that saw an elevation of right wing ministers to key portfolios of Treasurer (Hayden), Labour (McClelland), and Social Security (Wheeldon) and a demise of the Left (Cairns, Cameron and Connor), a three-pronged government policy emerged.[59]

The first was to hold down the rate of increase in public expenditure and the size of the budget deficit, the exact antithesis of its December 1972 social reform platform. This was the central plank of the Hayden Budget of August 1975, which has been described by Bruce McFarlane as 'arguably the most violent anti-worker budget since Menzies'.[60] The major area of budget pruning fell on areas of welfare[61], hitting the poorest sections of the community, while the overall effect of the budget was to further increase the rate of unemployment. The second plank of the A.L.P. was wage restraint. Wage indexation was to be a major instrument in Labor's desire to cut the effect of rising wages on profits and to stem the high incidence of strikes. Sold to the trade union movement as a means of protecting the living standards of the working class, indexation was a means of integrating the wage-bargain into the state apparatus and thereby reducing both class struggle and the level of real wages. As Bob Catley argues: 'The indexation of wages effectively meant a wage freeze and in the longer term a reduction in the real wage level'.[62] Finally, the A.L.P. changed its attitude to capital, increasing the

foreign capital inflow and dropping equity requirements, as well as defeating the Connor resources policy and abandoning any plans of competing with capital, such as the attempt to compete against finance capital in the area of insurance. This was designed to create conditions conducive to increasing profit rates and encourage capital accumulation.

In addition to these general policies the A.L.P.-led state apparatus began to increasingly intervene to prop up private capital hit by the recession. For example, the car industry was severely hit by the recession, leading to the collapse of British Leyland, followed by the announced intentions of G.M.H., Ford and Chrysler to sack up to 10,000 workers because of increased import competition and declining sales. The government's response was to reduce sales tax on motor vehicles, introduce import quotas, to revoke earlier budget decisions of taxing company cars, and to give more direct financial assistance to bail out Leyland. Despite tax measures, large-scale retrenchments followed in the car industry. Another example of the state propping up private capital was outright grants of $650,000 each to the Electrolytic Zinc and Australian Pulp and Paper Mills, and increased protection to the textile industry. Government handouts to industry amounted to some $1850 million in the six months to February 1975, giving some indication of the magnitude of overall direct state support for private capital.[63]

The strategy of the Hayden budget had little time to work, however, as the November 11 'Canberra Coup' saw the dismissal of Whitlam by Governor General Kerr who installed Malcolm Fraser, leader of the Liberal Party, as Prime Minister. In the subsequent election in December 1975 large sections of the traditional working class supporters swung against the A.L.P. to enable the Liberals to be elected with an overwhelming majority.[64]

The A.L.P., over a period of three years, had changed its policies from progressive social reform and support of the working class in wage struggles, to an active pursuit of cuts in wages and social welfare. Without strategy for seizing control of private capital, and hence committed to the maintenance of the capitalist system, Labor was confronted with the underlying constraints of the capitalist state to maintain both the technical and social conditions necessary for the recovery of private capital accumulation. In periods of generalised international recession of the depth of 1974-75, this necessitated an abandonment of social reform and an attack on the working class. As Rowley argued: 'The Labor Party was ten years too late. It attempted to implement its cherished program, not in the middle of the long post-war capitalist boom, but after it had finished.'[65]

C. December 1975 to the Present: Fraser in Office

The period since December 1975 has seen a hesitant, uneven and inflationary upturn in the international economy, with production rising from the negative levels of the depth of the recession in 1975. The U.S. economy has led the upturn, which after a six-month lag stimulated an upturn in Japan and West Germany, mainly through a stimulation of world trade. In many other countries, the upturn has failed to materialise. The major course of the turnabout in the business cycle rests in the large deficit spending by the capitalist states in 1975. As Mandel argues, these deficits probably totalled more than $160,000 million for the major imperialist countries alone.[66] However, it is important to stress that the upturn is hesitant and not cumulative. In particular, productive investment has not recovered substantially, and where upturn is noticeable, it is accompanied by a maintenance of the large-scale unemployment of the magnitude of the depths of the recession.

The Fraser government took office with a strong determination to create the economic, political and ideological conditions for the stimulation of profits and private capital accumulation. In many ways the Fraser economic strategy for recovery has represented a more severe version of the Hayden economic strategy, tainted

with the reactionary colourings of monetarism. Before we outline the response of the Fraser-led state in the economic crisis, it is necessary to follow the mode of presentation throughout this article in stressing the dimensions of the dynamics of the relationship between the ruling class and working class in this period. This obviously overlaps with, and is dependent on, the economic policies of the Fraser government, and is separated only for the purpose of consistency in exposition.

Overall, the period since December 1975 has seen a recovery of profits for most sections of capital, even though production has at first risen and then faltered. It has also been a period of reconstruction and reconsolidation of capital, marked by an increase in conflict between fractions of capital. Furthermore, the period has been characterised by a decrease in class conflict and a weakened working class. The period has seen a maintenance of high levels of unemployment and inflation. The conflict between export oriented fractions of capital and those concerted towards the domestic economy has been heightened in this period, intensified by the Fraser strategy for an export oriented recovery while maintaining domestic recession. Mining capital in particular is in a much stronger position than the labour intensified manufacturing capital which had long-run structural problems as well as those of a more cyclical nature. The mining sector has been dependent on international demand considerations, and has been relatively insulated from the large wage increases of the 1970's because of its capital intensive nature. This sector has been attracting large amounts of capital away from low profit manufacturing. B.H.P. is a good example of this, moving large amounts of capital into mineral and oil ventures rather than into its steel making ventures. Finance capital also moved away from manufacturing into minerals and oil. All that is required is a realisation of the expected international recovery and profitable returns were ensured.

With the Fraser government encouraging this direction of capital flows, fractions of manufacturing, retail and finance capital oriented to the domestic market began to oppose the Fraser policy of refining domestic expansion, arguing for tax cuts to stimulate the market while at the same time demanding a stronger line on trade unions and wage increases. These demands were voiced through their organisations, the Metal Trades Industry Association, the Associated Chambers of Manufacturing and the Australian Industries Development Association.[67]

Conflict within the ruling class has also emerged over the government's 'White Paper' on manufacturing industry between those elements of the government who argued for substantial restructuring to overcome the inherent structural inefficiency of sections of manufacturing capital, and those like Senator Cotton who have supported the maintenance of tariffs and protection for inefficient sections of capital by arguing for a period of consolidation, rather than reform.[68]

The period of recession has been a period of restructuring and reorganisation for most sections of capital. The high unemployment of the recession, and the subsequent weakened position of the working class, has allowed (and at the same time been a product of) rationalisation of the labour process and the concentration and centralisation of capital.[69] This has taken place in the context of the bankrupt and weakened conditions of many of the smaller and more inefficient fractions of capital. To cite examples of the rationalisation, Mauri Bros. and Thompson shut down its P.M.U. canned food factory in Sydney and transferred production to underutilised facilities owned by a competitor, Heinz, in Melbourne (Mauri Bros. had been losing $2 million from its Sydney plant); Henry Jones (I.X.L.) had rationalised the food industry by merging its apple processing facilities with Clements Marshall in Tasmania, and combined its general food interests with Cottee's General Foods; Nissan has become the first Japanese car group to qualify as local manufacturer by an agreement with Chrysler. As further means of rationalisation, a number of Australian firms set up plants in Asia and closed down Australian plants. For example, Dunlop began restructuring by setting up a plant in Malaysia, leading to a loss of 6000 jobs. When A.N.I. had set up plant in Indonesia, its Australian work force dropped from 3400 in 1974 to 2100 in 1976.[70]

At the same time this period of unemployment can and has been used to introduce labour-displacing technology. One example is that of Fairfax Newspapers who automated part of their newspaper printing process, replacing the jobs of three hundred printers and initiating a protracted industrial dispute with the printers union, the P.K.I.U. Capital has further taken advantage of a weakened working class and used this period to build up large stocks for a long period ahead, retrenching their workers until stocks run down. In this way, plants can operate at higher capacity, at wage levels below those in future months. Recent examples of this can be seen in the car and colour television industries. Chrysler has recently threatened to sack eight hundred workers because of overproduction.[71] In the colour television industry, H.M.V. continued production levels at last years rate, even though demand had dropped by one-third, resulting in a stockpiling of 27,000 sets, then retrenching 50% of its work force.[72]

As we have outlined, the working class has borne the brunt of the present period of recession and the reorganisations of capital that have taken place. Unemployment has remained at record levels, with the latest official figures for May 1977 at 5% of the work force (or 5.3% in seasonally adjusted terms).[73] A feature of the present period is the high rate of unemployment amongst youth (about one-third of total unemployment) and women (6.6% of the female work force is officially unemployed as compared to 4.1% of the male work force). Unemployment is disproportionately high in working class areas since the unemployment is concentrated in the manufacturing sectors of the economy rather than the services sector. In most of the working class areas in the outer western suburbs of Sydney and Melbourne often more than 50% of the unemployed are under twenty-one.[74]

During this Fraser period of high unemployment, real wages of the working class have fallen as the accompanying chart on the shares of labour and capital in real non-farm G.D.P. indicates. This cut in wages has been engineered via the wage indexation system, which last year accounted for 95% of wage increases. The Arbitration Commission has been using 'plateau' indexation as a means of cutting wages. In periods of such high unemployment, the trade union movement has as yet been unable or unwilling to abandon wage indexation by initiating a strong and widespread campaign for wage increases outside the guidelines.[75]

One significant feature of the present period is the lack of working class struggle in a period of the most severe economic attacks on it since the '30's. The attacks on workers' wages and jobs have been one of the most obvious manifestations of this. Another is the large cuts in traditional social expenditure on welfare, health, education and so on. The capitalist state has been able to severely cut back in these areas, enabling it to redistribute these monies saved to capital. Strike figures — the main indication of class struggle in the wages arena — have fallen sharply in 1975 and 1976[76], the only exception to the trend being the national Medibank strike.

Explanations for this lie at a number of levels. One is the severe effect of prolonged unemployment on a working class that is used to periods of strong labour demand. Another is the success of integrating the wage bargain into the state apparatus via the wage indexation system. Given the dominance of wages struggles in trade union politics, this has successfully neutralised a large part of the thrust of the working class. Moreover, since the A.L.P. itself was the architect of wage indexation, and had cut wages and social welfare expenditure during its period of office, working class action has been severely blunted. Finally, the 'dole-bludger' and anti-'trade union' ideology has served to further divide the Australian working class[77], and, as a result, the unemployed, for example, have been cut off from any political and organisational support, becoming fragmented and dispersed people with little political power.

It is in this general terrain of class struggle that we can introduce an analysis of the Fraser government's economic and political strategy in this time of

recession. At an economic level, this strategy reduces to two key policies. First, an increase in the share of capital in national income or, to put this another way, an increase in private profits. The second plank of Fraser's strategy centres around a major redistribution of this income to export oriented capital — mining in particular — to encourage an 'export-led' investment recovery.

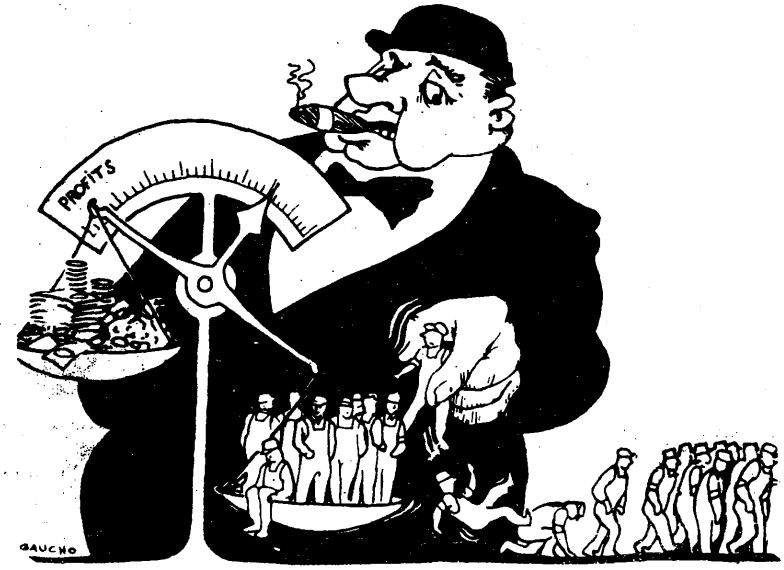
The first is achieved through substantial reductions in the public sector and the budget deficit, creating unemployment directly, as well as cutting spending in those areas of health, education and welfare that most directly benefit the working class. This money is redirected to capital. Hence the 1976 Lynch budget dismantled Medibank and reduced expenditure on health, social security and welfare (cut 3% in real terms, particularly in areas of women, migrants, aborigines and the unemployed), housing (cut 12%) and education (growing only 2%). At the same time, the budget increased handouts to industry. It announced a 40% investment allowance to business for investment in new plant (cost for 1976-77 $23 million), suspended for six months company tax, and introduced stock valuation adjustment that effectively leads to a drop in declared profits and therefore company tax. The budget also reintroduced the superphosphate bounty as well as lucrative subsidies to mining (particularly through depreciation allowances and a removal of the export level on coal).[78]

The other major way in which profits are increased is through direct attacks on the working class itself to decrease wage levels and increase productivity. Central to this strategy is the maintenance of a pool of unemployed to weaken the working class and increase the discipline over labour. In these conditions, wage indexation has been the chief method of raising profits directly by real wage cuts. But profits (surplus value) are also increased if workers produce more in a given period, i.e. if productivity increases. This can come about by an increase in the intensity of work, a decrease in absenteeism, labour turnover and the like that require a large pool of unemployed to implement successfully. These strategies have been complemented by a persistent political and ideological campaign against the working class via the capitalist press. Most prominent in this regard is the 'dole-bludger' and 'trade-union bashing' centred around the introduction of the Industrial Relations Bureau.

In this regard, it is significant to note that during 1976, real non-farm G.D.P. grew by 3.8%, with Syntec estimating that 'at least 3.5% was accounted for by productivity growth'.[79] The successful impact of increasing labour discipline plus rationalisation and reorganisation of the labour process on profits is therefore quite apparent.

The other plank of the Fraser government's strategy for recovery centres around policies which favour the fractions of capital oriented to the export market, mainly minerals. They are as we have seen the most profitable and the most capital intensive sections of Australian capital. Furthermore, given the long-expected recovery of the international economy (particularly the United States and Japan) it was thought by the Fraser government that it was possible to maintain recession at home and rely on the minerals and oil sectors to attract investment of a magnitude to trigger off the 'investment-led' recovery. In this way, the Fraser government has facilitated the trends on the capital market for funds to be attracted away from manufacturing into mining. The conflicts that this ignited between fractions of capital has been mentioned earlier in this section.

The Fraser strategy has not worked. Indeed there has been a recovery of profits and restructuring and reorganisation of capital has occurred. However, these are <u>necessary</u> conditions for sustained recovery, but do not guarantee recovery. The key indicator to a sustained increase in capital accumulation is the level of new investment in plant and equipment. While there was a mild increase in the level of investment in the June quarter of 1976, investment has progressively fallen since that date. One major reason for this is that the recovery of the interna-



tional capitalist economy has not been sufficient to generate orders for Australian materials which are a pre-condition for the injection of capital investment of the magnitude required to initiate recovery. Indeed most recent predictions suggest that the international recovery is petering out with expectations of a recession in the U.S. around 1979.[80] The Japanese economy, crucial in this regard, has recently indicated downward adjustments to its steel output targets for the years to 1980, reducing its iron ore and coal imports and leaving a number of projects without the forward orders necessary for much new investment in mining to begin.[81]

With recovery not forthcoming from the export sector, there is no recovery of the domestic sector given the Fraser strategy of maintaining unemployment and refusing to introduce expansionary policies. The high rate of inflation is one barrier to domestic expansion that did not confront the Liberal governments of the long boom. At the same time an economic environment of large rates of unemployment merely pushes up the savings ratio, thereby further deepening the hopes of domestic recovery. It is not surprising that the latest figures for industrial production (May 1977) show that no improvement in the domestic economy is taking place. In the words of the economics editor of the Australian Financial Review, the 'long-awaited recovery shows no signs of materialising'.[82]

VI. FUTURE PROSPECTS

The present Australian economic crisis is a product of the contradictions inherent in the capital accumulation process of capitalist economies. Late capitalism, the present advanced stage of capitalist development, has in no way managed to overcome these contradictory tendencies. Indeed, the central features of this period of capitalism is the international concentration and centralisation of capital which has spread the tentacles of capital far and wide, further integrating the capitalist nations into an increasingly interdependent relationship that is at once uneven, complementary and contradictory. These forces matured during the long boom of the post-war period, and were instrumental in the demise of the boom and the onset of deep-seated generalised recession.

It is important to stress that we reject the breakdown theorists who claim that capitalism is finished for good, and is on the slippery dip to economic destruction and social change. This ignores two fundamental points. First, periods of severe crisis have historically been periods of reconstruction, reorganisation and regeneration of capital, restoring the conditions for an increase in the rate of

profit and for a sustained period of capital accumulation and expansion. Second, an economic crisis by no means brings about a general social crisis that trumpets the overthrow of capitalism and ushers in the new socialist society. Such a social crisis is resolved at the political level, necessitating successful working class organisation, consciousness and struggle sufficient to overthrow the strong and persistent political forces of capitalism.

It should not be inferred from this that we see a period of long boom in the future horizon of international capitalism. Far from it. Although regeneration and reorganisation have occurred during this crisis, just as it has in all other crises in the history of capitalism, we believe that the forces that sustained the previous long boom have been by and large destroyed and that there is as yet no emergence of the pre-conditions necessary to sustain a period of long boom either in the international capitalist economy or the Australian economy. Indeed we agree with Kelvin Rowley's assessment that 'a "long wave" of expansion has ended and one of secular stagnation and crisis is upon us'.[83]

For the Australian economy the situation is complicated by the structural crisis of the manufacturing sector of the economy. Even if the cyclical crisis could be overcome — and the immediate prospects for even minor recovery seem bleak, with recent predictions of the recovery of the U.S. and of the O.E.C.D. international countries heading for recession possibly in 1979 [84] — the structural crisis remains. Given the dated nature of technology of plant and equipment in two sectors, with only 25% of machine tools in industrial plant less than ten years old[85] the only solution is massive expenditure on plant and equipment in manufacturing embodying the latest technology. Given the domination of foreign capital in this sector of industry it could be doubtful that the conditions of economic growth and class struggle in Australia would prove sufficiently attractive for such large-scale investment with alternatives in Southeast Asia and elsewhere. If that were the case, the recent attraction of capital into the low employment capital intensive mining sector might well signify an increasing trend towards retrogressive development of Australia to a neo-colonial quarry for world imperialism.

One of the more immediate and certain aspects of Australian capitalism is that unemployment will remain high, with no possibility of returning to the low levels of the post-war period. A recent survey by the Australian Industries Development Association, covering 150 major Australian companies, found that even if output were to increase by 10% in the immediate period (optimistic!) employment would increase by no more than 2%.[86] With the large increase of persons entering the work force by reaching the 15-20 age group in the next few years, it seems that youth unemployment in particular will remain at high levels. Further, to the extent that new capital investment in Australia in manufacturing and mining will be more capital intensive and automated[87], structural unemployment will continue to grow in Australia.

The coming period of Australian capitalism will be a vital one for the working class, facing as it does continued unemployment and severe erosion of wages and living standards. A pre-condition for a successful working class strategy to defend working class interests against ruling class attack, and to utilise the contradictions of the forthcoming period of protracted economic crisis to advance the struggle for socialism, is a thorough Marxist analysis of the present economic crisis and its historical roots. In this article we have attempted to set the framework for such an analysis and to initiate research and debate into what must be the most critical question facing political economists and the working class today.

JOHN COLLINS
KURING-GAI C.A.E., N.S.W.

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[1] Syntec, No. 57, 6 June 1977, p. 3.

[2] Jackson Report, vol. I, p. 1.

[3]These figures, from the Bureau of Statistics, significantly underestimate the real level of unemployment due to the disguised unemployed youth who return to school, and women who return to the home.

[4]The figures are taken from the Reserve Bank 'Statistical Bulletin' and the Treasury's 'Round-up of Economic Statistics'.

[5]P. Baran and P.M. Sweezy, Monopoly Capital, Monthly Review Press, 1966.

[6]The strongest advocate of this orthodox or 'fundamentalist' position which asserts the correctness of the tendency of the rate of profit to fall theory is David Yaffe, 'The Marxist Theory of Crisis, Capital and the State', Bulletin of the Conference of Socialist Economists, 1.4 (Winter), reproduced in Economy and Society, 2.2, 1973, and Paul Bullock and David Yaffe, 'Inflation, the Crisis and the Post-war Boom', Revolutionary Communist, No. 3/4, November 1975.

[7]The main 'counteractery influences' include increasing the intensity of exploitation, depression of wages, foreign trade increase in joint stock capital, the industrial reserve army — all of these increase the rate of profit. In addition, Marx considers the effect of cheapening of the elements of constant capital and the effect of relative overproduction in encouraging the persistence of industries with low compositions of capital. See Ben Fine and Laurence Harris, 'Controversial Issues in Marxist Economic Theory', The Socialist Register, 1976, p. 62.

[8]ibid., pp. 162-163.

[9]Figures are from O.E.C.D., National Accounts of O.E.C.D. Countries 1950-1968, National Accounts...1960-1970, and Industrial Production: Historical Statistics, 1955-1971, cited in Kelvin Rowley, 'The End of the Long Boom', Intervention, No. 6, June 1976.

[10]ibid.

[11]E.L. Wheelwright, Radical Political Economy, A.N.Z., 1974, p. 37.

[12]E. Mandel, Late Capitalism, N.L.B., 1975, Chapter 10.

[13]See Jackson Report, Vol. II, p. 138.

[14]G. Crough, A Compendium of Official Statistics of Foreign Investment Flows to and from Australia (1947-74), Transnational Corporations Research Project.

[15]E. Mandel, Europe Versus America, Monthly Review Press, p. 13.

[16]Figures are from the 1974 Yearbook of Australia, Chapter 11.

[17]G. Crough, op. cit., p. 5.

[18]Figures from R.B. McKern, Multi-national Enterprises and National Resources, McGraw Hill, 1975, p. 32, Chapter 4.

[19]G. Crough, op. cit., Tables 6 and 7.2.

[20]All foreign control figures are from Treasury Economic Paper I, Overseas Investment in Australia, May 1972.

[21]ibid.

[22]For a journalistic account, see Abin Reid, The Power Struggle, Shakespeare Head Press, especially Chapters 3 and 4.

[23]Report of the Committee of Economic Enquiry, Vol. I, May 1965, p. 112.

[24]ibid.

[25]See D.W. Oxnan, 'The Incidence of Strikes in Australia', in J.E. Isaac and G.W. Ford (eds.), Australian Labour Relations, Sun Books, Melbourne, 1968, p. 22.

[26]See J. Collins, 'The Political Economy of Post-war Immigration', in Essays in the Political Economy of Australian Capitalism, Vol. I, A.N.Z., Sydney, 1975, Chapter 5.

[27]Department of Labour and Immigration, Labour's Share of the National Product, The Post-war Australian Experience, Australian Government Publishing Service, Canberra, 1974.

[28]Figures calculated from Budget papers during the period.

[29]See Ian Gough, 'State Expenditure in Advanced Capitalism', in New Left Review, No. 92, July-August 1975, and J. O'Connor, Fiscal Crisis of the State, New York, 1973.

[30]ibid., p. 65.

[31]op. cit., p. 1.

[32]ibid., Vol. III. The study is called 'Financing Manufacturing: Past Trends and the Current Crisis'.

[33]O'Connor, op. cit.

[34]See Rowley (1976) for an elaboration of this assumption. Also useful is E. Mandel, Decline of the Dollar, Pathfinder Press, New York, 1972.

[35]C. Gordon Tether, as quoted in Rowley, op. cit., p. 60.

[36]I.A.C. Annual Report, 1975-76, p. 88, Table 23.2.

[37]The Australian Economy 1971, Australian Government Publishing Service, Canberra, 1971, p. 19.

[38]Budget Speech 1973-74, Australian Government Publishing Service, Canberra, 1973, p. 14.

[39]E.R. Treyvaud, Impacts on the Australian Economy 1970-71, Patoline Publishing Company, Sydney, 1971, p. 26, Table 31., and p. 28, Table 3.8.

[40]Grant Evans, 'Perspectives for Working Class Struggle in Australia', Intervention, No. 4, May 1974, p. 10.

[41]Policies for Development of Manufacturing Industry: A Green Paper, Vol. II, p. 76, Table 33.

[42]See P.D. Groenewegen, 'What are the Causes of the Current Australian Inflation Rate?', C.A.B., No. 52, 5 October 1975, and statements accompanying the Budget Speech 1976-77, Australian Government Publishing Service, 1976, p. 139.

[43]Budget Speech 1973-74, p. 5.

[44]The Economist, 27 July 1974, as quoted in Rowley, op. cit., p. 62. This argument is a condensation of that of Rowley, pp. 62-64. Also see Ernest Mandel, 'The Generalised Recession of the International Capitalist Economy', Inprecor, No. 16-17, 16 January 1975.

[45]Budget Speech 1974-75, op. cit., p. 6.

[46]Budget Speech 1973, op. cit., p. 5.

[47]Budget Speech 1974-75, op. cit., p. 7.

[48]ibid.

[49]I.A.C. Annual Report, 1975-76, p. 88.

[50]See Bob Catley and Bruce McFarlane, From Tweedledum to Tweedledee, A.N.Z. Books, Sydney, 1974, for a detailed account of the A.L.P.'s model for reform of Australian capitalism.

[51]Bob Catley, 'Socialism and Reform in Contemporary Australia', in E.L. Wheelwright (ed.), Essays in the Political Economy of Australian Capitalism, Vol. II, A.N.Z. Books (forthcoming), p. 16. This is a very useful chronicle of the major policy and political changes throughout the A.L.P. period.

[52]Rowley, op. cit., p. 65.

[53]ibid., pp. 66-68.

[54]A substantial rise in the level of private savings is a feature of this current recession. Savings ratios rose.

[55]Hugh Stretton, 'Housing Policy', in Peter Scott (ed.), Australian Cities and Public Policy, Georgian House, 1976.

[56]See 'Grim Outlook for Building', A.F.R., 9 April 1975, and 'Government Prospects Buoy Construction Commencements', A.F.R., 8 July 1975.

[57]See G.G. Meredith, 'Small Business Recovery: Fact or Fiction', Current Affairs Bulletin, Vol. 53, No. 11, p. 9.

[58]See '5000 Smaller Firms on the Verge of Bankruptcy', The Australian, 22 October 1975; 'Small Business, Big Bust', The Australian, 12 August 1975; 'Slump Puts the Shutters on 300 Firms', The Australian, 2 September 1975; 'Rising Costs Drive Small Miners into the Clutches of the Majors', National Times, 16 June 1975.

[59]See Catley, op. cit., for a detailed elaboration.

[60]Bruce McFarlane, 'Hayden's Economics Sunk', Nation Review, 2-5 June 1977, p. 8.

[61]Catley, op. cit., p. 42. These cuts in welfare were accompanied by an ideological 'welfare bludgers campaign'.

[62]ibid., p. 33.

[63]ibid., pp. 30-31, for these details.

[64]See Kelvin Rowley, 'The Fall of Labor', Intervention, No. 6, June 1976, for the most useful Marxist account of this period. Rowley points out that the support for labour in the election was the lowest of any election in the post-war period except for 1966.

[65]ibid., p. 14.

[66]Ernest Mandel, 'The International Capitalist Economy: A Hesitant, Uneven and Inflationary Upturn', Inprecor, No. 61/62, 11 November 1976, p. 4.

[67]See Catley, op. cit., p. 57.

[68]White Paper on Manufacturing, Australian Government Publishing Service, Canberra, 1977.

[69]Rydges, Vol. L, No. 2, February 1977, pp. 26-29.

[70]Michael Southern, 'The Offshore Exodus', Australian Financial Review.

[71]'Chrysler Crisis — 850 Face the Sack', The Australian, 30 June 1977.

[72]'Colour T.V. Slump', Australian Financial Review, 24 June 1977.

[73]Australian Financial Review, 20 June 1977.

[74]The figures for Sydney show the percentage of youth in total unemployment to be 46% in Bankstown, 54% in Blacktown, 52% in Carringbah, 58% in Liverpool and 50% in Penrith. Sydney Morning Herald, 8 April 1977, p. 3.

[75]The Builders Labourers Federation has attempted this, meeting a strong offensive from the Master Builders Association and the Arbitration system, who refused to grant builder labourers the last wage indexation increase. The Master Builders Association are taking the offensive and attempting to break union preferential hiring.

[76]Keith Windschuttle, Nation Review, 2-8 June 1977.

[77]See John Collins, 'A Divided Working Class', Intervention, No. 8, for an elaboration of the discussion within the Australian working class.

[78]See Mike Brezniak, 'The Political Economy of Living Standards', Australian Left Review, No. 58, April 1977, pp. 1-10, for an elaboration of the Fraser strategy.

[79]Syntec, No. 57, 6 June 1977, p. 10.

[80]See 'Australia Looses One Recession While the U.S. Finds Another', Australian Financial Review, 21 June 1977, p. 18.

[81]'Japan's Bleak Steel Output', Australian Financial Review, 3 June 1976.

[82]P.P. McGuiness, Australian Financial Review, 24 June 1977.

[83]Kelvin Rowley, 'The End of the Long Boom', op. cit., p. 79.

[84]See 'Australia Looses one Recession...', Australian Financial Review, 21 June 1977, and 'Gloomy Outlook Forecast for the O.E.C.D. Member Countries', Australian Financial Review, 17 June 1977, p. 20.

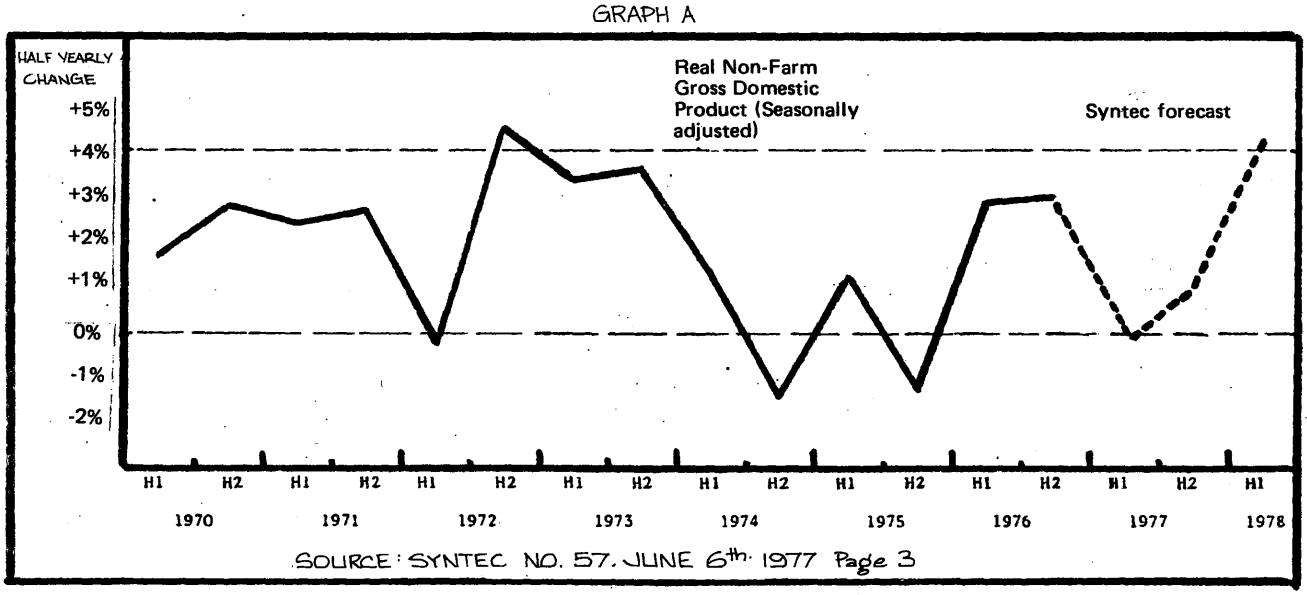
[85]Heavy Engineering Manufacturers Association Report 1975, as cited in Australia Uprooted, A.M.W.S.U., 1977.

[86]Australian Industries Development Association, Bulletin No. 282, January-February 1977, p. 2.

[87]It is interesting to note here that the mining company Utah Corporation Australia most profitable time last year (profits $137 million) employs fewer than 3000 people, while BHP, with large steel-making interests as well as mining and oil, employed 60,000 people for its $100 million profit. The National Times, 20-25 June 1977, pp. 33-37.

WINTER OF '77: ANOTHER SAG BEFORE UPSWING

GRAPH A



CAPITAL AND LABOUR: A SWITCHBACK IN SHARES