

The Labour Movement and the Protection Versus Restructuring Debate: A Proposal

Andrew Hopkins & Richard Curtain

The manufacturing sector in Australia is under threat. Since the mid 1960s the proportion of GDP attributable to manufacturing has declined from 29 to 21 percent and the proportion of people employed in that sector from 28 to 21 percent (Sutton, 1979:10). Moreover, this is not merely a relative decline. From December 1973 to December 1978 employment in manufacturing actually fell from 1.32 million to 1.13 million, a drop of 200,000 (Ward, 1979:33). One of the hardest hit industries has been textiles, clothing and footwear (TCF) in which 39,000 jobs, representing over 24 percent of employment in the industry, were lost in the five years from 1974 to 1979 (IAC, 1980b:24). In automobile production, nearly 14,000 jobs were lost in the five years from 1973-74, representing a 15 percent reduction in employment in the industry (IAC, 1981:49).

Our concern in this paper is with the options available to the labour movement faced with this situation. We begin with a brief account of the causes of the contemporary decline of the manufacturing sector and go on to consider the two most commonly advocated policy responses: on the one hand, increased protection, and on the other, the restructuring of industry brought about by a regime of free or freer trade. Variants of the free trade position, such as the type of restructuring advocated in the Crawford Report, are also considered. We argue that from the point of view of the labour movement, none of these options is satisfactory. In the latter part of the paper we propose, instead, a programme of restructuring, initiated not by government but by the labour movement itself. It is only if the impetus for change comes from this quarter, we argue, that workers can have any confidence that their interests will be safeguarded.

Industrialisation in Asia

A major reason for the decline of manufacturing industry in this country has been the rapid industrialisation of developing countries in Asia and the

* This paper is a revised version of a background paper for the Canberra Conference on Socialist Responses to the Resources Boom, October 1981. The original paper has been circulated, in limited numbers, as "Transnationals, the Labour Movement and the Protection versus Restructuring Debate: A Proposal", Transnational Corporation's Research Project Discussion Paper No.13, Faculty of Economics, University of Sydney, April 1982. The authors would like to thank Barry Naughton, Marian Simms and John Warhurst for comments on an earlier draft.

resultant competitive challenge to Australian industry. Moreover, according to the Crawford Report (1979:6), this pressure can be expected to intensify over the next decade.

The industrialisation of Asia has been, in part, achieved by the re-location of foreign capital, taking advantage of cheap Asian labour and producing for the market in developed countries. Foreign capital has been aided in this by the free trade zone policy which operates in several Asian countries, whereby importing and exporting associated with new manufacturing ventures can be carried on without restrictions and without taxation. Indeed, the infra-structure associated with a project (roads, housing, ports, etc.) may even be provided free of cost by the host Government (Wheelwright, 1980). It is noteworthy that Australian capital has been involved in this process: already several hundred Australian companies have moved their operations "off shore" to take advantage of lower labour costs in Asia; among them, Repco, Johns and Waygood, BHP, Lysaght, Hanimex, Australian Chemical Holdings, Hy-Q Electronics, Acmil and ANI (Hamilton, 1980:100).

Associated with these developments is the fact that transnational corporations (TNCs) are now fragmenting the productive process across national boundaries and carrying out the most labour-intensive parts in countries able to provide cheap labour-power. The use of South-East Asian labour for aspects of micro-processor production is a well known example of this. So, too, is the current "world car" concept of the major car manufacturers in which components are produced in several different countries. According to Wheelwright (1980), citing the work of the German economists Frobel, Heinrich, and Kreye (1979), a "new international division of labour" has emerged which involves the industrialisation of developing countries and the de-industrialisation of advanced countries such as Australia.

The Mining Boom

A second major source of 'the malaise' (in the words of the Jackson Report, 1975:1) of Australian manufacturing industry is the resources boom. The argument here is that the expansion of the mining sector in the late 1960s and early 1970s generated increased import earnings which resulted in an appreciation of the exchange rate and a consequent weakening of the competitive position of the import-substituting manufacturing sector. This argument has become known as the "Gregory Thesis" following the publication of an article in which Gregory (1976) produced estimates of this effect. On his calculations the effect on the manufacturing sector was equivalent to abolishing tariff protection altogether and, in fact, introducing a small import subsidy. According to Gregory, then, the mining boom must be seen as a major source of the difficulties experienced by manufacturing industry.

There has been considerable criticism, from mining industry spokesmen and others, of the assumptions on which Gregory's calculations were based (see, e.g., Norman, 1977, 1980, McLeod, 1977 and Corden, 1981:9), and it seems likely that the Gregory effect is not as great as he claimed. But even Gregory's critics appear to concede that the mining boom has had some, and indeed a quite considerable, adverse effect on manufacturing (Norman, 1977:20, 22).

Technology

A third factor which is often discussed in connection with the decline of manufacturing industry is technological change. The net effect of technological change on overall levels of employment is, however, difficult to

assess and two quite distinct, in fact contradictory arguments are made in this connection.

First, it is indisputable that labour-saving technological innovations mean loss of jobs for those directly concerned. It must be recognized, however, that technological change of this kind may generate employment in other areas which goes some way towards offsetting the losses. Indeed, Hurford (1981:129) claims that in the telecommunications industry there has been an overall increase in employment as a result of technological change. This may well be an exceptional case. Probably closer to the truth is Sutton's contention (1979:12) that although under boom conditions technological change may not involve any net loss of jobs, under conditions of recession such as we have seen in Australia in the last decade, it does.

Furthermore, it must not be forgotten that while job losses in certain areas or industries may be offset to varying degrees by the creation of new employment opportunities elsewhere, this is of little comfort to those actually laid off since the new employment is generally not in occupations for which they have been trained.

The contradictory argument made in this connection is that unemployment in manufacturing industry is not caused by technological change, but by the lack of it. The argument here is that for various reasons Australian industry has failed to introduce the most advanced technology available and, as a result, productivity has fallen behind that of other countries. Australian industry is thus increasingly unable to compete with overseas manufacturers (Myers, 1980: 77-8).

This is a somewhat speculative argument and difficult to evaluate. It does, however, appear to run counter to the evidence cited by Peetz (1981), Kuhn (1981:23) and others which demonstrates quite persuasively that, at any rate in recent years in Australia, technological change has led to higher rates of unemployment than would otherwise have been the case.

Changing consumption patterns

A final factor undoubtedly contributing to the difficulties of manufacturing industry is the changing pattern of domestic consumption. The Australian population is growing less rapidly than in the past with consequent changes in demand, particularly for consumer durables. Moreover consumers are spending a decreasing proportion of their incomes on such mainstays of manufacturing employment as food, clothes, drink and cars and an increasing proportion on tourism and recreation (Hurford, 1981:131).

In the preceding discussion we have surveyed very briefly the reasons advanced by several writers for the decline of the manufacturing sector. We have not attempted to specify the relative importance of the various factors.¹ Suffice it to say that for some or all of these reasons, manufacturing industry is in trouble.

The Tariff Debate

Traditionally, Australian industry has been insulated from foreign competition by the use of import taxes (tariffs) which raise the price of an import to the level of the equivalent Australian product. There is little doubt that higher tariffs, in combination perhaps with import quotas, could

Footnote 1: For other recent discussions see Stilwell 1980 Ch.3, Catley and McFarlane 1981, Clegg 1980, and most recently, McQueen 1982.

go some way towards protecting Australian industry against the pressures for change which we have just outlined. There is a profound difference of opinion, however, as to whether this is the appropriate policy response. There appear to be three major schools of thought current in Australia as to just how the government should respond to the pressure for change at present being experienced by manufacturing industry: protection, free trade and government-sponsored structural adjustment. The last of these, as we shall show, is really a variant of the free or freer trade position. Hence our claim at the beginning of this paper that there are only two major schools of thought which have gained any currency in Australia. These policy positions are of course socially located, that is, they are espoused by particular groups whose interests they serve. We shall try to identify these groups in the course of the following discussion.

A. PROTECTION

Protectionists advocate raising tariffs to whatever level is necessary to protect industry threatened by foreign competition. A second measure frequently suggested by protectionists is a slow-down or halt to the development of new, export-oriented mining ventures. Thus, for instance, in the English context, the chairman of British Leyland declared that if the government didn't know how to handle the side effects from North Sea oil it should "leave the bloody stuff in the ground" (National Times, January 18 to 24, 1981, p.16).

The protectionist argument is espoused in Australia by certain manufacturing interests, some Liberal backbenchers, a number of Labor politicians, unionist and various academics and has been forcibly put in a number of publications emanating from the Trans-national Co-operative in Sydney (e.g. TNC, 1978). It is, moreover, current government policy, as the recent decision to protect the textile, clothing and footwear (TCF) industry at all costs shows.

There are, however, a number of objections which can be raised from a labour movement perspective against the protectionist position. The first and perhaps most important objection is that tariffs impose additional costs on consumers. In the TCF industry for example the cost of protection to Australian consumers is just over \$1,000 million or about \$235 per household per year (IAC, 1980b:68). Put another way, the tariff results in consumers paying on average 80 percent more than they would otherwise pay for Asian imports. In some cases the figure is as high as 300 percent (Crawford, 1979:16).

Now the point is this : the consumer is not an abstraction. Most consumers are also workers. Thus, the very high level of tariff protection in the TCF industry imposes substantial cost on workers in all other industries. To abolish tariffs in that industry would be to the advantage of the great majority of Australian workers. (We are not, of course, advocating that this be done without adequate provision being made for workers in this industry, but merely drawing attention to the fact that high tariffs in particular industries impose substantial costs on workers at large).

A second argument against the protectionist position is that it involves sometimes massive subsidies to employers over and above the cost of maintaining jobs. This is best brought out, again in relation to the TCF industry, by considering the cost per job in the industry of tariff assistance. In 1975-76 tariff assistance (paid by the consumer) to bed sheeting manufacturers was \$12,700 per employee, and to bed linen, it was \$20,000. The average

income of workers in these sections of the industry was \$7,500 for the same period (Robinson, 1978:33). Thus, even if these industries were closed and workers continued to secure full pay financed by a tax on imports, consumers would still be considerably better off.

It cannot be assumed, for example, in the case of bed linen, that the difference between the assistance paid per job (\$20,000) and the amount paid out to the worker (7,500) goes directly into the pocket of the employer, since he has costs other than labour. Nevertheless, it is clear that the tariff involves a substantial transfer from consumers to manufacturers.

A third argument against general and indiscriminate tariff protection is that it is not necessarily to the advantage of all workers in the protected industry. Again, the TCF industry exemplifies the point. It has long been thought that TCF manufacturers have a common interest in industry-wide protection. This apparently united front has recently been shattered by the emergence of a sub-industry grouping, the Apparel Manufacturers of Australia (see advertisement in the National Times, May 25-31, 1980:17). Since clothing manufacturers are consumers of a range of textiles and would like to be able to buy these textiles from overseas manufacturers who can supply them more cheaply than Australian producers, they are now arguing for the abolition of tariff on certain types of textile. Given this split in the rank of capital, the way is open for unions in the industry to enter into an alliance with clothing manufacturers to bring about lower tariffs on textiles in return for a guarantee of increased employment or at least more secure employment in the industry as a whole.

A final argument against the protectionist response is that while it may guarantee the continued existence of the manufacturer it does not guarantee the continued existence of his workforce. I.A.C. data (1980a:22-24) indicate very clearly that it is in the most highly protected industries (clothing, textiles, footwear, transport equipment and fabricated metal products) that the decline in employment in the last decade or so has been greatest. Indeed until 1974-5 it was only in the most highly protected group of industries that employment was decreasing; in other industries employment was expanding (I.A.C. 1980a: 22-24). This point is very well illustrated in the following statement made recently by the Managing Director of Ford in Australia:

The only way we can make cars for less cost is to employ fewer people. Ford is making the same number of cars today as it did in 1976 but it is employing 1,500 fewer people.... If we know we are going to be here 10 years from now we will invest to match the Japanese, robot for robot. (Sydney Morning Herald, Sept. 19, 1981).

In other words continued tariff protection for Ford will protect the interests of shareholders very nicely but will actually facilitate a decline in the company's workforce.

B. FREE TRADE

The second policy position suggested as a response to the lack of competitiveness of Australian industry is free trade, the polar opposite to protectionism. Free traders argue that the subsidisation of inefficient industries is a misallocation of national resources. Free trade, they argue, would "free" workers to move into more productive areas and would maximise national wealth, to the benefit of all. They recognise that jobs would be

lost in currently protected industries but assert that these would be more than compensated for by the creation, in time, of new jobs in the export manufacturing sector which would emerge following the adoption of a free trade policy.

A number of different interests support the free trade position:

1. Agricultural producers have always advocated free trade, in order to be able to buy farm machinery and chemicals in the cheapest market. Indeed, the National Farmers Federation announced that it intended to wage a special campaign against tariffs in 1981 (Financial Review, March 3, 1981).

2. Mining companies have a vested interest in free trade both to enable the purchase from overseas of capital equipment needed in their operations and to provide a countervailing pressure to the currency appreciation which their activities promote. Currency appreciation is disadvantageous to mining companies since it means that export earnings in foreign currency translate into fewer Australian dollars with which to meet their expenses within Australia. This means, in turn, smaller profits.

3. Certain multinational manufacturers, for example GMH, currently with branch plants in Australia, are now supporting the abolition of tariffs on certain products to facilitate the international division of labour (Hamilton, 1980: 90).

4. As a proportion of the total workforce, the number of white collar workers in the public sector and in service activities in the private sector has grown steadily in recent years. Since their jobs are not dependent on manufacturing industry they are not threatened by competition from overseas manufacturers. Indeed, as consumers, they stand to benefit from it. The growth of white collar employment has thus provided a mass basis for the free trade position.

5. A number of academic economists, attracted by the assumed rationality of market forces and the notion of the sovereignty of the consumer are now writing polemical tracts in favour of free trade (E.G. Kasper, et al 1980).

6. A number of Liberal backbenchers, particularly those from the resource-rich peripheral states of Queensland and Western Australia, the so-called "dries", have in recent years exerted considerable pressure on the Fraser government to dismantle the tariff structure.

A less extreme variant of the free trade line, espoused by the Australian Treasury, argues for an across-the-board reduction of tariffs (Treasury submission to the Crawford Study Group, summarised in Sutton, 1979:23). The arguments in favour of this view are, in principle, the same as those advanced by the free traders; in short, that reduced tariffs would promote economic efficiency. Most of the arguments which can be made against the free trade position apply equally to the Treasury line and in what follows the two will not be distinguished.

The Full Employment Assumption

The critical point in the free trade argument is the claim that lowering the tariff barriers will create new jobs in export-oriented manufacturing which will offset the loss of jobs in protected industries. A list of such industries in which considerable employment potential is said to exist has recently been published in volume by Kasper, Blandy, Freebairn, Hocking and O'Neil, three of

whom are professors of economics, one a former Shell Company economist and one a strategic analyst (Kasper et al, 1980: 230-1).

- (i) Food processing: cheap Australian raw materials are available. Large-scale, capital and skill-intensive operation is possible. There is a rapidly growing market for quality food amongst the growing class of affluent Asians(sic).
- (ii) Raw material processing, especially of metals: Australia has both the ores and the energy for processing. Processing makes use of large-scale, capital-intensive technology and the intermediate quality industrial and managerial skills that have been generated in the past.
- (iii) Selected metal products and machines:...Australia has a technological tradition of producing rugged, easy-to-service machines. This constitutes an important advantage in industries that produce agricultural machinery and building supplies...
- (iv) The chemical-energy complex: growth opportunities exist because of cheap, local raw materials, because of capital intensity and because of high-income elasticities for these products.

This list corresponds broadly with the lists of industries submitted to the Crawford Study Group by the Department of Industry and Commerce and the Department of National Development (Crawford, 1979:5.2-4).

It must be recognised that the industries concerned are capital-intensive and therefore can provide relatively few jobs. Such industries, and indeed the whole economy, would need to expand very rapidly to be able to absorb all those thrown out of work by tariff reduction. The Crawford Study Group expressed considerable doubt, however, about the capacity of the Australian economy to expand at the necessary rate. "The Study Group is not confident that the required growth rates will be sustained", it said (1979: 5.15), and went on to predict unemployment rates "substantially higher" than those which existed in Australia in the 50s and 60s (1979:5.16).

In the view of the Department of Employment & Industrial Relations, as expressed in its submission to the Crawford Study Group, this left only the public sector to take up the slack:

The public sector may increasingly be required to generate jobs, either in the public sector or through the private sector via public expenditure (Crawford, 1979:5.6).

But given the pre-occupation of governments in Australia, regardless of political persuasion, with budget-cutting, the public sector can be at best an area of very restricted employment growth.

The upshot is this. The free traders' claim that their policies can be implemented with no net long-term loss of employment is simply an assumption based more on faith in their economic models than on real evidence. We do not wish to assert dogmatically the contrary, but we do want to draw attention to the very problematic nature of this assumption and to argue that it simply cannot be taken for granted that the necessary employment opportunities will be forthcoming under a regime of free or freer trade. The defensive, protectionist response of most of the trade union movement is, we would argue, perfectly understandable in these circumstances.

Let us assume, purely for the sake of the following exposition, that a free trade policy could be implemented without massive unemployment. There are still a number of important arguments of a more socio-political nature which can be made against such a policy.

1. Regional Impact

An assumption which is implicitly made in free trade arguments is that workers who lose their jobs in inefficient industries will readily be able to take advantage of job opportunities in expanding industries. What is assumed, in other words, is the mobility of labour.

But this is far from realistic. To revert to our TCF example, about 20 percent of employment in this industry is in country centres such as Warrnambool, Bendigo and Wangarrata (IAC, 1980b:13). In these towns the industry is a major source of employment accounting for 44 percent of manufacturing employment in Warrnambool, 32 percent in Wangarrata and 26 percent in Bendigo. Moreover, the TCF industry is one of the very few avenues of employment open to women in country centres. Indeed, in non-metropolitan areas of Victoria TCF accounts for 43 percent of female manufacturing employment (IAC, 1980b:13). The failure of this industry would thus cause catastrophic unemployment in these non-metropolitan areas, particularly among women. Furthermore, unemployment would not be confined to those in the industry but would extend into the local trading community, which depends for its livelihood on spending by TCF workers.

It is clearly inappropriate to assume the mobility of labour in this context, since non-metropolitan workers will only be able to take advantage of employment opportunities in other sectors of the economy by severing their ties with local community and moving to other parts of the country, something which they will be understandably loathe to do. It is particularly unrealistic to expect this of female workers thrown out of work in the TCF industry who nevertheless, for reasons such as husband's employment or child support, have to remain in a particular town.

2. The "Eggs in One Basket" Problem

A second line of objection to free trade is the "eggs in one basket" argument. The free trade scenario involves the reduction of current manufacturing diversity and a concentration on the processing of primary products, both agricultural and mineral, for export. This strategy ties the Australian economy far more tightly into the world capitalist system than is presently the case and makes it vulnerable to fluctuation in overseas markets. The point can be made very strikingly by recalling that, in the days when Australia was far more dependent on wool exports than it is now, the emergence of synthetic fibres in competition with wool placed considerable strain on the economy.

Hamilton (1980:96) provides a more up-to-date example of the problem. The Australian steel industry, based on our abundant supplies of iron ore, coking coal, limestone and manganese ore, was highly competitive in the international market in the mid 1960s. The price of Australian steel in May 1966 was, in fact, 16 percent less than the average price of steel produced in five other major producing countries. By March 1976, due mainly to greater advances in steel-making technology overseas, particularly in Japan, Australian steel sold at 17 percent more than the five country average. Had Australia been significantly dependent on the export of steel, the consequences would have been traumatic.

In this connection it is worth recalling the words of the Brigden Report on tariffs, written in 1929, some 25 years after the establishment of the Federal System of tariffs (cited in Hamilton, 1980:97):

an important source of, or at least vehicle of, oppositional ideas and demands for social change. It can be seen, therefore, that a policy of free trade is likely to destroy dissent and breed conservatism in Australian society as a whole.

It is obvious then, even assuming that full employment were able to be maintained under a free trade policy, that there are still serious objections which can be raised against the policy. But we cannot conclude this section without reiterating that the assumption that full employment can be maintained under such a policy is highly questionable and that quite apart from the five socio-political arguments just advanced the possibility of large-scale unemployment alone cautions against any wholesale adoption of the free trade position.

C. GOVERNMENT-ASSISTED RESTRUCTURING

The third major policy response is that of government-assisted restructuring of manufacturing industry. This is the position adopted in the Crawford Report. The Report advocates a gradual reduction of tariff levels but, and here it differs from the free traders, not before unemployment has been reduced below five percent. The major difference with the free or freer trade positions, however, is that restructuring is to be achieved not just by the operation of market forces but by a carefully worked out programme of tariff reduction. This involves two main sets of policies: those designed to stimulate export industry and those designed to deal with the unemployment created by restructuring.

As we have seen, the problem of unemployment is likely to be most acute in non-metropolitan areas, yet it is precisely here that the Report is weakest. Its major recommendation in this area is the rather empty suggestion that governments should develop long-term regional development policies. More specifically it has this to say:

In a growth region it might be appropriate to provide short-term employment or production subsidies until suitable alternative employment opportunities are available for those adversely affected. This could be complemented by action (for example, provision of infrastructure) to hasten the pace of development In a region in long-term decline and with limited economic prospects, easing the adverse consequences of contraction may be the only sensible policy. Assistance could include provision of welfare assistance, assistance with job search and relocation and short-term subsidies to permit inevitable retrenchments to be phased as much as possible (1979:14.11).

It is clear from the last paragraph that the policy of government-assisted restructuring as advocated by the Crawford Report involves no commitment to the provision of employment for those affected. They are to be assisted in various ways but in the last analysis they may nevertheless find themselves on the dole. The Report puts it more tactfully:

Where a region has poor economic prospects . . . government action should aim at facilitating the decline of the region to a lower and sustainable level of activity (1979:53).²

Footnote 2: Warhurst (1980:74) points out that the Crawford Report fails to make any mention of the role of State governments in the section on protection policy.

A Note on the IAC Position

We have now identified three major policy positions of the tariff issue: protection; free trade and its variant, across-the-board tariff reduction; and government-assisted restructuring, as promulgated by the Crawford Report. It is worth noting the stance of the Industries Assistance Commission (IAC), particularly with respect to the TCF industry, in relation to these three positions. The IAC argued in its report on the TCF industry for a gradual reduction of tariffs, on much the same ground as the Crawford Report and indeed the free traders: economic efficiency. It paid even less attention, however, to the problem of unemployment than did the Crawford Study Group. In fact, it appeared to belittle the problem of redundancy which its recommendations, if accepted, would create. Consider this rather twisted comment:

Not all retrenched workers may wish to find re-employment. Some may take the opportunity to withdraw from the labour force temporarily or permanently. Such a decision may not, of course, be free from personal hardship (1980b:120).

Or this:

The personal costs faced by workers in their search for alternative employment will generally be similar to those faced by other members of the workforce who are involved in the ongoing and widespread process of job changing which characterises the operations of the economy....While the costs of job changing may be very high for certain types of workers they are not unique to employees in the textile, clothing and footwear industries, nor to people retrenched as a result of assistance changes (1980b:121).

Apart from a fatuous suggestion that:

The ease with which workers displaced by the assistance changes recommended for the industries find alternative employment may be increased by some improvements in the flows of information which help to match job seekers with suitable vacancies (1980b:121),

the only positive recommendation was the same formalistic, empty suggestion made by the Crawford Report, viz.,

the Commission considers that the most appropriate approach to regional adjustment is to establish machinery to coordinate the efforts of, and improve information flows between the three levels of government responsible for the policy environment for regional development (1980b:127).

In the light of these comments it is clear that the Commission has paid no attention to the possibility that the restructuring it advocates might be assisted or facilitated by government intervention. The IAC's position is thus most appropriately seen as a further variant of the free trade position: tariff reduction in particular industries without any compensation for those who lose their jobs and with little or no concern for its regional impact.

Tripartite planning and its limitations

We have seen that, from the perspective of the Labour movement, none of the major policy positions on the tariff issue is adequate. Protection at all costs operates to the disadvantage of workers generally and cannot even

guarantee employment in the protected industry, while the free trade and Crawford-style restructuring options are insufficiently sensitive to the problems of unemployment which they create.

The beginnings of a new approach to the whole problem are, however, in evidence in Australia. This approach, which we shall call 'tripartite planning', does not provide a worked out solution but rather a procedure by which policy may be developed. It involves the setting up of machinery whereby unions, employers and government jointly plan the restructuring of industry in ways which respect the interests of all parties. This approach is to be found for instance in the Jackson committee Report on Policies for the Development of Manufacturing Industry.

We are convinced that significant improvement in effective policy formation for industry will depend on the introduction of new participative machinery for decision-making on industry policy. (Jackson et al. 1975:17, emphasis in the original).

This emphasis on participation included a call for discussions to be opened with trade union movement 'as to how it might be assisted better to organise and equip itself to contribute constructively to the needed change and adaptation of industry' (Jackson et al. 1975:22).

Following the Jackson Committee's recommendations and its own White Paper on Manufacturing Industry in 1977, the present government has set up thirteen industry advisory councils (from the Automotive to the Travel and Tourist industries) with an overarching Australian Manufacturing Council. Their membership is made up of representatives from government, business, unions, consumers and 'other interested parties'. And in yet another attempt to encourage a tripartite forum to devise cooperative policies for the economy, the government established a National Labour Consultative Council.

One section of the A.L.P. Parliamentary Party has also been attracted to tripartite economic policy-making. In a recent paper entitled 'Structural Economic Change: Options for the Labour Movement' the A.L.P.'s shadow treasurer, Chris Hurford (1981) puts forward 'a managed change solution' in contrast to what he calls the polar 'free market' and 'resistance to change' options. Included in his package is a growth-oriented fiscal and monetary policy, a direct anti-inflation policy, improved industrial relations with greater involvement of trade unions in decision-making, a substantial manpower programme and finally a specific industry policy. The latter involves long-term planning by a new Department of Economic Affairs. Also as part of this planning machinery, employer and employee organisations, consumer groups, and the States and local government are to be asked to join an Economic Planning Advisory Council. Hurford argues for structural change to be managed by 'a partnership of business, government and employee interests which can plan properly for change' (1981:144).

Certain objections can, however, be made to the Jackson-Hurford idea of tripartite planning. First, the analysis uncritically assumes the capacity of these planning mechanisms to actually implement structural change. In particular, Hurford underestimates the ability of MNCs to frustrate such plans. "There is little evidence (he says,) to support the contention that multinational firms behave very differently to other firms operating within Australia" (1981:130). Hurford simply ignores the phenomenon of transfer pricing, discussed earlier in this paper, and the various other ways in which MNCs are able to bypass the controls a national government may try to impose on its economy.

More generally what is missing from both the Hurford and Jackson analyses is a recognition of the power of capital to counter any strategy it does not see to be in its best interest. Consultative machinery is unlikely to make large companies compromise in these circumstances.

A Socialist Approach - Holland

The whole strategy of tripartite planning would be somewhat more acceptable if it confronted head on the problem of the power of capital and incorporated strategies for neutralizing this power. Such an approach is that advocated for Britain by Stuart Holland in his book, The Socialist Challenge. We would like to outline this approach in some detail since it comes closer to the strategy we wish to advocate ourselves.

Holland argues that the most effective way to ensure that the restructuring of industry does not involve large-scale unemployment is for the state to assume the ownership of much larger numbers of industrial enterprises than is currently the case in most western economies. This strategy does not involve simply the nationalisation of firms which would otherwise fail, a policy which seems to have been followed in Britain, but rather the acquisition of a 'portfolio' of large and profitable enterprises representing the key firms in particular industries. These nationalised firms are then in a position to implement policies designed to re-establish effective competition among the other smaller firms in that industry. Innovative investment could also be undertaken, providing the initiative and forcing competitors to follow suit. In short, state companies are seen as acting to restore the competitive operation of the market economy.

As well, compulsory planning agreements, to be negotiated jointly by government, management and unions, will set out guidelines for investment, pricing, etc. for the remaining private firms in each sector of the economy. This means that while most firms remain in private hands they are compelled to comply with government policy.

Import controls are to be used selectively to bolster domestic production. But these can only be successful if they are based on accurate information on the trade within MNCs which will be obtained during the planning agreement negotiations. These import controls, it is intended, should prevent government policy from being either sabotaged by such practices as transfer pricing or being unnecessarily hampered by 'genuine' foreign competition.

An important consequence of having a portfolio of profitable firms under government control is that government can direct the establishment of new manufacturing plant in regions where unemployment is high. It can also ensure that where private firms are forced to retrench workers, new employment can be made available in government-owned enterprises in the area.

Holland's proposal is a major departure from the heavy reliance of post-war reformist parties on the Keynesian tools of fiscal and monetary policy (budget deficits, tax changes, exchange and interest rate changes) as the main form of state intervention aimed at achieving a re-distribution of wealth. Holland's rejection of traditional Keynesian policies of market intervention is based on an awareness of the oligopolistic power of the large multinational companies. These firms, he argues, are increasingly able to subvert attempts by any one government to control its national economy.

In the case of Britain, he suggests, policy makers have been so gripped by the Keynesian ideology in their focus on the allocation of public expenditure and the appropriate exchange rate that they have neglected considera-

tion of the multinational structure of the economy and the analysis of the problems this has caused Britain. What policy-makers have not seen is the way in which a number of large firms have come to dominate the market place and therefore made it very difficult to use successfully Keynesian indirect incentives and exchange rate changes (Holland 1981:6-7).

Unfortunately, however, there is a major problem which arises in connection with Holland's proposal. It assumes that a democratically elected Labour or socialist party has the willpower to carry through what amounts to a major transformation of the economy. Yet this very assumption is called into question by the 1973 and 1976 programmes of the British Labour Party which established a National Economic Plan in accordance with Holland's suggestions. Despite this plan, proposals to bring 20 to 25 of the top one hundred companies into public ownership as a major planning instrument were rejected both by the shadow Labour cabinet and the Labour government in office. Holland (1981) acknowledges this, pointing out how the main vehicle for the proposed extension of the public sector, the National Enterprise Board, was used merely to carry out salvage operations on ailing companies such as British Leyland. In a similar fashion, the Planning Agreement proposals which were to include trade unionists and consumer interests were presented to firms as merely voluntary arrangements. And not a single major company took up the invitation to enter into a Planning Agreement with the unions and the government (Holland 1981:16).

The dismissal or watering down of these proposals illustrates the limitations of seeking to restructure an economy through the agency of a reformist majority political party. The electoral orientation means constant pressure to compromise radical proposals for the sake of gaining support from the middle ground. A Parliamentary-based reform party is further limited in its capacity to effect change by the ever-present threat of the withdrawal of capital.

To counter this situation, Holland has recently stressed the vital role of an extra-parliamentary force. He argues, in the light of the experience of the 1973 and 1976 British Labour Party Programmes, that socialist policies to extend the public sector as a major planning instrument, and thereby challenge private capital in the main productive sectors of the economy, will have to depend upon the pressure of the organised labour movement outside parliamentary politics (Holland 1981:17). In particular, he argues that the labour movement needs to make cooperation on wages conditional on a planned implementation of a socialist strategy, as outlined.

The Role of the Organized Labour Movement in Re-structuring

We come then to our proposal, for Holland's conclusion is, in our view, the starting point for a truly effective socialist strategy. What we wish to advocate is Holland-type nationalization and planning, initiated and shaped not by government but by organized labour itself.

The importance of an extra-parliamentary, union-initiated restructuring programme is twofold. First it would overcome the problem which Holland belatedly recognized: the inherent inability of social democratic parties to carry through major restructuring against the interests of capital.

Second, it would go some way to overcoming the opposition which unions at present mount to any suggestion of state-initiated restructuring. Workers are inevitably and rightly fearful that such restructuring will not take sufficient account of the interests of the employees who are directly affected.

It is for both these reasons that we advocate a central role for the organised labour movement in the process and planning of industry-wide restructuring.

The relevant example of such participation is that of Sweden and the autonomous role of the Swedish Confederation of Trade Unions (L.o). (The following account was taken from Higgins, 1979. An additional source was Wright and Apple, 1980. (See also Apple and Higgins, n.d.) The L.o. from the mid 1950s took the initiative away from the Social Democratic Party (S.A.P.) in government and devised a strategy for maintaining stable growth based on full employment without a high level of inflation. The share of national income going to wages has increased from 54 percent in 1950 to 65 percent in 1970, while at the same time, the proportion of national income going to investment has increased (about 25 percent in the mid 1970s) and the export sector of the economy has also grown to about 40 percent of production (Higgins 1979:9).

Instrumental in this new strategy was a special planning apparatus set up by the L.o. which was able to devise economic policies from the particular perspective of the labour movement and distinct from those of the Social Democratic Party. The L.o. strategy was based on centralised collective bargaining procedures ('the solidarity wage policy') which served to put pressure on the profit margins of the low-wage, inefficient industries and hence to drive them out of business. The L.o.'s active labour market policy was directed towards the retraining and relocation of workers affected by these rationalisations. The aim was to maintain full employment while at the same time encouraging innovation and expansion in high productivity industries. As a result, the Swedish economy has been able to achieve the highest per capita Gross Domestic Product in the world together with high wages and an ever-expanding public sector (Higgins 1979:9).

Higgins argues that the most important key to this 'solution' for a mixed economy has been the enormous rise in, and solidarity of, industrial unionism with its separate role in policy formation. In distinct contrast to the TUC in Britain, not to mention the ACTU, the L.o. has been able to develop a capacity for independent national policy formation and implementation outside the framework of the state, thus becoming a 'partly extra-parliamentary party and partly alternative state apparatus' (Higgins 1979:17).

Of course, we cannot hope to simply replicate the Swedish experience in Australia. For one thing, the success of the Swedish labour movement was undoubtedly facilitated by forty four years of S.A.P. rule (1932-1976) which provided a background against which the L.o. had considerable room to manoeuvre. In Australia, on the other hand, the electoral dominance of conservative parties at the federal level means that organized labour has a much more restricted framework within which to act.

However a number of other factors in Australia could facilitate a greater role for the labour movement. The recent amalgamation of the unions of government white-collar employees (CAGEO) with the ACTU increases significantly the ability of the latter body to speak for the union movement generally. The closer involvement of white-collar unions can also provide a source of trained expertise - a cadre of trade union economists who can devise policies specifically in the interests of the union movement as a whole and raise questions about profitability and investment in particular industries.

Moreover, the Conciliation and Arbitration Commission in Australia has provided a unique centralised wage-fixing mechanism for nearly eighty years

and could serve as the basis for forging industry by industry agreements on wage levels in return for a substantial say in the investment decisions of firms in those industries.

An objection which might be raised to this strategy is that it simply involves the co-optation of the trade union movement - its incorporation within the institutions of the state. Such an incorporation would undercut the ability of the union movement to represent working class interests. This critique is based on the view that the contemporary capitalist state is following a 'corporatist' strategy which seeks to develop structures which integrate trade unions and business associations within the state executive/bureaucracy for the purpose of framing, legitimating and administering public policy (Panitch, 1981:29).

Against this, however, it should be observed that despite the long history of the Conciliation and Arbitration Commission, it is difficult to find any evidence that the union movement has been incorporated into the capitalist state so as to make it a powerless servant of the interests of capital. The attempt by the Court under Sir John Kerr to impose penal sanctions which lead to the gaoling of Clarrie O'Shea in 1969 caused widespread industrial disruption, and no attempt has been made since to actually enforce the penal provisions that do exist in the legislation. It is clear that in Australia, to date, unions have remained autonomous working class organisations in the face of substantial government intervention in their affairs (Rawson 1980:7). There is evidence, moreover, that the Commission itself has become quite independent over time of the Federal government and less likely to be swayed by government policies (Rawson 1980:15).

The restriction of the Union movement's demands to the bread and butter issues of wages and working conditions may be less to do with the framework imposed by the Conciliation and Arbitration Commission than with its own general defensive posture. Moreover, as the Swedish experience suggests, this defensive stance stems not from insufficient power resources in general *visa vis* capital, but from the lack of a set of specific policies and the absence of an organizational capacity to plan the implementation of policies (Higgins 1979b:125).

In short, despite the existence of a number of tripartite bodies such as the Conciliation and Arbitration Commission which bring together government, industry and the unions, there is little evidence that a corporatist strategy which combines the private ownership of industry with control by the state in the interests of capital has made much headway in Australia (Ballard 1980:10).

To sum up, we are advocating, along with Holland, a programme of restructuring based partly on national ownership of a selection of major enterprises and partly on a series of tripartite planning agreements. But whereas in Holland's view the initiative would come largely from government, we are arguing that the initiative can and must come from the Labour movement. Only if unions take the lead in planning and initiating the process of restructuring can workers have some confidence that their interests will be safeguarded.

REFERENCES

- Apple, N. and Higgins, W., n.d. Reformism: Is There Socialism After Keynes, Draft typescript.
- Ballard, J.A., 1980. 'Corporatist Trends in Australia, mimeographed, The Australian National University.
- Catley, R. and McFarlane, B., 1981. Australian Capitalism in Boom and Depression: Options For 1980s. (Sydney, APCOL).
- Clegg, S., 1980. 'Restructuring the Semi-Peripheral Labour Process: Corporatist Australia in the World Economy', in P. Boreham and G. Dow (eds.) Work and Inequality Volume I, Workers, Economic Crisis and the State. (Melbourne, Macmillan).
- Corden, W.M., 1981. Exchange Rate Policy and the Resources Boom. (Centre for Economic Policy Research, ANU., Canberra).
- Crawford, J.G., et al. Report by the Study Group on Structural Adjustment, Vol.I (Canberra: AGPS).
- Crouch, C. 1979. 'The State, Capital and Liberal Democracy', pp 13-54 in C. Crouch (ed.) State and Economy in Contemporary Capitalism Croom Helm, London.
- Frobel, Folker, J. Heinrichs and O. Kreye 1979. The New International Division of Labour: Structural Unemployment in Industrialized Countries and Industrialization in Developing Countries. (Cambridge, U.P.).
- Gregory, R.G. 1976. 'Some Implications of the Growth of the Mineral Sector'. The Australian Journal of Agricultural Economics 20(2):71-91.
- Hamilton, Clive, 1980. 'Against Free Trade'. The Australian Quarterly, Autumn, pp 89-103.
- Higgins, W., 1979a 'Working class mobilisation and Socialism in Sweden', Intervention 13, reprinted in P. Boreham and G. Dow (eds.) Work and Inequality: Workers, Economic Crises and the State Vol.I
- Higgins, W., 1979b. Review of The Working Class in Welfare Capitalism (N. Korpi) Australian and New Zealand Journal of Sociology, 15:124-5.
- Hodgson, G. 1977. Socialism and Parliamentary Democracy. Spokesman, Nottingham.
- Holland, S., 1975. The Socialist Challenge. Quartet Books, London.
- _____, 1981. 'The relative autonomy of political economy and planning', paper presented to the Organization, Economy, Society: Prospects for the 1980s Conference, Brisbane.
- Hurford, C. 1981 'Structural economic change: the options for the Labor Movement', in G. Evans, J. Reaves and J. Malbon (eds.) Labor Essays 1981. Drummond, Melbourne.

- Industries Assistance Commission, 1977. Structural Change and Economic Interdependence AGPS, Canberra.
- _____, 1980a. Trends in the Structure of Assistance to Manufacturing. Information Paper No.1, AGPS, Canberra.
- _____, 1980b. Report on Textiles, Clothing and Footwear, Part A: General. (Canberra: AGPS).
- _____, 1981. Draft Report on Passenger Motor Vehicles and Components. (Canberra: IAC).
- Jackson, R.G. et al. 1975. Policies for Development of Manufacturing Industry. (Canberra, AGPS).
- Kasper, Wolfgang, et al. 1980. Australia at the Crossroads. (Sydney: Harcourt).
- Kuhn, Rick, (1981) "Left Nationalism and the Resources Boom", International Socialist 12 (Summer): 18-30.
- Lauer, M. & T. Parry, 1981. The Regional Structure of Employment in the Australian Motor-Vehicle Sector. (Sydney: Federal Chamber of Automotive Industries -Importers Group).
- Macleod, John, 1977. 'The Gregory Chant'. The Australian Quarterly: June 92-105.
- McQueen, H., 1982. Gone Tomorrow: Australia in the 80s. Angus and Robertson.
- Norman, N.R. 1977. Mining and the Economy: An Appraisal of the Gregory Thesis. (Melbourne. Conzinc Riotinto of Australia).
- _____. 1980. 'Should Industry fear Resource Development? The Gregory Thesis and its implications reviewed'. Australian Industries Development Association, Bulletin No.322, pp 2-5.
- Panitch, L. 1981. 'Trade Unions and the Capitalist State', New Left Review 125, Jan/Feb.
- Peetz, David (1981), "Protection and the Labour Movement", Journal of Australian Political Economy 12
- Rawson, D. 1980. 'Corporatist theories and their applicability to Australia', Seminar paper Department of Political Science, RSSH, ANU.
- Robinson, Peter, 1978. The Crisis in Australian Capitalism. (Melbourne: VCTA).
- Stevenson, Garth, 1977. Mineral Resources and Australian Federalism. (Canberra: Centre for Research on Federal Financial Relations, ANU).
- Stilwell, F., 1980. Economic Crisis, Cities and Regions: an analysis of current urban and regional problems in Australia (Sydney, Pergamon Press).

Sutton, Janet, 1979. 'Structural Adjustment Policies for Australia: An Overview', in John Crawford and S. Okita, (eds.), Australia and Japan: Issues in the Economic Relationship.

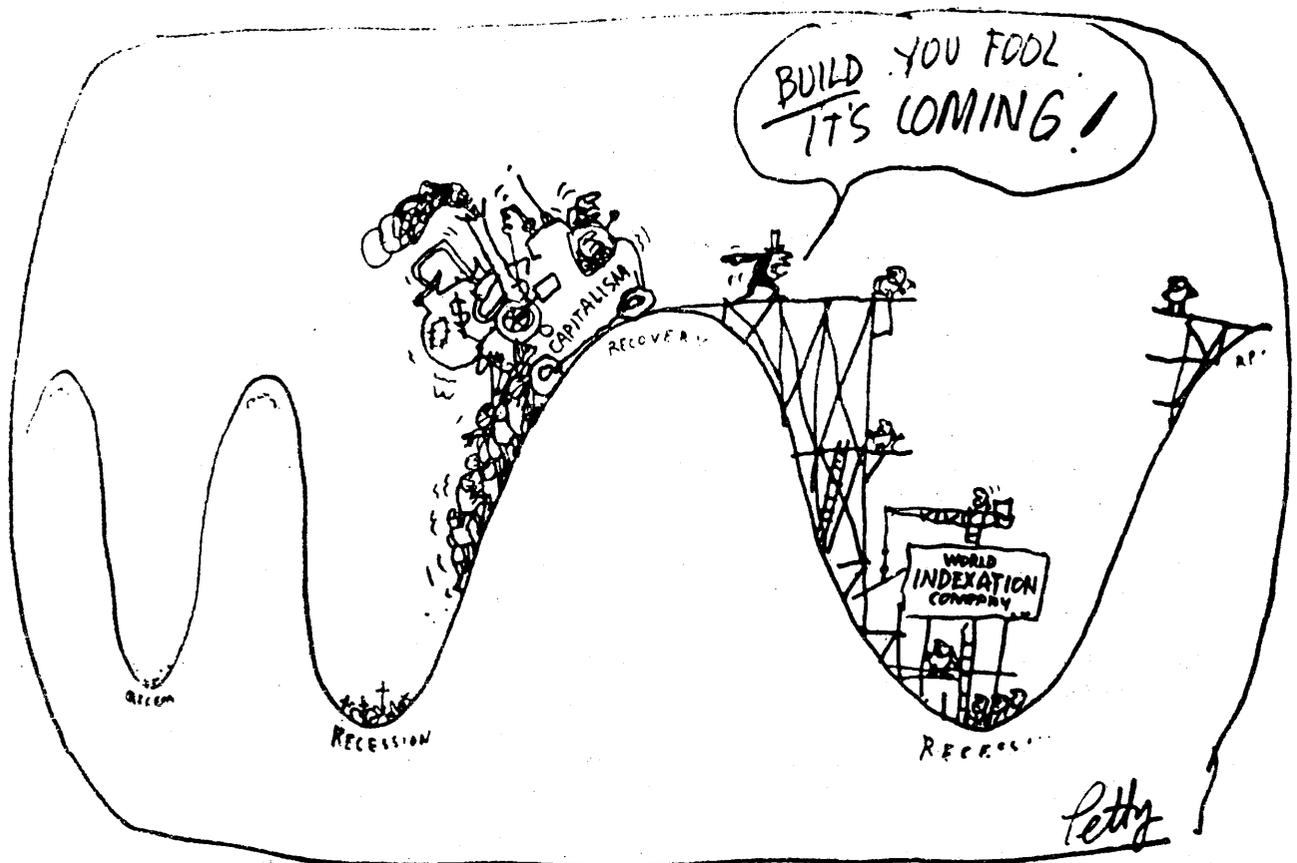
TNC, 1978. Labour and the Economy: How should we respond? TNC Report back No.3.

Wahurst, John 1980. State governments and Australian tariff policy. Centre for Research on Federal Financial Relations, Research Monograph No.33, ANU, Canberra.

Ward, Tony, 1979. 'Australian Employment and Unemployment in the 1970s and 1980s'. Journal of Australian Political Economy 6:24-45.

Wheelwright, Ted. 1980. 'Cheap labour havens and de-industrialization', pp 137-149 in Greg Crough, T. Wheelwright and T. Wilshire, (eds.), Australian and World Capitalism. (Penguin, Melbourne).

Wright, M. and Apple, N. 1980. 'European lessons for Australian Incomes Policy', Paper presented to ANZAAS, Adelaide.



Copyright of Full Text rests with the original copyright owner and, except as permitted under the Copyright Act 1968, copying this copyright material is prohibited without the permission of the owner or its exclusive licensee or agent or by way of a license from Copyright Agency Limited. For information about such licences contact Copyright Agency Limited on (02) 93947600 (ph) or (02) 93947601 (fax)