

95021689



950201689

ECONOMISTS AND THE STATE

Evan Jones

The state has come in for bad press from economists in the last twenty years. It has been labelled as overblown, innately inefficient and corruptible, and has been blamed as the central cause of the economic crisis. It is subject to persistent calls for its diminution.

The contrasting ideal is presented only obliquely. Occasionally, the list of appropriate duties ascribed to the state by Adam Smith is mentioned approvingly - external security, internal security and public works (c/f Friedman & Friedman, 1980). Yet the cut-off point for each of these duties is so nebulous as to render Smith's nostrums insufficiently precise. Indeed, the list is potentially dangerous for its proponents, because each component, historically considered, is capable of blowing out indefinitely. In any case, implicit in the ethos of the recent attacks on the state is a minimalist ideal - the night-watchman state of Herbert Spencer, characterised not unfairly as 'anarchy plus the constable'.

This libertarian view of the state's role has been contested by dissenters who emphasise the integral role of the state in capitalist development. There is, of course, the long-standing Marxist tradition, emphasising the integral role of the state in the ascendancy of the age of 'monopoly capital' (c/f Jessop, 1982). There is also a long-standing and expanding historical-institutionalist tradition, oriented towards 'what happened in history' (c/f Anderson, 1974; Mann, 1988; Hall, 1986; Kiernan, 1988; Mooers, 1991), or 'what happens overseas' (c/f Shonfield, 1965; Hall, 1984; Amsden, 1985; Johnson, 1987; Castles, 1989).

Economists have generally ignored these alternative traditions, especially of Marxism or any conceptualisation centred on other disciplines such as sociology. However, insofar as alternative views

have filtered into the public economic debate they have had to be confronted. Hence the barrage of counter-propaganda reproducing the conventional wisdom - that the 'market economy' is self-sufficient, that it operates under the same principles everywhere, that the laws of market competition are inexorable, and that the role of 'government' has been generally counter-productive.

The regular economic and financial journalists in the Murdoch and Fairfax press are the dominant shock troops of conformity. Their ranks are augmented by the defenders of the faith in the elite sections of the bureaucracy (Treasury/Finance; Industry Commission; Prime Minister & Cabinet), and by a cabal of well-funded libertarian think tanks. Indeed, there is much interchange of personnel within these groups. Views by key representatives of this cabal have been conveniently brought together in two recent volumes defending the faith (King & Lloyd, 1993; James et.al., 1993). In the tangible arena of policy struggles, the dissenting side has been represented by industry lobby groups, a handful of academics atypically active in public debate, and (for a period in the 1980s) a more ideas-conscious union movement.

The forces of conventional wisdom have dominated, less for the force of their argument and more for the superiority of their resources and their place in the battlements of real power. Their ranks are replenished by young newcomers who do the rounds of the bureaucracy/finance sector/think tanks/media, and are well rewarded for the espousal of their adopted institution's world view. A 'training' in academic mainstream economics is a valuable apprenticeship towards this end. In sum, the advocates of the preeminence of 'market forces' prevail on the ideological front.

The State as Aberration

Given the political influence of economists, it is pertinent to inquire as to the dimensions of their view of the political arena. English-speaking economists are perennially ill at ease in dealing with the state as conceptual subject. The state is an aberration for economists, and their

attempts at interpretation are usually inept. Some examples are in order.

Government 'intervention' and 'market failure'

Linguistic conventions strangle intelligent thought. The pervasive use of the label 'intervention' is the most obvious example reflecting the distorted nature of economists' understanding of the capitalist state. The tacit presumption is that there is an independent sphere of activity called the 'economic', that government is 'outside' this sphere, and that its role in this sphere is 'unnatural' and 'distorting' (Jones, 1984). Within this contrived dichotomy of 'economic' and 'political', there is a polarised agenda - the objectivity and rationality of the former contrasts with the corruptibility and inefficiency of the latter.

There are doubters within mainstream economics who question the purist economic/political dichotomy outlined above. Such doubters couch their concern in terms of 'market failure'. Yet again language and conceptualisation are inhibiting - the concept of 'market failure' presumes the ontological primacy of the market as a social institution. The market is brought into existence as the fundamental mechanism of social coordination. 'Government' exists as an afterthought to tidy up the loose ends after the market has done its work. It is noteworthy that 'market failure' provides the basis for the official opposition within the boundaries of respectable opinion in Australia (c/f Bureau of Industry Economics, 1987; Stanford, 1992). It is a testament to the paucity of intelligence and the narrowness of the range of respectable opinion that the 'market failure' defense of government activity is considered a radical stance.

History of economic thought

Historians of economic thought are also culpable. They ought to possess the breadth and detachment necessary for an adequate textual exposure to the conceptualisation of the capitalist state. On balance, they have succumbed to the preoccupations of the theoretical core of

economics, paying tribute to its implicit ideology - the great historical unfolding of individual initiative and the laissez-faire ideal in word and in deed.

An example of this tendency was an academic workshop on the history of economic thought held at the University of Sydney in February 1990, and attended by the bulk of Australia's 'history of thought' fraternity. The conference had as its motif the origins of the idea of laissez-faire. The implicit theme was to extol the virtues of various proponents (between the seventeenth and nineteenth centuries) of laissez-faire. These advocates of bourgeois liberty, functionaries for an ascendant economic order, were granted an heroic status on the grounds of their presumed support for principles of universal freedom. In this instance, there is evidence of a manifest failure to move beyond a caricature of liberalist philosophy (c/f Eccleshall, 1979). The corollary is the perennial failure to observe, leave alone analyse, the active state in the construction and defense of bourgeois liberty. For lack of an adequate conceptualisation, the treatment of the contemporary state was in the 'gee whiz' mold.

Economic history

Economic historians are also not immune from the ungrounded abstractions of economic theorists¹. A case in point is Noel Butlin's characterisation of the role of the Australian colonial states in the construction of an Australian capitalism as an exercise in 'colonial socialism' (Butlin, 1959). Whatever the motives of Butlin, the label has entered the public consciousness as the definitive conceptualisation of the period. In the conventional wisdom, such an active role for the state could not possibly be synonymous with capitalist ascendancy, so it has to be labelled as its antithesis. Butlin (with his ex-students) has since

¹ This is for good reason, as a conceptually autonomous economic history was emasculated in the birth and ascendancy of neoclassical economics in the late nineteenth century. In the English-speaking world at least, an empiricist economic history has since played second fiddle to an ahistorical theoretical tradition.

produced a work explicitly concerned with the place of 'government' in Australian capitalism (Butlin, et.al., 1982). *Government and Capitalism* documents much detail of the extent and direction of government expenditure (expenditure on railways down; expenditure on welfare up), but it is an impenetrable work without conceptual insight².

Respectable think tanks

The paucity of economic intelligence is also reflected in the influential output of respectable think tanks. Representative of this tradition is the Organisation for Economic Cooperation and Development (OECD). In its myriad publications on member country policies, the OECD has great difficulty with the role of the capitalist state. The OECD has fostered a growth industry in comparative taxonomies of the instruments of government industry support, especially during the period of economic difficulties since the mid-1970s (c/f OECD, 1990). The presumption is that such support is innately conducive to hindering rather than assisting productive restructuring. The object of the empirical studies has been to provide broad exposure to the nature and extent of such policies as a means to their eventual elimination. The implicit presumption is that pervasive government support for industry appeared only during the 1970s crisis, and that the golden years of the earlier long boom were the product of market forces (OECD, 1987). Nowhere in the substantial OECD literature on industry policy is there a concession to the role of structural policies in the construction and maintenance of the long boom.

Lessons from the eastern bloc?

Western commentary on the former 'communist states' is not consistent, and this inconsistency is linked to an inadequate conceptualisation of

2 A superior work from within mainstream economic history is that of White (1992). White transcends an individualist interpretation by erecting a Tory view of government in the service of social security and stability.

the state in 'the west'. On the one hand, commentary has been couched within the black/white polarities of market economy versus command economy (paralleled by the black/white polarity of democracy versus totalitarianism). There is an implicit presumption of qualitatively distinct systems. Yet it is evident that this distinction is poorly understood in any organic sense, as economists also conceive of the state as a universal abstraction, with its role in east and west differing only in degree. Thus there arises the presumption that the decay of the eastern bloc is further proof of the dysfunctional role of the public sector in 'market' economies.

In these various dimensions of respectable economic opinion, the state is seen as an aberration; worse, as a poison. The state's role cannot be systematically comprehended. This incapacity is perhaps best reflected in the inability of economists to conceive of the institutions of the state in their totality. Indeed, 'the state' is not even in the lexicon of mainstream economics³.

Economists Confront the State

Despite the lack of an understanding of the state, economists have retained a compulsion to make authoritative pronouncements on appropriate public policy. The economist as outsider has set about constructing a privileged role as expert. The nature and workings of the state itself are presumed to be beyond the economist's self-constructed realm of responsibility. The state is there to be advised, but not analysed. There was an increasing expectation that the state might be amenable to rational advice from expert opinion. However, success is to be assured not by understanding the political process itself but by making one's advice as 'scientifically-based' as possible. This is most

3 For example, there is no entry for the state in the 'definitive' *New Palgrave* dictionary; a subsidiary entry, the 'economic theory of the state' is written by a radical political sociologist (Jessop, 1987:75). The label 'government' substitutes for the state within the economist's usual language, but there is no entry for 'government' in the *New Palgrave* either.

evident in the development of British neoclassical economics at the beginning of the twentieth century. Following Alfred Marshall, this school constructed 'welfare economics' to fill this role, a compartmentalised theory of public policy (c/f Pigou, 1920). Applied mainstream economics also reflects this influence - in particular, the analysis of competition and restrictive trade practices in the sub-discipline of industry economics.

This approach to the state has had its most significant manifestation in Keynesian macroeconomics. For Keynesian macroeconomists, the state is expected to assume (in the public interest) an enhanced role in the stabilisation and humanisation of the market economy. The 'Keynesian revolution' involved a qualitative leap in the expectation of the state, embodied in the added expectation that the state was capable of and willing to respond to economists' prescriptions. The implicit theory of the state is of an institution serving the public interest, as defined by the intellectual elite. The state is 'rationality embodied', and professional economists are the sources of that rational technocratic advice which governments are supposed to adopt in the service of the public interest. This general tendency is a quintessentially idealist approach to the state.

The economic theory of politics

This idealist tendency amongst economists (mostly of a 'progressive' Keynesian and applied orthodox persuasion) proved to be unsatisfactory for some mainstream economists. Out of this discomfort came a conscious theorising on this neglected subject. The result was the 'private interest' theory of politics (alternatively labelled the 'economic' theory of politics). This theory, in conjunction with a normative counterpart (a theory of constitutions), has been constructed into a theory of 'public choice' (Buchanan, 1987; Tullock, 1987). Unlike dissident opinion on the state, this material has acquired ready exposure, dissemination and respectability. It has spawned new courses in the economics syllabus under the rubric of 'public economics'. It has also been given the imprimatur by the profession with the granting of the 1986 'Nobel' Prize to James Buchanan, a product of the libertarian ethos of the University of Chicago and a founder of the field.

This development constitutes a movement one step forward, two steps back. The subject of economic policy-making is on the agenda, yet the approach is innately limited. The methodological underpinning of the theory is that of a self-conscious 'methodological individualism' - the rational, autonomous individual as the basic unit of society (c/f Buchanan, 1987:223). The state is treated as an extension of the idealised market, an arena in which the log-rolling of interests substitutes for the trade in goods, to be theorised with the same intellectual toolkit. This is merely another manifestation of that disciplinary imperialism which has generated theories of the 'rational' person's approach to marriage, crime and life after death. That there has been pervasive dissent regarding the utility of this toolkit within the sphere of 'the market' itself has not dampened the enthusiasm of its admirers for its application further afield.

Within this tradition, the theorisation of individual behaviour remains ungrounded in any historical social process. There can be no detailed discussion of the nature of interests and beliefs, and no theorisation of their origins and evolution. For example, the theory might help in interpreting why the typical bureaucrat adheres to a contemporary conventional wisdom in the pursuit of his/her career (compare the current adherence to the tenets of 'economic rationalism'), but be quite unhelpful in explaining how that conventional wisdom is constituted in time and place (c/f Self, 1993).

The absence of a social grounding is tangibly manifest in one attempt to apply the 'private interest' theory to the historical process - Mancur Olson's *The Rise and Decline of Nations*. Olson's book has acquired cult status (perhaps predictable for a profession with no historical consciousness), but his interpretation of country-specific economic performances after 1945 borders on the scandalous (Olson, 1982:Ch.4). For example, Olson makes much of the 'level playing field' established in Germany after 1945 as a supportive basis for (West) Germany's post-war economic miracle. The argument depends on the notion that the encrusted institutions of 'rent-seeking' vested interests had been destroyed, and the environment was cleansed for a take-off of productive economic growth. Presumably, countries like the UK and Australia have more economic difficulties because they never had a

dose of Hitler to eradicate the tariff torts of industry and restrictive work practices of unions!

Gordon Tullock (with Buchanan, a leading exponent) claims that the new theory of politics is " ... more rigorous, more realistic, and better tested than the older orthodoxy" (1987:1041). There is a marked overstatement in this self-assessment. The dominant predilection of the economic theory of politics is for abstract reasoning from fixed principles. Attempts to ground this theory in tangible historical processes (as with the excursion by Olson) expose an intellectual baggage inappropriate for the subject matter. The theory founders on its fundamental axioms (the pure self-interest of public actors detached from social context), and it is certainly not being 'tested' by any process that has methodological legitimacy.

Regardless, this conceptual orientation has acquired a significant following, not least in well-funded think tanks. It has provided conceptual ammunition for the 'new right' in arguments over the restructuring of the state in Australia. For example:

Scholars such as Hayek and Buchanan and many others, have set out, quite powerfully, arguments as to why the rule of law and the role of contract has primacy in arrangements facilitating efficient market outcomes, which, in turn, enhanced the well being of the community. This then constitutes the first and most basic rule - law, not bureaucratic and political decision-making should predominate wherever possible. (Freebairn, et.al., 1989:12)

This particular articulation of the contractarian vision is transparently disembodied. It is oblivious to the historical contingency and evolution of the specifics of 'rule of law' philosophy (c/f Fine, 1984). It is oblivious to the distinction between word and deed - between philosophical ideal types and historical politics. Thus John Locke, for example, is recorded in the Pantheon of heroes as an unblemished champion of liberty. Yet he could actively pursue both the dehumanisation of the underclasses and the destruction of the Irish woollen industry. Women, of course, were not even on the agenda for consideration. Liberty is too precious to be wasted on the undeserving.

The contractarian vision is oblivious to the historical unfolding of the law in practice. Thus, the invention of the joint-stock corporation and the historically unprecedented granting of corporate charters in perpetuity could impart to the large-scale collective business enterprise the legal status of 'individual'. This is a fudge of no small magnitude, and a fiction which residents of the twentieth century confront when representatives of corporate establishments sit across bargaining tables as defendants of 'freedom of the individual'. As the law was facilitating the growth of corporate monoliths, it was simultaneously active in the construction of wage labour as a subordinate class. The law has been a mid-wife, not to the employer/employee relation as voluntary contract (Parsons, 1986), but to the incarceration of wage labour within a master/servant hierarchy (Merritt, 1982). The law of liberty in its practice has substantively entrenched inequality.

Law has been constructed unequally. Law that is formally equal has been unequally applied. For example, judiciaries have actively manipulated the common law imperative of 'freedom from restraint of trade' in inhibiting combinations of wage labour (unions) while simultaneously condoning business combinations (c/f Walker, 1976:Ch.2); Finally, access to the law is unequal. In short, the 'rule of law', in abstraction, is humbug. The political character of parliaments and bureaucracies which contractarians find abhorrent also pervades the legal process.

Within the contractarian tradition, the contemporary state looks like a gigantic irrationality and a heinous corruption imposed on 'society' by the incessant demands of vested interest groups⁴. The tradition has provided the rationale, on *a priori* grounds, for the contemporary economic agenda of 'crowding out', deregulation, privatisation, and so on. By these fictitious standards, the economics profession understands neither the growth of the state nor its contemporary restructuring.

⁴ Milton Friedman, for example, can interpret the massive apparatus of the US state only as the product of a bipartisan Republican/Democrat appropriation of the political program of the puny and long defunct American Socialist Party (Friedman & Friedman, 1980:334).

Sources of the Anglo-American Prejudice

What are the sources of this provincial cultural tradition? First, there is the hegemony of the English language in Anglo-American scholarship. Though this appears natural, it was not always so. Up until at least World War I, French then German were international languages of scholarship. Continental Europe was an important breeding ground for 'totalising' social theory (c/f Wood, 1991:Ch.5). English scholarship was conversant with (at least) French and German literature; and the impact of German ideas and academic culture on the nascent academic community in the U.S. was profound⁵. This is not to argue that the epistemological and methodological essence of the orthodox tradition in Anglo-American economics is a singular product of a distinct English philosophical culture. Selective borrowing took place in the construction of orthodox economics (most notably the 'general equilibrium' analysis of the Swiss-French economist Leon Walras and the individualist utility analysis of the Austrian Carl Menger). The point is that an earlier multi-directional traffic in opinion, exposing differences in analytical preferences, has now been obliterated.

The First World War and Nazism substantially impaired access to a more holistic conceptual orientation via the German language; German scholarship itself became decrepit. The influence moved in the opposite direction - European emigres moved to reinforce an individualist *weltanschauung*. Economists such as Friedrich von Hayek, Gottfried Haberler and Fritz Machlup, influential in setting trends in economic methodology and theory, were representative of this development⁶. After World War II, the centre of gravity of economic

5 The indigenous 'Institutionalist' School of economics was inspired in part by the orientations of the German Historical School (Dorfman, 1955).

6 The change is reflected in the success of Lionel Robbins' *The Nature and Significance of Economic Science* (Robbins, 1935). This book proposed the restriction of economics to that of a formalist logic of choice (a science of the allocation of scarce means to given ends). It was immensely successful in influencing the economics syllabus after World War II. Robbins was fluent in German, and was explicitly concerned to attack the German holistic and historical tradition, and to minimise any further influence on English-language economics.

theory moved from the UK to the US. Simultaneously, the Cold War enhanced the arrogance and insularity of American social theory in general. More specifically, the expanding attachment to the formalism of mathematics put the final nail in the coffin of linguistic (and cultural) pluralism in economics⁷. The stridently introverted character of Anglo-American scholarship is now entrenched and is exported unashamedly to non Anglo/American cultures.

Second, there is a powerful attraction to analytical elegance for its own sake, which developed a momentum towards the end of the nineteenth century. Economists uncritically borrowed analytical structures from the physical sciences (especially contemporary physics) and from mathematics (especially the calculus). This development was most clearly reflected in the substance and form of an ascendant paradigm which we know as neoclassical economics. Extreme forms of analysis (in the sense of a high degree of formalism and abstraction) were slow to develop in England, not least because of the influence of Alfred Marshall. Nevertheless, the desire for elegance dictated a choice of subject matter focused on a market mechanism detached from its institutional supports. The state could not be analysed as elegantly, so it would not be analysed at all.

Third, there is the over-arching influence of liberalism as a hegemonic political ideology in English-language capitalist countries. This has dimmed economists' view not merely of the potentialities of the state, but of the actualities of the state. There are variations within liberalism - in particular, a purist libertarian ('laissez-faire') variant and a neo-liberal reformist variant. The latter achieved its greatest success in economics in the form of Keynesianism, but neo-liberalism never

7 The US educational structure centred on the post-graduate doctorate was copied self-consciously from the German tradition. In economics, candidates were required to display facility with a second language. However, in the 1960s, mathematics was admitted as a language, and the formal requirement to acquire even a modicum of multilingual capacity was abolished forever.

achieved hegemony in economics, even during the post-WWII period⁸. The recent resurgence of the libertarian variant is merely a recovery of its long-term dominance of economics. The libertarian presumption is that a liberal state is a minimal state. Britain in the mid-nineteenth century is presumed to represent the ideal in practice - a previous golden age against which all other governments should be judged. An assertive role of the state in the development of capitalism and industrialisation in some countries has been noted, but this is treated as unusual because driven by the 'lateness' of development within those countries (c/f Gershenkron, 1962). These are treated as anomalies - as 'illiberal' states in the process of liberalisation. More recently, the same thesis has been adopted to characterise Asian development (South Korea, Taiwan, etc), obviating the need to confront alternative capitalist structures that are endemically non-liberalist.

The Nation State and the National Economy; a System of States and the Global Economy

The state and capitalist development

The state has been, without exception, an integral element in the construction, consolidation and reconstruction of capitalist societies. Capitalism was forged symbiotically with the development of the nation-state in Europe, and the symbiotic linkages have remained ever since. The 'small government' of the libertarian literature is an historical fiction and an impossible ideal. Recent governments which have been formally libertarian in philosophy have not significantly reduced the role of 'government'; they have merely changed its character. The real conflicts are fought over the character of the state rather than its size.

⁸ This ideological structuring within economics is contrary to the perspective of sociology and of sociologists. The fact that twentieth century economics has not been dominated by the politics of 'social conscience' is little understood outside of the discipline (c/f Watts, 1993/94:110ff.)

Great Britain and the USA are supposed to provide the paradigms of 'market-led' development. The active role of the state in the mercantilist phase of British and US development has been ignored by economists and mainstream economic historians alike. An adequate account has been left mostly in the hands of historians and historically-oriented Marxists (on Great Britain, c/f Hills, 1967; Anderson, 1974; Corrigan & Sayer, 1985; Brewer, 1989; Mooers, 1991; Wood, 1991; on the USA, c/f Hacker, 1940; Bright, 1984; Williams, 1966).

Moving forward in time, a closer examination of the British 'golden age' of laissez-faire necessitates certain qualifications. First, the liberalist state which is crudely labelled a 'laissez-faire' state was not an inactive state, but a state active in the construction and defense of an undemocratic bourgeois liberty - manifest in the Poor Law and its administration, the erection of a permanent police force and prison system, judicial activism against the collective action of wage labour, and continued colonial repression. Even granted this broader interpretation, the liberalist state did not find its pure expression in mid-nineteenth century Britain. Tories had already been responsible for factory and mine and hours legislation, and would soon be responsible for legislation legitimating trade unions and for public health and infrastructural measures to make the intolerable industrial cities more livable. At precisely the time at which the liberalist agenda for the British state was being enacted domestically, it was also being moderated and transformed.

Developments regarding international trade are more conducive to the conventional wisdom of 'laissez-faire'. The 1850s ushered in a golden age of sorts, with the abolition of the corn laws and the navigation acts. Yet even in this respect, the conventional wisdom is only skin deep. The British attachment to 'free trade' is a product of time and place. Free trade benefited Britain at its zenith in the global political economy, after a range of protective structures had helped take Britain to that position. Moreover, the prolonged attachment to free trade in Britain, even during its relative industrial decline, is a product of two complementary factors - the City of London's pivotal global role in commercial and financial arbitrage (Ingham, 1984); and the fact that the tariff question referred to foodstuffs and not to manufactured products,

thus ensuring popular support (Newton & Porter, 1988). 'Free trade' as a principle has regularly received broad support beyond that of vested interests, not least because of its simplicity. Yet from a realist perspective (gaining most credibility from American practices), 'free trade' reduces to merely another weapon in the battle for economic supremacy (c/f Jones & Stilwell, 1989). Economists might erect a grand abstraction on the universal merits of free trade, but it is incapable of offering insight into the specific appearance of approximations to free trade in historical context.

The role of the state in non-liberalist capitalist countries is at least dimly perceived by economists. It is generally recognised that Germany and Japan achieved more rapid industrialisation with the assistance of the State. What is not typically confronted by economists is that the pursuit of industrialisation and capitalist social relations were conscious vehicles for the reproduction of pre-capitalist elites and for the maintenance of the integrity of the state. A pre-capitalist social structure was modified to incorporate 'bourgeois' interests instead of being usurped by them (Mayer, 1981). Here are economic means at the service of political ends. Indeed, in this process it is observable that state structures operating predominantly on bureaucratic absolutist lines were effective instruments for industrialisation (c/f Halliday, 1975; Blackburn & Eley, 1984). In the twentieth century, military regimes pursued a similar strategy in Latin America, Asia and Africa (c/f Trimberger, 1978). The industrial development of Taiwan, for example, falls neatly into this category (Amsden, 1985). The two processes of 'the market' and liberalist political structures are not merely separable; the presumption of their mutual role as preeminent historical forces for 'progress' is untenable.

A system of states

A continuous feature of the symbiosis of nation state and economy is that the state is the nexus for the mediation of international rivalry in a system of states. Understanding 'economic' activity requires that it be contextualised not merely within the context of the nation-state but within a historically-based system of states. To quote Skocpol:

States necessarily stand at the intersections between domestic sociopolitical orders and the transnational relations within which they must manoeuvre for survival and advantage in relation to other states. The modern state as we know it, ... has always been, since its birth in European history, part of a system of competing and mutually involved states. (Skocpol, 1985:8);

Moreover, to quote Jessop:

The state's economic role is always affected by its other tasks. These include its own organisational reproduction, maintaining domestic political order and territorial integrity, and defining and interpreting national unity. Thus economic policies are typically inserted in more general political strategies and influenced by political and ideological struggles." (Jessop, 1987: 76).

Whereas a political perspective of global dimensions is necessary, it is nevertheless important to retain the significance of its constituents. Capitalism took off under the umbrella of ascendant nation states; it has remained nationally compartmentalised ever since, in spite of its globalising tendencies. The breakdown of empire spawned the widespread copying of the Western European model (Nettl, 1965). The nation-state and national economies spread further through the remnants of empire. An understanding of the nation-state is thus indispensable for analysing the globalising tendencies of capitalism as well as its intra-national differentiation.

In general, it is unproductive for mainstream economics to theorise the capitalist economy as having its essence in a system of interlocking markets⁹. The relationship between varying levels of economic activity (local, national, global) is organically enmeshed in a system of interlocking states, and has to be analysed accordingly. The profound weaknesses of economists' analytical framework is reflected, for

9 A similar weakness besets Marxist economics in theorising the essence of the capitalist economy as residing purely in the logic of capital accumulation

example, in their consistently idealist interpretation of international institutions such as the IMF, the World Bank and GATT as principled institutional mechanisms acting to support 'the market' at the international level.

The national economy

Analysis of the 'economic' sphere in conjunction with an analysis of the state allows a better perspective on the phenomenon of a 'national economy'. The concept of a 'national economy' is unproblematic for economists. Yet to confront the national economy involves, of necessity, confrontation with the state as an economic 'actor'.

States represent political constituencies. Nation-states represent spatially-oriented political electorates in the field of global competition for resources. There is an economic arena delimited by this political constituency, but it is characterised by internal incoherence. In short, the national economy is politically constituted, and a purely economic analysis produces distorted results.

National economies possess a distinct monetary unit¹⁰. The currency can never be left purely to 'market forces' (even in an age of global financial deregulation) because it is a politically constituted medium. A national currency is not just another price, but a fundamental nexus between politically sovereign entities. Every international transaction necessarily exerts influences that radiate through all components of a national economy, and which therefore invites a strategic political response. National economies are also the subjects of accounting systems, however imperfectly devised and interpreted, which not merely channel but inform and direct international economic activity. The currency and the balance of payments are the most tangible

10 Key currencies have historically transcended their national delineation, especially global reserve currencies (sterling, US dollar) and currencies integrating imperial blocs (sterling, franc). This global role merely makes the political character of a specific currency more transparent.

economic symbols of the delineation of the national economy by the nation-state.

Much macroeconomic modelling, especially that of a Keynesian persuasion, has been criticised for its dependence on the concept of a national economy. However, the weakness lay not purely in its national orientation. The weaknesses were that the national economy was initially theorised autonomously from its global context, and that the state remained outside the analysis. Orthodox economists have responded with the construction of an 'open economy macroeconomics'. This development has accommodated the first weakness but ignored the second¹¹. Different macroeconomic theories and models are varied in their expectations of the state but they are uniform in that the state itself always remains elusive - a *deus ex machina* outside the system.

Towards a Superior Account of the (Australian) State

It is difficult for economists to comprehend that the state's economic actions are strategic. This is most classically reflected in those historical instances in which there occurred a self-conscious and simultaneous construction of nation, nation state and national economy - as in the age of European mercantilism, and in the construction of a unified Germany and the reconstruction of Japan. However, it is also reflected in the contemporary global economy, on a more perennial basis, in the foreign economic policy of major industrialised nations (c/f Katzenstein, 1978). To analyse the nation-state and the 'national economy' and their structural interdependence necessarily requires a trans-disciplinary perspective.

The State has been obscured in economics for all the reasons enumerated above. However, its treatment was also long restricted in politics and sociology (Krasner, 1984; Skocpol, 1985). A substantial

11 An important reflection of this genre is the influential work of John Pitchford (c/f Pitchford, 1990). Pitchford's argument implies that the level of the national debt is of no political relevance as it is an accounting artefact.

literature has emerged in the last twenty years which attempts to grapple with state and economy on an appropriately broad terrain. A massive output from Marxist scholars has attempted to redress the lacuna. Much of this literature has been constrained by an analytical centre of gravity that remained unremittingly theoreticist and dogmatic (c/f Jessop, 1990; Jones, 1983). At least there have been productive spinoffs which were grounded in time and place (c/f O'Connor, 1973; Corrigan, 1980; Scase, 1980; Apple, 1983; Offe, 1985; Lash & Urry, 1987). More substantially, Marxist-inspired historians (in England and France, in particular) have transcended an inhibiting theoreticist tradition. Out of this historical tradition has come a vibrant literature concerned to transcend idealist (left) stereotypes of capitalism and to replace them with constructs grounded in historically-evolving capitalisms (c/f Hill, 1967; Wallerstein, 1974; Kieman, 1988; Anderson, 1992; Blackburn & Eley, 1984; McNally, 1988; Mooers, 1991; Wood, 1991)¹².

There is also an expanding community of political scientists and political sociologists working to attack the state/capitalist dynamic and the policy process in a self-consciously cross-national and historically-specific manner (e.g. Atkinson & Coleman, 1989; Bornstein et al., 1984; Castles, 1988, 1989; Deyo, 1987; Dyson, 1985; Esping-Andersen, 1990; Evans et al., 1985; Grant, 1989; Guenther, 1988; Hall, 1984, 1989; Hall, 1986; Katzenstein, 1978, 1985, 1987; Krasner, 1978, 1984; Mann, 1988; Shefter, 1977; Skocpol, 1984; Trimberger, 1978)¹³. The work is a belated response to the differentiation of capitalist state structures and policies, especially within the 'continental divides' of Anglo/America, Europe and Asia. This genre is very uneven in insight

but the conscientious pursuit of national-comparative and historical detail has been compelling.

In spite of these advances, weaknesses persist in the form of major cleavages. First, there is insufficient interaction between Marxist/left analyses and this expanding sub-discipline of politics/sociology. Much of the latter remains inhibited by the 'pluralist' conceptual paradigm of the mainstream social sciences from which it emanates. Perspectives on class conflict, the strategies of capital and on global state clientism are perennially absent or sanitised from its analysis. On the other hand, the 'left' literature, with some exceptions (Therborn, 1986), remains inadequately fertilised by comparative institutional detail.

Second, there is uneven interaction between mainstream economists and everybody else. Political scientists and sociologists draws liberally on opinion and information from within economics, but they often appear ill-equipped to discern the analytical implications and ideological colouring of their borrowings. They are also selective in their interest, leaving much of importance to continue to be monopolised by mainstream economists and their distorting analysis. Meanwhile, economists read only economists. In an ideal world, this ignorance would be ultimately of little concern as they would be driven into obscurity. Yet their role as functionaries and ideologues of a global capitalist order in the process of significant reconstruction gives their ignorance major social significance. This significance is transparent in current Australian politics in which dissident activists (such as in environmental or public infrastructure politics) feel constrained to couch their analyses in a form generated from within mainstream economics.

These cleavages are replicated in the Australian context. Marxist and left-inspired work offering broader analyses of class relations and international linkages, whatever its flaws, has been reduced to a trickle (c/f Catley & McFarlane, 1981; Connell & Irving, 1980; Cochrane, 1980; Crough & Wheelwright, 1982). Australian writings on the state are now dominated by the fragmented genres of 'state centred' political sociology, international political economy, and post-modernism. Unfortunately, there is a tendency for reputedly sophisticated analyses within each of these genres to uncritically absorb and replicate

12 Much of this debate originated in the pages of the *New Left Review*.

13 Key groupings exist within Harvard University's Center for European Studies; the Committee on States and Social Structures, a body of the US Social Science Research Council; the Patterns of History Seminar at LSE; the European Consortium for Political Research project, linked to the British-based Journal of Public Policy, and represented in the Francis Castles literature; the Comparative Public Policy Project at Cornell University; and so on.

conventional economic interpretations - for example, the presumed monolithic character of an inward-looking protectionism as an unconstrained choice of the Australian policy-making elite (Castles, 1988; Ravenhill, 1994); or the post-WWII period as a presumed era of neo-liberal Keynesianism (Watts, 1993/94).

There is useful work within a revitalised political science tradition (c/f Castles, 1988; Capling & Galligan, 1992; Bell, 1993), albeit constrained by the generic framework adopted from overseas counterparts. Within an expanding literature of 'industry policy' analysis, Bell's interpretation of the Australian state is atypically thoughtful and constructive (Bell, 1993:Ch.7). Yet the parameters of analysis are unnecessarily bounded by reigning models in comparative politics, and the subtle treatment of 'state autonomy' is not adequately articulated within Australia's global linkages. More broadly, much of the 'state autonomy' literature 'floats on air', ungrounded in material processes. The rush to create an analytical sphere for state 'autonomy' has reduced the imperative to theorise adequately the constraining and channelling influence of structural forces on state action.

The same criticism could be levelled at the post-modernist/cultural literature. Post-modernist analysis is even more transparently detached from material processes. It justifies its emphasis on a Foucauldian 'politics of discourse' on the claims that the pre-history of state analysis has been both universally functionalist in its attribution of a determinist state response to crisis and disorder in civil society, and naively empiricist in attributing state responses to objectively 'real' problems (c/f Watts, 1993/94:115ff.). The first claim is exaggerated, and the second claim is an exercise in academic sophistry. Undoubtedly, instrumentalities of the state are active in 'constituting the problems that become part of their jurisdiction'; but agents of the state don't invent industrial warfare or diphtheria - they have class conflict and public health crises thrust upon them. Post-modernism has provided important insights on the fragmentation and contradictory character of political struggles and the constitutive role of the domain of language, but the importance of both are over-stated. The continuing significance of centralising forces of current material economic processes is obliterated from recognition (c/f Frankel, 1992).

By default, public forums on economic policy are unduly dominated by established doctrines and its literature, classically reflected in the inordinate attention devoted to the Garnaut Report (Garnaut, 1989) and to the worldview of its author, Ross Garnaut, and his Canberra economist colleagues (Callick, 1994). The only major qualification to the hegemony of mainstream doctrines in public forums is the significant attention gained by Michael Pusey's *Economic Rationalism in Canberra* (1991). The flaws in Pusey's analysis (the hankering after an idealised past) cannot detract from Pusey's success as a publicly identifiable and plausible counterweight to mainstream doctrines.

The sub-discipline of 'international political economy', in terms of its formal agenda, is naturally placed to deal with the issues raised here. Local practitioners have mounted a persistent critique of the 'Garnaut' interpretation of the Australian economic predicament and its preferred resolution (c/f *Australian Journal of International Affairs*, 1990). Yet the discipline of international political economy has provided a relatively superficial analysis of the Australian state and of Australian capitalism, and a relatively ineffective political counterweight to the influence of the 'Garnaut' forces on trade policy. This phenomenon exists in spite of (or because of?) the Canberra location of its dominant practitioners adjacent to the locus of political power. The literature of international political economy, in spite of its unremitting criticisms of mainstream economic analysis, continues to read as if it is produced for the consumption of academic and bureaucratic functionaries on the international jet-setting conference circuit (c/f Higgott et al., 1993).

The problem endemic in 'international political economy' is representative of most academically-based analyses of the state. A major problem for the genres which currently dominate the analysis of the state is that they are not merely academically centred, but located in specific sub-disciplines of academic enclaves in which all the introverted rules of academic discourse apply - the tyranny of deference to supposedly seminal texts and to fashionable conceptualisations, the untheorised and filtered absorption of worldviews centred outside the sub-discipline, and the instrumental character of the analysis as a vehicle for the elevation of career status. The relative tolerance within politics and sociology to different schools (and the fact that 'the state'

falls more naturally into those disciplines), by contrast with the intolerance within economics, is ultimately and ironically a source of weakness for analysis generated within those disciplines.

The paradoxical result of this enhanced and frenetic analysis of the state is that the state/economy interface in the specifically Australian context remains poorly conceptualised and inadequately analysed, with adverse political implications. A smattering of work transcends the limitations of particular frameworks employed - such as that on the subtleties of interaction of capital and state (McEachern, 1991); the hypocrisies of the age of managerialism (c/f Yeatman, 1990); and the global restructuring of the labour process and its implications for state structures (c/f Probert, 1994). Yet there remains a significant lacuna in an arena that matters to political economy.

For example, what are the material conditions which produced the rise and subsequent hegemony of 'economic rationalism'?¹⁴ Why is there a bipartisan neglect of the level of foreign debt? Why is the pervasive contribution by globally-oriented companies to transfer pricing and tax evasion largely unrecognised and unanalysed? What are the politics of recently relaxed foreign investment guidelines and what are the implications for the current account? Why do interpretations of the current account deficit which rest on a presumed dearth of savings by Australians continue to dominate respectable opinion? What are the balance of forces that are responsible for 'constituting the reigning discourse', facilitating a significant redistribution of social resources under cover of linguistic obfuscation? These considerations reside in the cleavages between an atrophied left-wing analysis, a quarantined analysis of political scientists/sociologists and post-modernists, and a disabling analysis of a hegemonic mainstream economics. These issues have an unproblematic character for mainstream economics (a natural outcome of global integration) and for Keynesian economics (genuine weaknesses which merely require a greater assertion of will on the part of the government). Yet if one refuses to accept either of these characterisations, they remain as a number of related anomalies. A

14 Muetzelfeldt (1992) makes a useful contribution to this issue.

coherent explanation requires a more satisfactory articulation of the Australian State - its character, its practices and the pressures under which it operates.

There is an unfinished agenda for broader and substantive interpretations of the Australian state and economy. For the reasons outlined above, mainstream economists can play no constructive part in this agenda. It is therefore important to address more self-consciously a counter-hegemonic project against their ideas and their influence.

References

- Amsden, Alice (1985), "The State and Taiwan's Economic Development", in Evans et al., *op.cit.*
- Anderson, Perry (1974), *Lineages of the Absolutist State* (London: New Left Books)
- Anderson, Perry (1992), *The English Question* (London: Verso)
- Apple, Nixon (1983), "The Historical Foundation of Class Struggle in Late Capitalist Liberal Democracies", in Stewart Clegg et al. (eds.), *The State, Class and the Recession* (London: Croom Helm)
- Atkinson, Michael. & Coleman, William. (1989), *The State, Business and Industrial Change in Canada* (Toronto: University of Toronto Press)
- Australian Journal of International Affairs* (1990), 44,1, April
- Bell, Stephen (1993), *Australian Manufacturing and the State* (Melbourne: Cambridge University Press)
- Blackbourn, David & Eley, Geoff (1984), *The Peculiarities of German History* (Oxford: Oxford Univ. Press)
- Bornstein, Stephen, Held, David & Krieger, Joel (eds.) (1984), *The State in Capitalist Europe* (London: Allen & Unwin)
- Brewer, John (1989), *The Sinews of Power: War, Money and the English State, 1688-1783* (London: Unwin Hyman)
- Bright, Charles (1984), "The State in the United States during the Nineteenth Century", in Charles Bright & Susan Harding (eds.), *Statemaking and Social Movements* (Ann Arbor: University of Michigan Press)
- Buchanan, James (1987), "An Individualistic Theory of Political Process", in Buchanan, *Economics: Between Predictive Science and Moral Philosophy* (College Station: Texas A&M Univ. Press)

- Bureau of Industry Economics (1987), *Studies in industrial development and innovation policy*, Vols.1-6 (Canberra: A.G.P.S.)
- Butlin, N.G. (1959), "Colonial Socialism in Australia 1860-1900", in Hugh Aitken (ed), *The State and Economic Growth* (New York, Social Science Research Council)
- Butlin, N.G. et.al. (1982), *Government and Capitalism* (Sydney: Allen & Unwin)
- Callick, Rowan (1994), "Architect of the new Australia [Ross Garnaut]", *Australian Financial Review*, March 4
- Capling & Galligan (1992), *Beyond the Protective State* (Melbourne: Cambridge University Press)
- Castles, Francis (1988), *Australian Public Policy and Economic Vulnerability* (Sydney: Allen & Unwin)
- Castles, Francis (ed.) (1989), *The Comparative History of Public Policy* (London: Polity)
- Cochrane, Peter (1980), *Industrialization and Dependence: Australia's Road to Economic Development* (St. Lucia: University of Queensland Press)
- Corrigan, Philip (ed.) (1980), *Capitalism, State Formation and Marxist Theory* (London: Quartet)
- Corrigan, Philip & Sayer, Derek (1985), *The Great Arch: English State Formation as Cultural Revolution* (Oxford: Blackwell)
- Cox, Andrew (ed.) (1986), *State, Finance and Industry* (Brighton: Wheatsheaf)
- Crough, Greg & Wheelwright, Ted (1982), *Australia: A Client State* (Ringwood: Penguin)
- Deyo, Frederic (ed.) (1987), *The Political Economy of the New Asian Industrialisation* (Ithaca: Cornell Univ. Press)
- Dorfman, Joseph (1955), "The Role of the German Historical School in American Economic Thought", *American Economic Review*, XLV,2, May, 17-28
- Dyson, Kenneth (1985), "The Cultural, Structural and Ideological Context", in Kenneth Dyson & Stephen Wilks (eds), *Industrial Crisis: A Comparative Analysis of the State and Industry* (Oxford: Blackwell)
- Eccleshall, Robert (1979), "The Identity of English Liberalism", *Politics and Society*, 9,1, 1-32
- Esping-Andersen, Gosta (1990), *The Three Worlds of Welfare Capitalism* (Cambridge: Polity)
- Evans, Peter, Dietrich Rueschemeyer & Theda Skocpol (eds.) (1985), *Bringing the State Back In* (New York: Cambridge Univ. Press)
- Fine, Rob (1984), *Democracy and the Rule of Law* (London: Pluto Press)
- Frankel, Boris (1992), *From the Prophets Deserts Come* (Melbourne: Frankel/Arena)
- Freebairn, John; Porter, Michael & Walsh, Cliff (1989), *Savings and Productivity: Incentives for the 1990s* (Sydney: Allen & Unwin)
- Friedman, Milton & Friedman, Rose (1980), *Free to Choose* (Harmondsworth: Penguin)
- Garnaut, Ross (1989), *Australia and the North-East Asian Ascendancy* (Canberra: A.G.P.S.)
- Gerschenkron, Alexander (1962), *Economic Backwardness in Historical Perspective* (Cambridge, Harvard Univ. Press)
- Grant, Wyn (1989), *Government and Industry: A Comparative Analysis of the US, Canada and the UK* (Aldershot: Edward Elgar)
- Guenther, Len (1988), "Economic Policy Making and State Capacity", *Studies in Political Economy*, 26, Summer
- Hacker, Louis (1940), *The Triumph of American Capitalism* (New York: Columbia University Press)
- Hall, John (ed.) (1986), *States in History* (Oxford: Blackwell)
- Hall, Peter (1984), "Patterns of Economic Policy: An Organisational Approach", in Stephen Bornstein, David Held & Joel Krieger (eds.), *The State in Capitalist Europe* (London: Allen & Unwin)
- Hall, Peter (ed.) (1989), *The Political Power of Economics Ideas: Keynesianism across Nations* (Princeton: Princeton Univ. Press)
- Halliday, Jon (1975), *A Political History of Japanese Capitalism* (New York: Pantheon)
- Hill, Christopher (1967), *Reformation to Industrial Revolution* (Harmondsworth: Penguin)
- Higgott, R., Leaver, R., & Ravenhill, J. (eds.) (1993), *Pacific Economic Relations in the 1990s: Cooperation or Conflict* (Sydney: Allen & Unwin)
- Ingham, Geoffrey (1984), *Capitalism Divided? The City and industry in British social development* (London: Macmillan)
- James, Chris, Jones, Chris & Norton, Andrew (1993), *A Defence of Economic Rationalism* (St. Leonards: Allen & Unwin)
- Jessop, Bob (1982), *The Capitalist State: Marxist Theories and Methods* (Oxford: Martin Robertson)
- Jessop, Bob (1987), "Economic Theory of the State", in John Eatwell et.al., *The New Palgrave* (London: Macmillan)
- Jessop, Bob (1990), *State Theory: Putting the Capitalist State in its Place* (Cambridge: Polity)
- Johnson, Chalmers (1987), "Political Institutions and Economic Performance: the government-business relationship in Japan, South Korea, and Taiwan", in Deyo (ed.), *op.cit.*

- Jones, Evan (1983), "Against Theoreticism: An Iron Law of Theory?", in Judith Allen & Paul Patton (eds), *Beyond Marxism: Interventions After Marx* (Leichhardt: Intervention)
- Jones, Evan (1984), "Government Intervention", *Journal of Australian Political Economy*, 17, Nov., 53-60
- Jones, Evan & Stilwell, Frank (1989), "What 'free trade' costs Australia", *The Bulletin*, April 11, 40-43
- Katzenstein, Peter (ed.) (1978), *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial Societies* (Madison: Univ. of Wisconsin Press)
- Katzenstein, Peter (1985), *Small States in World Markets: Industrial Policy in Europe* (Ithaca: Cornell Univ. Press)
- Katzenstein, Peter (1987), *Policy and Politics in West Germany* (Philadelphia: Temple Univ. Press)
- Kieman, Victor (1988), *History, Classes and Nation States* (Cambridge: Polity)
- King, Stephen & Lloyd, Peter (1993), *Economic Rationalism: Dead End or Way Forward?* (St. Leonards: Allen & Unwin)
- Krasner, Stephen (1978), *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton: Princeton Univ. Press)
- Krasner, Stephen (1984), "Review Article: Approaches to the State: Alternative Conceptions and Historical Dynamics", *Comparative Politics*, 16, Jan., 223-246
- Lash, Scott & Urry, John (1987), *The End of Organized Capitalism* (Cambridge: Polity Press)
- Mann, Michael (1982), *The Sources of Social Power* (Cambridge: Cambridge Univ. Press)
- Mann, Michael (1988), *States, War and Capitalism* (Oxford: Blackwell)
- Mayer, Arno (1981), *The Persistence of The Old Regime* (New York: Pantheon)
- McNally, David (1988), *Political Economy and the Rise of Capitalism* (Berkeley: Univ. of California Press)
- McEachern, Doug (1991), *Business Mates: the Power and Politics of the Hawke Era* (Sydney: Prentice-Hall)
- Merritt, Adrian (1982), "The Historical Role of Law in the Regulation of Employment...", *Australian Journal of Law and Society*, 1, 1, 56-85
- Mooers, Colin (1991), *The Making of Bourgeois Europe: Absolutism, Revolution and the Rise of Capitalism in England, France and Germany* (London: Verso)
- Muetzelfeldt, Michael (1992), "Economic Rationalism in its social context", in Muetzelfeldt (ed.), *Society, State & Politics in Australia* (Leichardt: Pluto Press)
- Nettl, J.P. (1968), "The State as a Conceptual Variable", *World Politics*, 20, 563-564
- Newton, Scott & Porter, Dilwyn (1988), *Modernization Frustrated: The Politics of Industrial Decline in Britain since 1900* (London: Unwin Hyman)
- O'Connor, James (1973), *The Fiscal Crisis of the State* (New York: St Martin's Press)
- OECD (1987), *Structural Adjustment and Economic Performance* (Paris: OECD)
- OECD (1990), Industry Committee, "Subsidies and Structural Adjustment: Background report ...", mimeo, April
- Offe, Claus (1985), *Disorganized Capitalism: Contemporary Transformations of Work and Politics* (Cambridge: Polity Press)
- Olson, Mancur (1982), *The Rise and Decline of Nations: Economic Growth, Stagflation and Social Rigidities* (New Haven: Yale Univ. Press)
- Parsons, Donald (1986), "The Employment Relationship...", in Orley Ashenfelter & Richard Layard (eds), *Handbook of Labor Economics*, Vol. II (Amsterdam: North-Holland)
- Pigou, A.C. (1920), *The Economics of Welfare* (London: Macmillan)
- Pitchford, John (1990), *Australia's Foreign Debt: Myths and Realities* (Sydney: Allen & Unwin)
- Probert, Belinda (1994), "Globalisation, Economic Restructuring and the State", in Stephen Bell & Brian Head (eds.), *State, Economy and Public Policy in Australia* (Melbourne: Oxford University Press)
- Pusey, Michael (1991), *Economic Rationalism in Canberra* (Melbourne: Cambridge University Press)
- Ravenhill, John (1994), "Australia and the Global Economy", in Stephen Bell & Brian Head (eds.), *State, Economy and Public Policy in Australia* (Melbourne: Oxford University Press)
- Robbins, Lionel (1935), *The Nature and Significance of Economic Science* (London: Macmillan)
- Scase, Richard (ed.) (1980), *The State in Western Europe* (London: Croom Helm)
- Self, Peter (1993), *Government by the Market?: The Politics of Public Choice* (London: Macmillan)
- Shefter, Martin (1977), "Party and Patronage: Germany, England and Italy", *Politics and Society*, 7, 403-451
- Shonfield, Andrew (1965), *Modern Capitalism: The Changing Balance of Public and Private Power* (London: Oxford University Press)
- Skocpol, Theda (1984), *Vision and Method in Historical Sociology* (Cambridge: Cambridge Univ. Press)
- Skocpol, Theda (1985), "Bringing the State Back in: Strategies of Analysis in Current Research", in Evans, et al. *op.cit.*

Stanford, Jon (1992), "Industrial Policy in Australia", in Stanford (ed.), *Industrial Policy in Australia and Europe Canberra*: A.G.P.S

Therborn, Goran (1986), *Why Some Peoples are More Unemployed than Others* (London: Verso)

Trimberger, Ellen Kay (1978), *Revolution from Above: Military Bureaucrats and Development in Japan, Turkey, Egypt and Peru* (New Brunswick: Transaction Books)

Tullock, Gordon (1987), "Public Choice", in John Eatwell, et.al. (eds), *The New Palgrave* (London: Macmillan)

Walker, Geoffrey (1976), *Australian Monopoly Law*, (Melbourne: Melbourne Univ. Press)

Wallerstein, I. (1974), *The Modern World-System* (London: Academic Press)

Watts, Rob (1993/94), "Government and Modernity: An Essay in Thinking Governmentality", *Arena* journal, 2, 103-157

White, Colin (1992), *Mastering Risk: Environment, Markets & Politics in Australian Economic History* (Melbourne: Oxford University Press)

Williams, W.A. (1966), *The Contours of American History* (New York: Quadrangle)

Wood, Ellen (1991), *The Pristine Culture of Capitalism* (London: Verso)

Yeatman, Anna (1990), *Bureaucrats, Technocrats, Femocrats* (Sydney: Allen & Unwin)



INTERVENTIONIST INDUSTRY POLICY: A MARXIST CRITIQUE

Thomas Bramble¹

The idea that the Australian labour movement should advocate government assistance to domestic industry, particularly manufacturing industry, is as old as the movement itself. The vigour with which it is promoted and the exact form of the argument has varied, but the notion that trade unionists and sympathetic academics should lobby for selective government assistance, quotas, *ad valorem* tariffs or restructuring grants for Australian industry has been a central totem of labourism for decades.²

In this article I argue that left-wing supporters of industry assistance (whether under the guise of export promotion or import substitution) are pressing for a strategy that is either irrelevant in the task of defending

¹ Thanks are due to Tom O'Lincoln, Rick Kuhn and the three *JAPE* referees for their many and useful comments on earlier drafts of this article. Responsibility for its final contents, however, rests entirely with the author.

² See Kuhn (1987) and (1988a) for a discussion of the rise of protectionism as a central arm of Labor strategy in the first quarter of the century. The debate has been mirrored in the pages of this Journal. See, for example, Wilshire (1977), Hopkins and Curtain (1982), Kuhn (1982), Peetz (1982), Theophanous (1986) and Hart (1992). See Kuhn (1982) and O'Lincoln (1993: 188-97) for critical analyses of the adoption of nationalist "alternative economic plans" in labour movement circles in the years leading up to the Accord. For key references elsewhere, see Costa and Easson (1991) and Rees, Rodley and Stilwell (1993). Similar issues have been debated within the Canadian and American Left in the late 1980s and early 1990s with reference to the North American Free Trade Agreement (NAFTA), with most of the Left being opposed to it: see the debate between Lebowitz (1988; 1990), McNally (1990), and Maas (1993).