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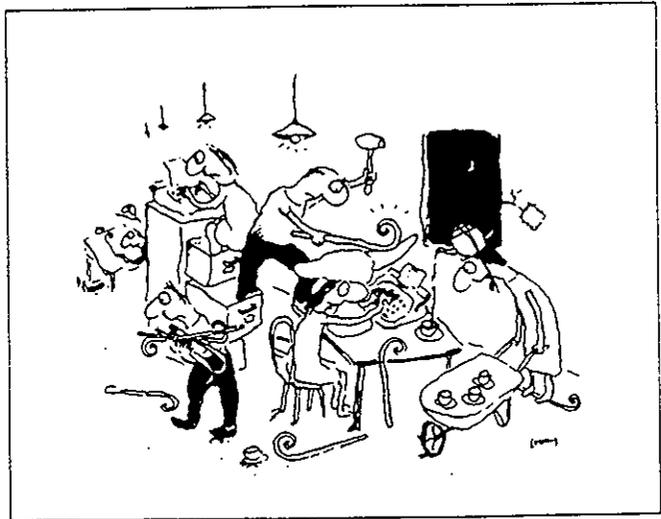
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INTERVENTIONIST INDUSTRY POLICY: A MARXIST CRITIQUE

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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).

jobs and living conditions for Australian workers, or is positively an obstacle. Evidence is marshalled from a range of sources, but particular emphasis is placed on developments in the Australian vehicle industry, the focus of much debate over this issue in the past quarter-century, within business, government, academic and union circles.

The Interventionist Argument

Since the advent of large-scale and continuous job-shedding in mid-1990, advocates of a more interventionist industry policy have become increasingly vocal in their call for a change of policy direction. While those promoting such a change in industry policy are by no means a coherent bloc, there are certain common themes that allow for their grouping together for purposes of analysis and critique. Supporters of greater Government intervention do not call for a return to "protection all-round" typical of industry policy in the 1960s but argue that tariff cuts should be halted until unemployment is reduced, or that the pace of tariff cuts is too fast and jeopardises social cohesion.³ With 1.5 million redundancies in three years, a long-term reduction in the effective rate of tariff assistance to manufacturing industry from 37 per cent in 1970 to 15 per cent by 1990, and the undoubted absurdity of many of the basic propositions of the "free-trade" case, the appeal of halting tariff cuts is strong.⁴ The issue was certainly a key factor in the election and then re-election of Phil Cleary as an Independent in the inner Melbourne constituency of Wills, an area dominated by the TCF industry.

Although the belief is not common to all proponents of a more interventionist industry policy, some have argued that Australian industry is suffering from a lack of Government assistance of any form

³ Pioneer Left-influenced texts which expressed alarm about the direction of the Hawke Government's industry policy as early as the mid-1980s include Stilwell (1986) and Ewer *et al* (1987).

⁴ For an analysis of the changing trends in industry policy in the 1970s and 1980s, see Warhurst (1982), Bulbeck (1983), Rattigan (1986), Uhlenbruch (1986), Anderson and Gamaut (1987), and Gregory (1988).

and has been left to fend for itself in the increasingly competitive world economy. Indeed, in the case of the Metal and Engineering Workers Union, it is argued that the interests of Australian industry have been "betrayed" by a lack of support from Government sources (MEWU, 1991).

Protectionist ideas are also abroad within sections of capital. These include sugar cane farmers, who fear the food industry taking advantage of cheap imported sugar products, and motor vehicle manufacturers, such as Ford, which has repeatedly threatened to wind back local production if the Government cuts tariffs further. Pressure from primary commodity producers has contributed to ongoing tension between the Nationals and the city-based "free-trade" Liberals.

Support for a halt to tariff cuts or for the institution of more extensive (union-influenced) forms of assistance to manufacturing industry has grown alongside widespread dissatisfaction with economic rationalism. In two recent publications (*Beyond the Market: Alternatives to Economic Rationalism*; and *The Banana Republic*), the two issues have been linked explicitly by left-wing academics. Concern at the pace of tariff cuts has also been evident in some right-wing circles, spearheaded by *Quadrant* magazine, a moving force behind the publication of the influential *Shutdown: The Failure of Economic Rationalism and How to Rescue Australia*.

In their attempt to distance themselves from the more obvious inefficiencies associated with the high tariff regime of the post-war decades, key writers in this genre, such as Evan Jones (1992) and Frank Stilwell (1993), caution against indiscriminate use of tariffs and subsidies to industry. Stilwell (1993), for example, calls for an "interventionist industry policy" capable of tackling "the nation's structural economic malaise". Such authors are loathe to support protection of companies producing third-rate goods employing workers in exploitative conditions. Indeed, assistance:

... shouldn't mean permanent subsidies to ailing businesses. It must be long-term planning involving the union movement, investment in workers' skills and in research and development (Stilwell, 1993: 198).

Further, according to Stilwell, a strategic industry policy should be supported by the establishment of a national investment fund capable of directing investment towards productive, rather than speculative, ventures. In such circumstances, it is believed that both labour and employers can benefit, as traditional sweatshop industries are replaced by high-wage, high-value-added, high-skilled sectors. As an example of the sort of industry policy favoured by those critical of present trends, Jones (1992) commends the Heavy Engineering Development Plan of the 1980s. Stimulated by \$50 million in assistance from the Federal Government, the major manufacturers underwent "a quantum leap in plant modernisation expenditures and a qualitative transformation of modes of operation, both in industrial relations and in the widespread adoption of business plans", according to Jones (1992: 153).

Traditionally, some left-wing supporters of "interventionist" industry policy have seen such policies as precursors to socialism and a fully-planned economy, although the commitment to such a transition appears to have become somewhat weaker in recent years as socialism loses what remains of the brief vogue status it enjoyed in academic circles in the 1970s.⁵

To summarise the arguments of the left critics of Labor's industry policy, Broomhill (1991: 7) lists what should be incorporated in a "fully integrated alternative economic strategy incorporating radical degrees of government intervention":

- re-regulation of the finance sector;
- planned industry development and planned trade (involving an immediate halt to all tariff cuts);
- increased controls over foreign, and Australian, corporations which currently operate in an unrestricted oligopoly situation;

⁵ The confusion about the "transitional" nature of "alternative economic plans" has always been inherent in the work of supporters of such plans: see Kuhn (1982) for a critique.

- vastly expanded education, labour market and training programs, and;
- substantially increased degrees of government investment and ownership and control in key areas of our economy.

This article focuses on the second of these recommendations and argues that, although the sentiments behind the Left critique of the Government's industry policies are commendable, the policies advocated by writers such as Stilwell and Jones do not offer the labour movement a way forward.

A Critique of Interventionist Analysis

Rumours of the State's Demise are much Exaggerated

Before debating the specific issues common to most supporters of interventionist industry policy it is worth confirming the basic point that industry assistance and state intervention are alive and well in the Australian economy. The Australian state, like all major OECD states, still intervenes strongly to promote the interests of "its" domestic capitalists. Government assistance is central in the securing of new generations of labour power (through health, education, immigration and welfare), in the establishment and maintenance of adequate transport and communications networks (both internally and externally), in the promotion of overseas sales of Australian goods (through tied aid and consular facilities) and by securing the preconditions for the successful conduct of capitalist enterprise (by provision of a legal apparatus to validate contracts, by repression of dissident workers and unions through police and courts, and by defence of Australian interests overseas through the armed forces). While relatively few of these services could be included in any conventional definition of industry policy, they all indicate the close fusion of Australian state and capital

common to all advanced economies regardless of the free market rhetoric adopted by many governments in the 1980s.⁶

Even leaving these features aside, the central thrust of industry policy changes adopted by the ALP Government in the 1980s was not for the state to withdraw but to adopt a new form and purpose. It is not true, as Stilwell (1993: 30) alleges, that the Accord commitment to an interventionist industry policy has been 'jettisoned'. Nor is it correct to argue, as do Costa and Easson (1991: 14) (two key union opponents of such a policy), that the political fight is between advocates of "free trade/ markets" and "protection/ intervention". Rather, state policy is still interventionist but its goals are being *redirected*. From being centred on tariffs and quotas, the purpose of which was to limit imports, current Government policy is to focus on exports and to improve the terms on which Australian producers trade in world markets. Associated with this is a policy of encouraging more backward sections of capital (such as the TCF industries) to restructure or close down, thereby forcing capital into more productive and export-oriented areas, and increasing funding for retraining of workers to ease the pain of readjustment. An *inward-looking* statism has therefore been replaced by an *outward-looking* statism, as illustrated by former Industry Minister Alan Griffiths' announcement in late 1993 of eight new sectoral development plans to take effect in 1994 and by the plans of his successor, Peter Cook, for the development of more generalised forms of industry assistance. This trend matches the industry development strategy adopted by certain Asian governments, most notably South Korea, in the 1960s.

Indeed, far from state assistance withering away, it increased under the Hawke Government: between 1978 and 1990, expenditure on industry assistance increased from 0.17 per cent of GDP to 0.38 per cent (Bell, 1991: 127). In the period from 1982-83 to 1989-90, state and federal governments paid out approximately \$7.3 billion to manufacturing

⁶ See Bell and Wanna (1992) for further illustrations of this close relationship. For an interesting debate on the changing role of the state in modern capitalist economies, see the exchange between Callinicos (1991; 1992), Harman (1991) and Harris (1991).

industry in the form of bounties, subsidies for R&D, small business grants and assistance, infrastructure assistance, and assistance in tendering for local government contracts.⁷ In addition, state and federal governments used offsets policies to compel overseas companies which were successful in gaining contracts with local bodies to buy components from local companies. Significant examples of this policy are the local content requirements imposed on the Swedish manufacturer Kockums in its construction of submarines in Adelaide and on the American resource companies exploring for minerals on the North West Shelf.

To summarise, despite the current popularity of the economic rationalist conventional wisdom in governing circles, the present Labor Government is, like its peers in all developed countries, quite committed to systematic intervention in the affairs of industry, both in terms of securing a satisfactory share of local markets and, more aggressively, capitalising on Asian export markets. This factor is important to remember when considering claims by bodies such as the Metalworkers Union that the Government has abandoned Australia's industrial needs.

The continuing central role played by the Australian Government in promoting industrial development is recognised by other left interventionists, who argue not that the state has abdicated its role in industry development but that it is assisting industry in an ad hoc, incoherent fashion, resulting in disasters such as the WA Inc. fiasco. While this variant of left interventionism represents a more sophisticated understanding of current trends, it is still accompanied by the belief that the interests of Australian workers can be secured by closer co-operation between capital, labour and state in promoting the interests of Australian business, especially by a more vigorous policy of limiting import penetration of domestic markets. This core belief forms the basis of the critique in what follows in the rest of this article.

⁷ Figures derived from Bell (1991: 127).

Key Points in Debate

Two sets of criticisms may be made of the basic tenets of interventionist industry policy. The first, and by far the more influential, is the "free-trade" argument espoused by writers such as and Garnaut (1989) and Costa (1991). This perspective, however, represents merely a preference for a more vigorous application of market forces and the complete subordination of the interests of labour to the dictates of capital. As such this is an approach unlikely to appeal to those who are concerned to advance the interests of the Australian working class. The alternative set of criticisms derives from a Marxist perspective and challenges the idea that either "free trade" or "interventionist" strategies can secure favourable outcomes for workers. Such criticisms are the focus of this article and are both economic and political in nature.

(i) The Economic Arguments

First, there is the purely practical and definitional problem: if industry is to be protected or otherwise assisted, how can this be done in such a way as to benefit production (and employment) within Australian borders in the contemporary environment of transnational production chains? A case in point is the car industry, in which badge-swapping and component sharing have destroyed the idea of "national" car industries. For example, the engine of the Mitsubishi Pajero, a four-wheel drive car imported from Japan into Australia, is actually made in Australia and then shipped to Japan for final assembly. Given production linkages of this nature, how exactly should such operations be assisted, and to what effect?

A second and more significant problem with the argument is that imports themselves are not the main cause of workforce reduction in manufacturing industry. In the long-term there has been a decline in the proportion of workers in manufacturing industry in Australia and an associated increase in the proportion of workers in the services sector. However, this trend is apparent in every major OECD economy and has little to do with import penetration and much more to do with the fact that labour-saving technological advances have been far more

significant in manufacturing than in the services sector. In the present and recent past, there have been mass redundancies in virtually every sector of the economy regardless of the market share of imports. While there were 100,000 redundancies in (presumably import-sensitive) manufacturing between 1990 and 1992, there were also 99,000 in construction, which suffers no import competition. Jobs have been shed throughout industries under no competitive threat from imports: one in ten jobs in retail trade have been cut and one in fourteen in the previously booming financial and property sectors.⁸ In the public sector, employment in Government trading enterprises fell by 20 per cent in the five years to 1991-92, with the ratio increasing in direct proportion to the increase in productivity in that period (see Table 1).

Table 1: Changes in Productivity and Employment in Government Trading Enterprises 1987-88 to 1991-92

Sector	Productivity	Employment
Ports	+88%	-40%
Electricity Generation	+60%	-30%
Railways	+53%	-28%
All Government Trading Enterprises	+40%	-20%
Total Jobs Lost		59 000

Source: *The Australian*, 12 August 1993.

Redundancies in sheltered industries have been extremely significant contributors to the total. Redundancies of women in the finance, property, recreation and community services areas, for example, accounted for 40 per cent of the total number of female redundancies in 1990-92. Increased protection from imports would have done nothing to protect employment in these areas, a key goal of Labor's left critics.

Turning to the tradeable goods sector, it is not the case that Australian industry has been subject to a deluge of imports or is the victim of

⁸ See Buchanan *et al* (1992) for details of the numbers of employees made redundant in the latest recession.

"unfair" competition. In 1991, when redundancies reached their peak, Australian-based business ran a merchandise surplus of \$4.4 billion. Imports were relatively steady at approximately \$25 billion in each half-year from 1989 to 1992 while exports increased from \$22 to \$27 billion. Although none of these arguments definitively disproves the claim that restrictions on imports or a moratorium on tariff cuts would reduce the rate of redundancies, they suggest that such measures are likely to be only of marginal effect. Indeed, insofar as they invite retaliation, it is possible that increasing tariffs in the recent past would have worsened the recession.

To understand the real cause of redundancies we have to turn our attention away from the balance of trade towards the global economic situation. Despite the recovery in the world economy in the mid- to late 1980s, the capitalist system is in long-term decay in many areas of the world, and unemployment throughout the OECD is returning to the double-digit rates experienced in the inter-war years.⁹ In the European Union alone in 1993 there were 18 million unemployed. The immediate cause of job losses around the world since the end of the 1980s has been a marked deceleration of economic growth and a stagnation of industrial output. Total OECD growth in the first two years of this decade averaged an annual rate of less than 1 per cent.

The rate of unemployment has risen in each major OECD economy regardless of its trade balance. Japanese car manufacturers, for example, are subject to extremely low import competition but have entered a period of major financial crisis since 1992 and have cut production by 15 per cent. Similarly in Germany, the world's most significant exporter of manufacturing goods, unemployment is now a major concern, while the Swedish miracle is currently unravelling.

The underlying cause of this crisis is the long-term tendency for a weakening of the mainspring of capitalist economies: the rate of profit.¹⁰ Although profitability *did* increase in the late 1980s, prior to the recession of 1990-92, it did not recover to the extent necessary to

⁹ For a contemporary and valuable Marxist analysis of current trends in the world economy, see Harman (1993a and 1993b).

¹⁰ See Harman (1993a: 20-23) for further discussion of this key point.

generate a sustained boom on the lines of that experienced in the major Western economies in the 1950s and 1960s. The long-term weakening of the prospects for profitability, even in the late 1980s at the peak of the boom, is indicated by the unwillingness of business to invest their high profits in productive ventures as against property speculation in that period. It is likewise indicated in the sluggish recovery of investment in plant and equipment in the profit recovery of 1992-94.¹¹

The fact that the Australian economy is currently in a relatively fragile state when compared to earlier decades, regardless of trends in imports, is significant because it suggests that, even if all manufacturing imports were stopped immediately, employers would still seek to cut jobs. Left advocates of interventionist industry policy, however, appear to assume that employers will respond to a protected home market or expanding export markets by maintaining employment. This is really a version of the "trickle-down" effect much-beloved of orthodox economists.

Although it is difficult to entirely disprove the argument in this respect, it is highly implausible. Consider the experience of the Australian vehicle industry. In the mid- to late 1970s, as a result of market-share restrictions placed upon importers, steep increases in the effective rate of protection and the commencement of local operations by Japanese producers, the share of imports in the Australian vehicle market fell.¹² Profitability did not recover markedly, however, and industry rationalisation accelerated with mass redundancies taking place during the early 1980s (Bramble, 1993: 179-82).

As regards the connection between profits and employment, even a cursory glance at the major expansion in profits and share prices of Australia's largest trading enterprises since mid-1992 would indicate that corporate prosperity has been dependent on further reductions in employment levels. Every survey of business through the recession and the present weak recovery has shown that reducing employment has

¹¹ See Stilwell (1988) and Toner (1988) on the wasted investment that *did* take place in the 1980s. See EPAC (1993) and National Australia Bank (1993) for current evidence on sluggish investment by business.

¹² A useful review of trends in Government assistance to the motor vehicle industry is provided in Uhlenbruch (1986).

been management's main concern.¹³ Indeed, in 1992, the year in which the recession is supposed to have ended, there were a further 550,000 redundancies.

These results indicate that changes in the relative prices of imports and exports or more extensive government assistance to Australian industry are of doubtful value in protecting employment even if they do offer sections of business windfall gains in profits. The second set of reasons why interventionist industry policy is of little use for the labour movement is predominantly political in character and it is to these that we now turn.

(ii) The Politics of Industry Assistance

"Protection-all-round", "free trade" and "interventionist industry policy" are all strategies whose main purpose is to reshape the contours of capitalist industry in desired directions. Support for any one of these by trade unions and the Left has the effect of supplanting basic working-class goals of full employment, better working conditions and higher wages with targets that are essentially decided on capitalist criteria. In practice, if a trade union promotes the idea that the profit margins of local businesses in "its" industry sector need to be maintained (which is what advocacy of import controls or assistance towards industry development necessarily involves), the union concerned then has to take responsibility for any measures deemed necessary to achieve this. Two decades of close co-operation between the leadership of the Vehicle Builders Employees' Federation (VBEF) and management in the motor vehicle industry illustrate the dangers of adopting this strategy.¹⁴

¹³ See, for example, Waldersee and Blackstock (1993) and *Australian Financial Review*, 26 July and 21 September 1993.

¹⁴ The VBEF was subsumed into the Automotive, Metals and Engineering Union in 1992.

The Dangers of Union-Management Co-operation: A Case Study of the Vehicle Industry, 1974-92¹⁵

In every major bout of redundancies in the car industry (in 1974, 1981-84 and 1990-92) the leadership of the VBEF argued for tariffs to be increased or at least maintained. What was the impact on the union's capacity to mobilise its members to defend jobs in the industry? In each episode of redundancies in the 1970s and early 1980s members were urged to vent their frustration and anger at the Industries Assistance Commission (IAC) whose recommendations for tariffs to be cut were thought to be responsible for the precarious plight of workers in the industry. Demonstrations were called in the streets of Adelaide and Geelong, two cities where the car industry plays a particularly significant role. At Geelong in 1981 the major regional employer, Ford, was fully in support of the union's publicity campaign and gave its employees time off work to attend the rally. Placards called for the Fraser Government to "put Australian jobs first". Deputations from the major factories, including leading union activists, travelled to Canberra to lobby parliamentarians to increase or at least maintain tariffs. In 1982 the union's federal secretary drew up a full-page newspaper advertisement with the managing director of GMH calling for government financial assistance for the vehicle industry.¹⁶

The effect was to demobilise the union's membership. At no stage in the course of the campaigns to "save the industry" in the 1970s or early 1980s were any demands made on the companies themselves to reverse their decision to sack hundreds, sometimes thousands, of workers. Instead, the employers were regarded as allies in the struggle to save the local industry and to protect jobs. This fact was even noted by the *Australian Financial Review*, which commented during lobbying by the VBEF over the Post-1976 Passenger Vehicle Plan in late 1974 that "the unions seem to have become bedfellows, strange as it may seem" with the car companies (Warhurst, 1982: 194).

¹⁵ The case study material on the changing policies of the VBEF from the 1970s to the 1990s is sourced from Chapters 7 to 9 of Bramble (1993).

¹⁶ 'An Australian Industry Destroyed', *The Age*, 27 August 1981.

For the sake of cordial relations with its "bedfellows" on these occasions (particularly GMH and Chrysler), the VBEF leadership made no attempt to force the companies to carry the cost of the industry downturn by insisting that they pay full-week wages for a four-day week as a method of reducing stocks of unsold cars. Rather, in the case of GMH, the union encouraged members to apply for voluntary redundancy on the basis that this would discourage the company from seeking compulsory retrenchments.¹⁷ The union persisted with its strategy of making concessions to this company in the early 1980s, when GMH underwent a period of major retrenchment and plant closure, even as the company reneged on several promises regarding job security.¹⁸ In cases when militants organised industrial action to fight the redundancies, such action was invariably suppressed by the union leadership. In one famous case in 1977 at the Chrysler assembly plant in Tonsley Park in South Australia, the militants responsible for encouraging workers to resist redundancies were sacked by their employer, with the active assistance of the VBEF branch leadership.¹⁹

The reluctance of the protectionist VBEF to engage in action aimed at the employers was such that it even undermined the rare industrial action taken in the early 1980's by the similarly-protectionist AMWU to maintain employment in the vehicle industry or to obtain improved redundancy pay-outs. In 1982-84 there were two such instances at GMH: one in South Australia (at the Woodville plant), and one in Victoria (at Fisherman's Bend).²⁰ To have participated or to have lent solidarity to the action by the tradesmen involved in these campaigns

¹⁷ For evidence of the strategy of the VBEF in 1974 when faced with factory closures and mass redundancies, see VBEF Federal Executive minutes (20 November 1974) and Quintan (1975: 12).

¹⁸ See the *VBEF Federal Newsletter* (22 September, 27 October, and 3 November 1982, 15 March and 30 August 1983 and 8 August 1984) for evidence of the VBEF's strategy in the early 1980s.

¹⁹ Full details of this incident are reported in Bramble (1993: 133-36).

²⁰ For a description of the campaign to keep the Woodville plant open, see reports in *Tribune* (13 April 1983), *Metal Worker* (June 1983), *The Age* (10 and 15 March, and 13 July 1983), *Adelaide Advertiser* (28 May 1983), and *Australian Financial Review* (13 July 1983). For reports on the strike by tradespersons at Fisherman's Bend, see Arbitration Commission reports *C No. 1440 of 1984* and *C No. 1469 of 1984*, of 19 and 24 September 1984 respectively.

would have threatened the political alliance with the employers that the union had constructed around tariffs and industry assistance, and opened up the possibility of VBEF members getting "out of hand" as they had done on several occasions in the late 1970s and early 1980s.

The pattern continued in the early 1990s. From 1984 onwards, VBEF support for the tariff-cutting Button Industry Plan meant that the union's strategy changed from encouraging import substitution to supporting increased international integration of the Australian industry. However, both the promotion of tariffs in the 1970s and the advocacy of an export orientation in the 1980s were premised on collaboration with the companies to improve corporate profitability and a consequent reluctance to challenge management priorities, even if this should be at the expense of members' interests.

This was shown in the crisis of 1990-92 when employment in the industry as a whole fell by one quarter. The union argued strongly (and successfully) against the initial recommendations of the Industry Commission report on the industry, which advocated the reduction of tariffs from 35 per cent in 1992 to 15 per cent by 1996, with a view to their complete elimination by 2000. Another rally was held in Geelong in January 1991, attended by five thousand car workers, protesting against the IC recommendations. The union again portrayed its struggle to "save the industry" as one in which Ford was an important ally, as part of its attempt to construct a broad union-employer alliance dedicated to lobbying the Federal Government. Once again the union took no industrial action designed to force the employers to bear the cost of the industry downturn, leaving the companies free to sack workers without opposition.

Whether looking to tariffs or to interventionist industry policy, the union accepted what were essentially capitalist criteria for "saving the industry". Once industry modernisation and rationalisation were accepted as important union goals by VBEF leaders, they lost any ability to chart a course for union members that in any way threatened the interests of the companies.

This phenomenon is not, of course, limited to the motor vehicle industry. A similar perspective lies behind the claim in 1991 by the

Secretary of the NSW Labor Council that union support for industry restructuring had enabled employers to cut staff on the waterfront and in the maritime industry and had facilitated privatisation of Qantas/Australian Airlines. His only objection was not that such measures had ruined the working lives of many, but that the pace of change had been too slow (Easson, 1991: 138-39).

The situation at BHP Steel provides a further example of the problems of union co-operation with industry restructuring. In the 1980s this company received millions of dollars in grants and subsidies from the Federal Government to aid the process of restructuring. By business criteria the Steel Industry Plan was a success: annual production of raw steel per employee increased from less than 200 tonnes to nearly 500 tonnes in the period from 1983 to 1992. The benefits of such a turnaround were not, however, shared evenly: the company regularly reported profits of around \$1 billion, while employment at its steel mills was cut by more than 40 per cent (Bowen, 1993).

The significance of these data is that they suggest that collaboration between workers and employers, which lies at the heart of the entire strategy of industry assistance, delivers nothing to labour. Far from bringing about a strategic compromise capable of advancing the interests both of capital and labour, industry assistance has benefited only the former. While sections of capital benefit unequally from the redistribution of surplus value arising out of different variants of industry policy, with some sections losing out, living conditions for the working class depend on its preparedness to fight for its own independent interests, regardless of the industry policy implemented by the dominant section of the capitalist class.

Can Union Intervention Generate Positive Outcomes in Industry Restructuring?

Many supporters of industry assistance acknowledge that its recipients might use it in ways detrimental to the interests of labour. The solution, they argue, is for trade union involvement in the key decisions in how the funds are spent and the benefits distributed. Whereas this might

seem preferable to allowing company directors to spend the funds simply on larger fees for themselves, the proposal suffers from several problems.

First, there is the practical problem: *how* will companies be compelled to consider union input when making major strategic decisions regarding the future of the company? Unless union intervention is a legislative prerequisite to continued financial assistance, it is unlikely that employers will accede to such intervention. The minimal degree of consultation with trade unions over major structural changes common in Australian industry (revealed by the 1990-91 Australian Workplace Industrial Relations survey) is testimony to this fact (Callus *et al*, 1991: 134-35).

To the extent that companies *do* volunteer, or are forced, to involve trade unions in key decisions, ownership patterns in Australian industry mean that such involvement does not take place in the highest relevant decision-making body. In the vehicle industry, for example, the VBEF leadership was excluded from the real centres of power, which were the company boards of directors in Melbourne and Adelaide and, ultimately, Detroit and Tokyo. In this key respect, the union-management discussions over company restructuring that did occur at GMH were a charade. They may have satisfied the desire for the appearance of consultation by the union leaders involved, but they did nothing to give members a voice in how the companies were run, nor in deciding who bore the brunt of company reorganisation.

The political context of industry restructuring in Australia in the 1980s and 1990s is such that, even if unions gained access to the most significant corporate decision-making bodies, it is unlikely that governments would make financial assistance to industry contingent on particular employment targets. The situation at large public-sector employers such as Telecom and Australia Post indicates that the Federal Government is as keen as the private sector to maintain the pace of downsizing.

The reality of trade union intervention in internal decision-making of companies is that union input, and government support for such input, is still predicated on capitalist priorities holding sway. This was apparent

in the experience of nationalised industry in Britain in the post-war decades, where the coal, rail and steel industries all reduced employment quite dramatically, even before the advent of the Thatcher Government. Still more is it the case when the interests of labour are represented only by a few union representatives on a consultative committee. Even in the German coal industry, in which workers have parity representation on the supervisory boards overseeing the industry's operations, the workers' representatives were incapable of preventing the large-scale rationalisation of the industry in the early 1990s.²¹

As a consequence of the continuing overwhelming power balance in favour of capital's interests, as opposed to those of labour, trade union representatives either have to quit joint committees, rather than legitimise union involvement in cost-cutting plans, or, more damaging, develop sympathy for the priorities of senior management. The most recent example of the latter phenomenon was the case of Franz Steinkuehler, national president of Germany's largest union *IG Metall* and the union's representative on the Board of Daimler-Benz, who was forced to resign all union positions in 1993 because of his involvement in insider-trading activities. In such cases, the plight of workers is exacerbated, not assisted.²²

Divided We Fall?

The final problem with the interventionist industry policy advocated by some Left academics is that, to the extent that it leads the labour movement to seek good relations with employers, so it undercuts the ability of workers in the industries affected to form alliances with other Australian workers, and even more so with those overseas. Support for industry assistance is based on the idea that Australian workers can

benefit by collaborating with their employers to save their industry. However, the pursuit of greater competitiveness embodied by such a strategy simply exacerbates the degree to which workers in other companies or other countries are compelled to do the same, whether in an import-substitutionist or export-oriented section of industry, as employers set workers against each other in an effort to lift profit margins. Collaboration in one company or country therefore encourages collaboration elsewhere, to the detriment of workers' interests around the world.

As a direct consequence, support for one's "own" employers encourages sectional divisions within the labour movement. For example, the demand raised by car workers in Geelong in 1991 for "Geelong jobs" to be "put first" implies that the jobs of workers elsewhere (whether in Melbourne, Michigan or Munich) be put second, third or last in the list of working-class priorities.

In Australia, support for local industry has traditionally also been tainted by the twin brother of Australian nationalism, anti-Asian racism. In the first half of this century, supporters of protectionism traditionally argued the need to develop local industry to help forestall what they regarded as "the threat from the North". In more recent times, high tariffs have been promoted in the labour movement as being necessary to keep out imports from countries where workers are forced to work for starvation wages. Very little practical assistance has been given to assisting such workers to organise their own independent unions. In the case of Indonesia, ACTU policy has actually been to hinder such a development. The idea that Australia would be overwhelmed by Asia in a "free-trade" competition recurs time and again. In 1981, discussing IAC proposals to lower tariffs in the car industry, the NSW secretary of the VBEF told members that:

We would lose many thousands of jobs and skills - they would all go to Asia. Australia would be left with the unskilled and semi-skilled jobs. We would end up with the reverse of the situation we had 50 years ago - Australians would be the coolies and the Asians would be the technocrats (*The Battler*, 23 January 1982).

²¹ See the London *Financial Times*, 28 October 1992 and 22 December 1993 for comment on the plight of workers in the German coal industry.

²² The most authoritative article on this incident is in German: *Der Spiegel*, 31 May 1993, p.36 ff. This article also reports in detail the rising tension within the union between rank and file mineworkers and their leadership on strategies to combat redundancies.

The tendency for supporters of protectionism to lapse into comments with explicit or implicit racist sentiments, particularly as regards immigration policy, is a consistent theme in the debate. Blocking imports, whether they be of overseas workers or overseas goods, is a traditional protectionist response to the appearance of crisis and unemployment in Australia. In 1992, the president of the ACTU, Martin Ferguson, called for tariff levels to be maintained, for immigration to be cut, and for migrants to have their English-language skills vetted. All three approaches reflect the underlying philosophy of protecting and developing "our" economy and avoiding anything that might be a burden on it. All open the way for divisive scapegoating that blames migrants (especially non-English-speaking migrants) for the present high rates of unemployment.

Conclusions

The promotion of tariffs or other forms of industry assistance by the Australian labour movement has historically locked it firmly into support for the priorities of Australian industry. By the same measure, it has encouraged union members to engage in competition with workers at home and abroad. The major victims of this strategy have been all workers, and interventionist industry policies simply perpetuate the competitive treadmill to which workers around the world are presently condemned.

The debate between advocates of free-trade, protection and interventionist industry policy is essentially about the distribution of spoils at the high table of capitalism. Left-wing versions of industry policy do not escape this logic, despite best intentions. All participants in the debate are concerned to raise industrial efficiency, profits and exports. Consequently, despite the heated debate that occurs, more unites the main protagonists than divides them on the key issues.

The political dangers in this situation were clearly shown in the concluding chapter of *Shutdown*, a volume of articles by writers supporting various forms of interventionist industry policy. After calling for "harsh and sustained government action" and greater use of

common-law actions against union "vandals" (by which the author meant the Victorian public-transport unions) one of the book's editors, John Carroll, argued that:

There is a new spirit of co-operation breaking through traditional left-right, city-rural, employer-employee divides, a sense that we are all in this together, and that the gravity of the situation makes old hostilities seem petty (Carroll, 1992: 192).

By continuing to promote the interests of one section of capital against another, left-wing supporters of interventionist industry policy create the circumstances in which virulent anti-unionists, such as Carroll, can claim that his agenda is supported by his liberal or left-wing intellectual collaborators, such as Hugh Stretton, Evan Jones and Michael Pusey.

There is an alternative approach to the strategy to save jobs in core Australian industries, and this starts from the basic premise outlined by Mick Considine, an early Australian Marxist and, briefly, member of the Commonwealth Parliament, as far back as 1921. Considine argued that:

The interests of the workers are not, and can never be, identical to those of employers. I say to Free Traders and Protectionists alike: "A plague on both your houses". The working class are not interested in perpetuating the economic system of either of you, but in putting an end to both as speedily as possible.²³

The alternative has two components. First there is the simple and practical step of advocating and building militant workplace trade unionism prepared to fight for jobs rather than to accommodate to redundancies. The importance of fighting, rather than acquiescing, can be illustrated by comments made by the Automotive Industry Authority (AIA), the body charged by the Government with supervising rationalisation and redundancies in the car industry. In the Authority's annual review for 1991, it reported that this:

23 *Commonwealth Parliamentary Debates*, 1921, vol.XCV, p.7886.

... was a year in which unions, workers and company management worked more closely together in a spirit of co-operation and understanding of the issues now confronting the industry. *It was this collaboration between the parties that enabled the retrenchments that occurred throughout 1990 and 1991 to be handled with minimal levels of disruption* (AIA, 1992: 76) (emphasis added).

This statement suggests that union co-operation in this industry in the early 1990s may have actually *increased* the preparedness of employers to carry out mass redundancies. Resistance by workers would have raised the costs of doing so and might have made the employers more hesitant to engage in such a policy.

In the long-term, however, vehicle industry employers would have been driven onwards by the dictates of competitive accumulation and this would have compelled them to try to close down sections of the industry to restore their profit margins. Hence the second element of the alternative strategy, one based on "putting an end ... as speedily as possible" to the present economic system that is based on anarchic competition and crises of over-production. The two elements of this alternative are not separate. To the extent that workers in the car industry and elsewhere are prepared to fight the ACTU, government and employer agenda of industry restructuring and workplace reform, so this raises the potential to forge the basis of a socialist alternative in which employment is determined by human need, not by the demands of profits for the few.

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