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- BEYOND GROWTH DEBATES
- CHILDCARE WAGES
- WATER MARKETISATION
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BEYOND GREEN GROWTH, DEGROWTH, POST-GROWTH AND GROWTH AGNOSTICISM

Tim Thornton

Whether economic growth is compatible with environmental sustainability has been a point of debate for at least 50 years. This article tries to move the debate forward by two means. First, it argues that debate is often hamstrung by lack of conceptual and terminological precision; and that clearer use of language can illuminate areas of agreement and difference and highlight the existence of middle ground positions. Second, it shows that it is mistaken to assert – or to use language that can be reasonably understood to assert – that the broad categories of positive and negative economic growth have any fixed relationship with environmental sustainability.

Even *specific* rates of positive or negative economic growth do not have a fixed environmental impact. This is because the environmental impact of economic growth depends on factors that vary with context and are subject to ongoing change in any context. These factors include: (1) *what* goods and services are being produced; (2) *how* those goods and services are being produced; (3) the strength and effectiveness of any environmental protections that are in place; and, more broadly, (4) the social and technological facts on the ground in any given place and time. The *specific rate* of growth (rather than the more general characteristic of whether economic growth is either positive or negative) is the fifth analytically useful variable; but the environmental implications of specific rates of negative or positive economic growth are heavily dependent on the form taken by variables (1) - (4) above. In other words, while the rate of growth is always relevant, it is *never* determinative.

Thornton, T. (2025)
‘Beyond Green Growth, Degrowth, Post-Growth and Growth Agnosticism’
Journal of Australian Political Economy
No. 94, pp. 5-30.

This position is best summarised as a *contingent* ('it depends') approach to understanding the relationship between economic growth and the environment. Making the case for this contingent approach, this article begins by discussing key terms. It then outlines six different positions on the relationship between economic growth and environment, showing what is at issue in debates around green growth, degrowth, post-growth and growth agnosticism. This is followed by consideration of the five variables that shape the contingent relationship between economic growth and the environment. Finally, the article makes the case for greater unity in pushing for policies that directly address the causes of environmental stress, rather than remaining divided and distracted by analyses that focus on the rate of economic growth in an overly narrow or rigid manner.

Terminological and conceptual problems

Because much of the literature on economic growth and the environment uses terms in ways that cause ongoing misunderstanding, a necessary first step is to clarify the key concepts, starting with terms that have established meanings before turning to more problematic cases.

Economic growth

Economic growth is the obvious lynch-pin concept. As a marker of social progress, it is a shallow and facile metric full of well-known limitations. Nonetheless, it does at least have the virtue of possessing a precise, stable and widely agreed definition: the increase in the monetary value of final goods and services produced and sold in a geographic area (usually a country) in a given period (usually one year). It can be measured in 'nominal' terms or 'real' (inflation-adjusted) terms, with real GDP being the variation that is of interest to us here. Because economic growth is synonymous with an *increase*[1] in gross domestic product (GDP), the two terms can be used interchangeably.

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[1] GDP is a *stock* variable and, as such, measures the accumulated *size* of the economy. For example, in 2023, Australia's GDP was US$1,742 billion. By contrast, an *increase* in economic growth (GDP) is a *flow* variable that varies change over a given period time. For example, in 2023, the Australian economy grew by 1.5% (US 17 billion), a figure obviously very much smaller that GDP itself.

It is important to recognise that GDP is an aggregate of distinct components. When measured in terms of expenditures, it is the sum of consumption, investment, government expenditure and net exports (exports minus imports). Crucially, a fall in one of these components can potentially be more than compensated for by a rise in another. For example, a fall in the amount of final goods and services purchased by consumers may be more than counterbalanced by increases in government spending on things such as public transport, business investment in renewable energy, or environmental restoration work, perhaps conducted under the auspices of a 'green new deal' policy package. Such expenditures could result in GDP increasing even amidst falling consumption. The classic example of this was the USSR where, at least for a time, recording-breaking rates of economic growth were powered by high levels of state investment, accompanied by a meagre provision of consumption goods and services for ordinary citizens (Krugman 1994).

Change in GDP is measured in numerical terms, either as percentage change or monetary change. It may be positive, negative or zero, with positive and negative change occurring at different magnitudes. Any rate of GDP above zero is positive economic growth and any contraction of GDP below zero is negative economic growth. These things may seem too obvious to state, yet it is necessary to do as it is often unclear in the literature when authors are referring to positive or negative growth. Furthermore, what differentiates low from high growth may not be clearly stipulated (see, for example, Slameršak *et al.* 2024). This lack of precision and/or consistency in the literature matters a lot because economic growth is a compounding process: over time, small differences in the rate of growth can produce dramatically different outcomes.

The latter point is illustrated in Table 1, which shows the number of years it takes for GDP to double at different rates of positive growth and to halve at different rates of negative growth. Notice that the doubling times decrease *markedly* with increases in the rate of economic growth, with the most dramatic difference in doubling occurring between 0.25% (277 years) and 0.5% a year (139 years). The cumulative impacts of low and higher growth rates lead to major divergencies: for example, an economy growing at 1% a year will double in size every 70 years, whilst an economy growing at 5% a year will double in size every 14 years.

Table 1: Years to double or halve GDP at annual GDP growth rates[2]

Positive Rate (%)	Years to Double GDP	Negative Rate (%)	Years to Halve GDP
0.25	277	-0.25	277
0.5	139	-0.5	139
1	70	-1	69
2	35	-2	35
3	23	-3	23
4	17	-4	17
5	14	-5	14
6	12	-6	12
7	10	-7	10
8	9	-8	9
9	8	-9	8
10	7	-10	7

If we temporarily employ a *ceteris paribus*[3] assumption, a positive economic growth rate of 1% or less looks hard to criticise for being obviously environmentally unsustainable. It is similarly hard – under *ceteris paribus* assumptions – to defend growth rates of 5% and above as likely to be environmentally sustainable. Note also that the strong

[2] Calculations utilised the 'Rule of 69.3' with results rounded to the nearest year.

[3] *Ceteris paribus* means 'keeping all other relevant variables constant' namely: the exact types of goods and services being produced; *ho*w those goods and services are being produced; the strength and effectiveness of environmental protections in place; and, more broadly, the social and technological facts on the ground in any given place and time. This article later explains the importance of these variables in shaping the environmental impact of growth, but they are 'frozen' here in order to analyse growth rates in isolation.

differences between different rates of positive economic growth mean that any *blanket* condemnation (or defence) of economic growth's environmental implications makes for a position that is astonishingly lacking in nuance. Using terminology such as degrowth or green growth can easily be understood as making such blanket claims – whether that is the intention or not. Therefore, such terms – if they are to be used at all – need always to be defined fully and clearly.

The impact of negative economic growth on material living standards also needs consideration. A significant period (usually three months or more) of negative economic growth is, by common understanding, a recession. If continued for a period of some years, it may be classified as a depression. Negative GDP also means a reduction in average real income.

There are few, if any, ifs and buts about any of this when seen from the perspective of a national statistical organisation, especially if the population size is stable. While it is possible that redistribution of incomes and/or a more equal distribution of whatever employment exists could enable the median income to rise in a recession; that would require significant institutional change beyond what is in immediate prospect. For this reason, spruiking negative GDP as non-recessionary, particularly in any short-term context, is problematic. Note also that claiming, or at least appearing to claim, that lower (rather than negative) rates of growth are recessionary (*e.g.* Slameršak et al. 2024) is also mistaken, as *any* positive rate of growth, however modest, avoids recession.

It might be argued that it is unreasonable to tie negative GDP together with terms like 'recession', 'depression', and 'declining real incomes' that have downbeat connotations, because negative GDP might also be consistent with beneficial environmental and/or social progress – at least in some circumstances. These are matters to explore and assess, but not by means that involve problematic reinventions of long-established and accepted concepts. Otherwise, there is a danger of undermining the foundations for reasoned analysis, discussion and debate. It can become very difficult to understand what claims are being made and whether they have logical, internal coherence.

Throughput

Following its development and application by Herman Daly in the 1960s, throughput is a key concept in ecological economics. It may be defined in

various ways. The definition adopted here treats it as the extraction of materials from the environment and the waste subsequently put back into the environment. Energy use may be automatically included via its material impact on extraction and waste generation or treated as a distinct add-on as in 'material and energy throughput'.

Throughput is thereby understood to be the key marker of increased environmental impact and thus antithetical to environmental sustainability, which is a situation where biodiversity and overall ecological balance are maintained.

Relative and absolute decoupling

Relative decoupling occurs where each unit of economic growth (say, each percentage increase) causes ever decreasing (but still positive) rates of environmental damage.

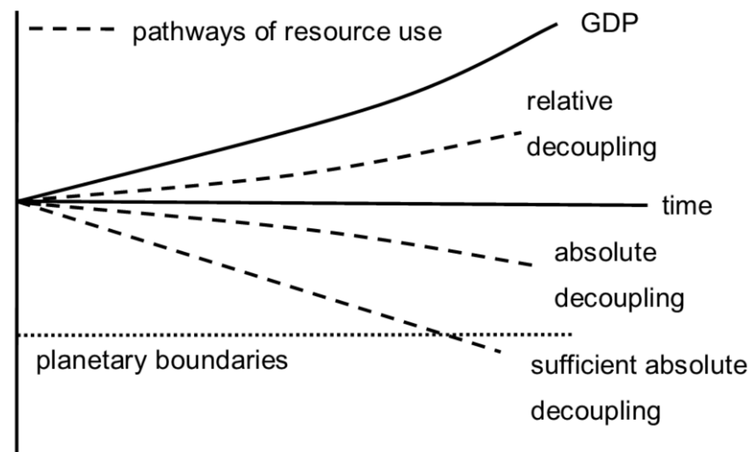
Absolute decoupling occurs when there is economic growth without any increase in environmental damage.

Sufficient absolute decoupling occurs when GDP operates within planetary boundaries.

Figure 1 below illustrates these three types of decoupling. If sufficient absolute decoupling cannot be achieved, as a matter of logic, economic growth itself must be reduced to zero, or below zero, to achieve environmental sustainability. Not surprisingly therefore, the question of whether and when sufficient absolute decoupling can be achieved is a hot debate in the literature.

There is evidence that absolute decoupling of carbon emissions has been achieved in 23 countries (Hubacek *et al.* 2021), although, of course, *global* emissions are still much higher than they should be. It must also be emphasised that reducing carbon emissions is only one facet of achieving environmental sustainability; and that absolute decoupling and *sufficient* absolute decoupling are two different matters.

Figure 1: Decoupling Scenarios



Source: Adapted from Raworth (2017).

Six positions on economic growth and environment

Rather than there being a simple dualism of being for and against economic growth on environmental grounds, at least six positions can be identified in the literature, including the preferred position put forward later in this article. These positions are listed in Column A of Table 2. Others *could* be developed, but these are the readily identifiable existing positions.

Whilst the positions shown in Column A are distinct and mutually exclusive, this is not the case with Column B which lists the terms commonly used to describe each position. For example, 'post-growth' appears in two separate rows, as does 'degrowth'. An open-ended, vague or shifting use of terminology like this runs the risk of creating confusion in people's minds, as well as being a sure-fire recipe for ongoing misunderstandings between people. Moreover, if one term describes multiple positions, it inevitably generates complaints of misrepresentation when it is used only in relation to one of those positions. These problems have become so pervasive and intense in the literature that there is a danger that some terminology has become irreparably damaged.

Table 2: Six positions on economic growth and the environment

Column A: Position in Relation to Economic Growth and Environment	Column B: Terms Used to Describe the Position
1. Ongoing economic growth is compatible with environmental sustainability	Green growth
2. Active contraction of economic growth to zero or below zero is required	Degrowth; Post-growth
3. A long-term rate of economic growth that mildly oscillates around zero is required	Steady-state economy
4. The future relationship between economic growth and environmental sustainability is currently unknowable	Growth agnosticism
5. There is no clear and consistent position, or such a position cannot be discerned	Post-growth; Degrowth; Alternative economic futures
6. The relationship between economic growth and environment always depends on what goods and services are being produced, how those goods and services are being produced, the strength and effectiveness of environmental protections, the social and technological facts on the ground, and the *specific rate* of growth	Growth contingent ('it depends')

Attempting clarification of these positions and their relationships to each other is the next necessary step.

Position 1: Ongoing economic growth is compatible with environmental sustainability

This is the most straightforward position and goes by the widely used term of *green growth*. Its proponents often posit a 'green new deal' as a necessary requirement, though that term may also refer to a package of pro-environmental and social policies that is not necessarily linked to green growth.

There is considerable internal diversity within the 'green growth' position, with unity resting on a common belief in the viability and desirability of some ongoing economic growth and an explicit rejection of zero or negative rates of growth. According to Robert Pollin, for example:

> The fact of the matter is, degrowth is not a solution, just in terms of simple mathematics. Right now, the globe generates about 33 billion tons of CO2 emissions. Let's say we cut global GDP by 10 percent, which would be a bigger depression than the 1930s. What happens? We cut emissions by 10 percent, from 33 billion tons to 30 billion tons. It's no solution at all (Pollin *et al.* 2020: 4),

On the right flank of green growth advocacy are the ecological modernists, such as those people associated with the US-based Breakthrough Institute. They place nearly all their bets on technological progress, favouring market solutions and the private sector with only a limited role for the state (for more information and critique, see Baer and Singer 2023). More nuanced and politically middling positions are taken by Daily *et al.* (2019); UNEP (2011), and UNIDO (2015). Further along the spectrum are the social democrats and democratic socialists, such as Noam Chomsky and Robert Pollin with their *Global Green New Deal* (2020); although Chomsky's support for a pro-economic growth policy package 'in the here and now' needs to be distinguished from his general position on economic growth which we will later see is contingent. Also on the left are some, but certainly not all, eco-socialists who advocate a socialist system of some form while strongly favouring green growth over degrowth (see, for example, Huber 2019).

A significant issue within this broad green growth position is whether, and to what extent, economic growth is seen as *bounded.* Green growth proponents are not always clear about what (if any) upper bounds on growth are necessary. This is a substantial problem, given the earlier point that even small differences in annual growth rates can matter a lot. Do green growth advocates usually believe that a faster rate of economic growth is *always* better than a slower rate of growth? Do they think that economic growth can or should continue *indefinitely*? It may be that some (perhaps even most) green growth proponents *do* think that there needs to be some upper bounds on the rate and duration of economic growth; but, because such bounds are seldom explicitly specified, there is scope for critics to characterise green growth as being unlimited growth – and then to say that this is an impossible or insane position because the planet's resources are finite. If there is a spectrum of positions among green growth

proponents on this question of 'boundedness' it suggests the need for developing new categories for clearer demarcation. That could improve mutual understanding and create clearer lines of analysis and critique. It may also uncover higher levels of agreement than are usually assumed to exist.

Position 2: Active contraction of economic growth to zero or below zero is required to achieve environmental sustainability

Advocates of this second position contend that GDP must decline (rather than just stop growing). It is most associated with the term *degrowth*, as is apparent in the previous quote from Pollin and in statements by prominent self-identified degrowth proponents. Ted Trainer, for example, says: "The limits to growth literature has long since made it clear that the extent to which we have exceeded the limits means that enormous reductions in GDP must be made if sustainability is to be achieved' (Trainer 2021: 2). That the term degrowth has been used and understood in this way is unsurprising, given that the prefix 'de' is usually understood to denote the reversal of something rather than just its moderation – think of defibrillate, defang or deduct, for example. Therefore, degrowth's connection with the active reversal of economic growth, rather than its moderation, has a strongly intuitive basis.

Post-growth is a term also used sometimes to describe Position 2, or at least could reasonably be assumed to be describing Position 2. For example, Hickel *et al.* (2021: 767) state that 'post-growth scholarship calls for high-income nations to shift away from pursuing GDP growth'. Again, deploying the term post-growth to describe this position is unsurprising, given that the use of 'post' is usually understood to refer to what has occurred *after* something else: for example, post-Keynesianism coming after Keynes. 'Post' may also signify that something is a *reaction against* something else. For example, 'post-modernism' is not just something that occurred after modernism but was also a reaction against it.

Because the terminology of both degrowth and post-growth is also associated with other positions, as shown in Column B of Table 2, there is a case for terminological reform to stem the continuing torrent of unnecessary confusion, misunderstanding and bewilderment, particularly for anybody coming anew to this literature. Inadvertently, a terminological quagmire has been created. Restricting either degrowth or postgrowth to

only Position 2 would be an improvement, but it could be better still to create some third term. If the choice is restricted to only post-growth or degrowth, however, then post-growth would seem the better option. Whilst degrowth may have the edge in terms of being the more intuitive match for a position advocating negative or zero growth, it is a poor descriptor for mobilising people to achieve progressive change. As Drews and Antal (2016: 192) argue, degrowth, linguistically speaking, 'is a missile term that backfires'. However, for post-growth to become the singular substitute for degrowth, the multiplicity of its own meanings would have to be reined in.

If an alternative term is to be used, it would need to be capable of delineating sub-categories regarding: (a) a requirement for zero growth; (b) a requirement for negative growth; or (c) a requirement for either zero *or* negative growth. Furthermore, just as green growth proponents need to be clearer about any *upper* bounds to positive economic growth, degrowth and post-growth proponents need to be clear about any *lower* bounds in relation to negative economic growth.[4] Complying with these definitional requirements should not be difficult. Even in the absence of satisfactory and agreed terminology, one's position regarding issues (a), (b) and (c) can be readily staked out in a sentence or two.

Position 3: A long-term rate of growth that oscillates (weakly) around zero is required

The position is singularly associated with the term *steady state economy.* This is an economy that does not exceed ecological limits, has a stabilized population, and a stable level of *per capita* consumption. Birth rates equal death rates, investment in productive capacity is just sufficient to deal with depreciation, and waste is minimised to allow substantial levels of production and consumption to continue. The steady state can be reached via a period of either positive or negative economic growth but, once reached, economic growth neither expands nor contracts, tending instead to fluctuate around zero (CASSE 2024). Notions of some type of steady state have a long and evolving presence within the history of economic thought, but it is the books and articles by the ecological economist Herman Daly (see Daly 2015) that principally established the basis for

[4] This is especially so because, as Table 1 shows, small difference in the rate of negative growth also make a big difference over time to the size of GDP.

modern steady state advocacy within ecological economics. Notably, this is only one of the two terms in Column B of Table 2 that does not have the word 'growth' baked into it in some way or another. Nonetheless, growth is certainly a key concern, with definitions of the steady state almost invariably assuming a long-term average growth rate of zero.

Position 4: The future relationship between economic growth and environmental sustainability is currently unclear

This position is associated with the ecological economist Kate Raworth, who argues that: 'if we reorient ourselves to the economic destination that we do want – an economy that is regenerative and distributive by design – then new questions about growth come to the fore. What might happen to GDP as we transition towards that destination? And what is GDP likely to do once we get there? It is not possible to predict definitively one way or the other whether GDP will go up or down in high-income countries as they create regenerative and distributive economies that engage the household, market, commons and state alike' (Raworth 2017: 89). Raworth uses the term 'growth agnosticism' as the descriptor for this position, which is obviously very apt.

Position 5: There is no clear and consistent position, or it cannot be obviously discerned

Within the literature there are positions where, for one reason or another, a clear position on economic growth and the environment is elusive. Three examples of this syndrome will now be examined.

Slamersak *et al.* (2024) put forward a distinction between 'low growth' scenarios and 'post-growth' scenarios, with the latter characterized by 'interventions intended to improve mitigation capacity, equity, and social outcomes'. Economies are classified as low-growth or post-growth according to whether they meet thresholds for improved mitigation capacity, equity, and social outcome rather than on their rate of GDP. No numerical *ranges* are specified to demarcate low from high growth, nor is mention made of a seemingly necessary middle-ground category of moderate growth, although modelling assuming +0.9% annual economic growth is classified as low and modelling assuming +1.8% annual economic growth is classified as high. Low growth may also be understood

to encompass negative growth because it is stated that low growth is linked to recessions and recessions, by definition, entail negative growth. Furthermore, because there are no stated threshold values for improved mitigation capacity, equity, and social outcomes, determining whether an economy growing at 0.9% is be classified post-growth or low-growth is not currently operationally possible – and it would be a challenge for it to ever be so.

Note also that a 'post-growth' rate of +0.9% annually, though low, is still a *positive* growth rate. This post-growth embrace of low economic growth is notable in three respects. First, it makes post-growth as a descriptor look somewhere between non-intuitive and misleading. Second, by accepting low but positive rates of economic growth, this conception of post-growth has an *overlapping* rather than fully oppositional stance in relation to green growth. Third, many countries today have annual growth rates of around 1% but can make little if any claim to be more environmentally sustainable than countries with higher growth rates. This third point provides support for the growth contingent position outlined in the second half of this paper.

A second example of where the growth-environment position is specified problematically comes via a recent assertion from Jason Hickel that degrowth refers to the reduction in material throughput, not GDP:

> When people say 'growth' they normally mean growth in GDP, so one might reasonably assume that degrowth is likewise focused on reducing GDP. Proponents of degrowth are therefore condemned to perpetually clarify that degrowth is not about reducing GDP, but rather about reducing material and energy throughput (Hickel 2021: 2).

Defining degrowth in this manner deftly insulates it from critiques of any position that advocates the reduction of GDP. However, this definition of degrowth is operationally absent in the literature, including Hickel's own work which has a recurrent focus on critiquing green growth. Indeed, immediately following the degrowth definition just quoted comes the author's insistence that a particular position regarding GDP must *also* be accepted. He says: 'Of course, it is important to accept that reducing throughput is likely to lead to a reduction in the rate of GDP growth, or even a decline in GDP itself' (Hickel 2021:2). So, a definite stance in relation to GDP is evident, despite claims to the contrary. Notably, this definition of degrowth is also disputed by other prominent degrowth advocates (see, for example, Trainer 2021); and the degrowth literature in general shows a deep preoccupation with, and critique of economic growth

that goes all the way back the term's origins in the 1970s. While there is strong focus on the reduction of material throughput, this is always tightly linked with a need to reduce GDP or at the very least, move to notably low rates of GDP growth. Combined with degrowth's inherent suggestion of being anti economic growth, these features likely explain Hickel's complaint about being 'condemned to perpetually clarify that degrowth is not about reducing GDP'. This author has many important and useful things to say, including on the sorts of policy measures and reforms the world needs to make but, unfortunately, this definition of degrowth adds to the terminological (and thus analytical) quicksand that afflicts the literature.

The final example of a position on growth and environment that is resistant to any obvious categorisation is provided by the ecological economist Peter Victor. The title of his book *Managing without Growth* (2019) initially suggests alignment with Position 2, as does his statement: "I think we will find that, by the traditional measure, growth can't continue if total material and energy flows are going down'. In general, Victor has done extensive work exploring what non-growing economies might look like and how we might transition towards them. However, Victor also argues that 'the real area we need degrowth is in material and energy flows and land use. What the economy is capable of doing within those constraints remains uncertain' (Victor, in Chang n.d.), a statement entirely consistent with Raworth's 'growth agnosticism' (Position 4). Victor has also explored *both* 'green' (environmentally benign) and 'brown' (environmentally damaging) growth (Victor 2019: 206-7). Such intellectual openness is to be applauded – even though it is somewhat surprising to find in a book called *Managing without Growth: Slower by Design Not Disaster*. Victor personally prefers the term 'alternative economic futures' to degrowth (Victor, in Thornton 2018), which has several advantages over terms like degrowth or post-growth, including that it avoids sending any particular signals, whether intended or unintended, in relation to economic growth. This seems appropriate. given the regularly open and *exploratory* orientation of Victor's approach.

Interim conclusions

This survey of the terminology and positions on the relationship between economic growth and the environment shows strong grounds for seeking

greater precision, consistency and clarity. This is not just the responsibility of authors, but also of editors and referees – who have either not recognised the definitional and terminological problems or not realised their seriousness. It would benefit *all* parties if readers could follow the many *good* strands of analysis without becoming bewildered while trying to understand the various positions and how they do and don't relate to each other.

Greater clarity about *causation* in the economic growth-environment relationship seems particularly desirable. Specifically, is economic growth the central cause of environmental problems and, if so, is reversing or moderating the rate of economic growth the *means* to achieve environmental sustainability? Regular statements from degrowth advocates such as the earlier quotation from Ted Trainer seemingly suggest this *is* the causation process that they posit. Their heavy, sometimes exclusive fixation on critiquing positive GDP in a way that has little, if any nuance or qualification lends further support to this hypothesis. Also, critics of degrowth regularly assume that degrowth advocates *are* positing this causation – as is evident in the earlier quotation from Robert Pollin. However, degrowth and post-growth proponents also call for a wide range of ambitious pro-environmental policies. This suggests that degrowth advocates regard zero or negative economic growth as being the *outcome* of effective pro-environmental policies. In other words, a reduction in GDP is not the *cause* but the *consequence* of achieving environmental sustainability. Which of these two analytical positions do degrowth and post-growth advocates subscribe to? Perhaps the answer to this question is that they unknowingly alternate between the two positions without realising the analytical problems this creates?

Eliciting greater clarity about causation may have a profound effect on the growth-environment debate. Why? Because there appears to be a broad consensus on what sorts of environmental policies are needed. For example, shifting rapidly to renewable energy and investing in public transport and energy efficiency are matters on which there is clear agreement (Dale 2019). Could it therefore be that we're in the somewhat absurd situation where *disagreement is primarily about the consequences of agreed upon actions*? If so, an acknowledgement of such a reality should take much of the heat – and some of the significance – from the debate, thereby freeing more energy for trying to achieve an agreed policy agenda. This seems entirely in keeping with Stratford's (2020) persuasive plea for unity, and Raworth's (2017) call to 'worry less about growth'.

Taking a contingent stance on growth and the environment

The remainder of this article provides a fuller rationale for the contingent approach to economic growth listed as Position 6 in Table 2. This is the position that the environmental impact of economic growth depends on a specific range of factors, all of which vary with context and are subject to change in any context. The five principal factors are *what* goods and services are being produced, *how* those goods and services are being produced, the strength and effectiveness of environmental protections, and more broadly, the social and technological facts on the ground in any given place and time. The specific *rate* of economic growth (*i.e.* whether it is minus 2% or positive 3%, for example) is the fifth and final variable. However, it is to be emphasised that the environmental impact of any specific rate of economic growth is always going to depend *heavily* on the other four variables that have just been listed. Given this, *it is a major analytical error to conduct arguments about rates of growth without close reference to these other four variables.*

The word 'contingent' in the descriptor of this position is intended to signify that 'it depends', rather than the interpretation of contingency as 'subject to chance'. The contingent position treats the environmental impacts of economic activities as dependent on variables that can be analysed in a way that can yield some understanding and some degree of predictability. This makes growth contingency different to the growth agnosticism discussed earlier: saying that 'it depends' is quite different to saying 'it is not possible to know'. Indeed, if we know the details of the relevant key variables in any specific place and time, we will know a lot about the economy-environment relationship in that context. So, let's look now at those key variables more carefully.

Variable 1: What types of goods and services are being produced?

An increase in GDP tells us nothing about *what* goods and services are being produced. It could result from more solar panels being produced or from more mining and burning of coal or oil. To predict the environmental impact of any increase in GDP, we need to know which goods or services there are more of and which there may be less of. In other words, rather

than the question being ‘growth or not?’ It is ‘growth of what?’ As Chomsky (in Chomsky and Pollin 2020: 87) notes:

> A shift to sustainable energy requires growth: construction and installation of solar panels and wind turbines, weatherization of homes, major infrastructure projects to create efficient mass transportation, and much else. Accordingly, we cannot simply say that ‘growth is bad.’ Sometimes, sometimes not. It depends on what kind of growth. We should of course all be in favour of the (very rapid) ‘degrowth’ of energy industries, largely predatory financial institutions, the bloated and dangerous military establishment, and a lot more that we can list. We should be thinking about how to design a liveable society […] that will involve both growth and degrowth, raising many important questions. *How it balances out depends on a wide range of particular choices and decisions* (emphasis added).

The last sentence is emphasised because it signals that Chomsky’s position on economic growth and environment is also a *contingent* position. As he says, it *depends* on a wide range of choices and decisions.

The composition of what is produced is crucial. Contrary to the widespread view that economic production is primarily about making *things*, providing *services* is now a bigger part of GDP in many countries, In Australia, services constitute 80% of GDP and 90% of employment (Productivity Commission 2021). This is important because provision of services usually entails a much lighter material throughput than making a physical product of equivalent monetary value. For example, $120 might be spent on purchasing a tankful of petrol, getting treatment by a physiotherapist, or paying somebody to plant trees. The environmental impact of these activities ranges from strongly negative, to near neutral, and strongly positive; but all are associated with adding $120 to GDP. Public policies can shape the mix of environmentally negative, neutral and positive goods or services, using policy instruments such as quotas, rationing, taxes, subsidies, product bans and other regulations that seek to shift the composition of production in a more environmentally friendly direction.

The official GDP data is limited in what production it tracks, usually ignoring between a quarter to a third of economic production (Stretton 1999). Omissions include production that occurs within households and in some non-profit organisations, where non-monetary and non-market production is a central feature. Because GDP includes only part of the total economic value that is created, measured GDP could potentially fall whilst

the total production of goods and services is increasing or remaining constant. For example, GDP might fall if you choose to cook a meal at home rather than eating out, but the environmental impact may be no different – or better or worse, depending on the efficiency and environmental credentials of your home-cooking equipment and processes. Home-based and non-market based economic production processes are often assumed to be *inherently* less environmentally problematic, but this is not necessarily so. Indeed, non-market activities may be more problematic to the extent that they are harder for government to monitor, regulate, tax or subsidise.

Variable 2: How are goods and services being produced?

Changes in GDP also tell us nothing about changes in *how* items were produced – with renewable energy or fossil fuels? wastefully or within a circular economy that *mandates* high rates of reuse, repair and recycle? Technological changes broaden the array of production possibilities, of course. So too can conscious strategies that promote more ecologically sustainable methods of production. For example, recent analysis estimates that, in Australia, the adoption of circular economy principles (reuse, repair, recycle) occurs in only about 4% of economic activities, when – without any changes to the structure of the economy – it could be up to 32% (Miatto *et al.* 2024). Seen in this way, the scope for reducing environmental impacts is enormous – and without necessarily reducing GDP. Indeed, because recycling, repair, and facilitating re-use are all services, their expansion would be an accelerant force on GDP.

Variable 3: What environmental policies are in place?

It hardly needs to be said that the extent of relative and absolute decoupling already achieved falls well short of what is needed for achieving sustainability. However, the reason for this relates more directly to lack of ambition to drive the necessary environmental protections than in anything that is inherent to particular rates or ranges of GDP growth. Making

progress on environmental protection is primarily[5] about the design and implementation of effective policy measures. As Michael Jacobs notes:

> Almost all the progress in environmental technologies and consumption patterns over the past thirty years has come about as a result of government policies. Energy efficiency standards, pollution regulations, renewable energy mandates, conservation orders, product bans, green taxes, emissions trading schemes, research and development subsidies: it is the panoply of state interventions in markets that have driven such progress as we have had. And it is much more far-reaching interventions that will be needed if fossil fuels are to be squeezed out of the global economy and investment in green solutions increased to the levels required (Jacobs 2021: 2).

Potential policies can include measures like carbon allowances (Fuso Nerini *et al.* 2021) and climate clubs (Nordhaus 2015). The precision and potential efficacy of these policy instruments (when appropriately designed and implemented) stands in dramatic contrast to the idea of operating on environmental problems indirectly via the rate of growth.

Consider an example where a specific environmental problem was targeted directly via policy measures – tackling the depletion of the earth's ozone layer by human-made chemicals. The increase in the production of these damaging chemicals correlated positively with growth in global GDP for a long period of time, as they were once critical to various processes of industrialisation. However, after policymakers had come to understand the adverse effects that these chemicals were having on the ozone layer, they acted to curtail the production of them. They did not simply say to themselves: 'hmm, the production of these chemicals is clearly correlated with economic growth, so we need to reduce economic growth'. That they did not approach the issue in this way is hardly surprising, considering how difficult it would have been to implement a growth-limiting strategy and how inefficient and ineffective it would have been in reducing the production of the chemicals. Instead, they designed and implemented a suite of policies to stop the production of these chemicals and, as a result,

[5] The important exception to this is environmental commons being managed largely by social governance along lines described by Elinor Ostrom (2010), though even here state governance through regulation and policies to encourage and support such governance is often important. Note also that ambitious environmental reforms necessarily will need to be accompanied by social and economic reforms (Stratford 2020).

the production of ozone-damaging gases has fallen by 99% since their peak in 1989, during which time global GDP has more than tripled.

Of course, it could be objected that a principal reason why sufficiently strong environmental policies have not been put in place more often is that policymakers have been worried about consequential reduction in the rate of economic growth, perhaps even the triggering of a recession. Certainly, sectional interests wanting to prevent or delay new environmental policies commonly mount such arguments, but the claims are usually baseless, especially when supplementary policies are put in place to encourage the production of different goods and services that compensate (or more than compensate) for the reduction in production of the problematic good or service in question. Such outcomes can be achieved via Keynesian green new deal packages that combine pro-environmental policies with a pro-growth agenda (see, for example, Harris 2023; Chomsky and Pollin 2020). There is immense scope to replace production of environmentally problematic goods and services – and problematic production processes - with less harmful (and actively environmentally helpful) alternatives *without* leading to a contraction of economic growth. It is a largely a matter of policy ambition, rather than something constrained by inexorable laws supposedly embedded in the nature of GDP growth. Note also that extrapolating trends from the last few decades faces the considerable problem that policy responses have, thus far, been largely lacking in ambition, making the past less of a useful reference point than it might first appear to be.

Variable 4: What are the technological and social facts on the ground?

Technology has a major role in the growth-environment relationship. In other words, how scientific knowledge is applied to change what is made, how it is made, and how it is transported and subsequently disposed of is crucial in shaping environmental outcomes. For example, if the energy sector adopts technologies that use renewable energy sources rather than technology based on the use of fossil fuel, it significantly lessens adverse environmental impacts.

For those who are sceptical about the viability of ongoing economic growth, there is nearly always entrenched pessimism about what future technological progress might deliver. Also, there can be a giddy techno-optimism amongst some green growth advocates, particularly eco-

modernists who strongly favour market-based solutions, rather than socially progressive and economically interventionist green new deals.

There is a good case for avoiding extremes of both pessimism and optimism regarding technology. There are nearly always exciting pro-environmental technologies appearing on the horizon. Recently, these have included advances in battery technology and solar technology – both in greater efficiency and using more abundant, less toxic, and more recyclable material. There are also more readily biodegradable plastics, synthetic meat substitutes, more environmentally sensitive building materials and much else in prospect. However, knowing if and when specific technological developments will become operational is inherently speculative; and we cannot count on them until they are in operation.

Given this, we can only ever roll out the better technology that is available as fast as we can and support appropriate research and development. Future positive technological changes need to be seen as potential windfall gains rather than dependable certainties. Forecasting is hazardous, as was shown by the International Energy Agency's under-estimation for many years of the growth in renewable energy. While we cannot depend on what is yet to happen, neither should we be slow off the mark in recognising what *is* happening and just how *fast* it can happen, given the enormous potential of technology to mediate the relationship between economic growth and the environment in either helpful or harmful ways.

Social facts 'on the ground' that are relevant in shaping environmental outcomes is an admittedly broad category that includes the size of the population, total and *per capita* ecological footprints, the level of education, the general level of socio-economic development, dominant industries, formal and informal institutions (*i.e.* rules), firm-level routines and the individual habits of citizens. These general social facts are relevant because not everything is fully controllable via government policy, nor always needs to be. The underlying social facts may also constrain how ambitious environmental and social policies can be at any point in time.

Variable 5. What is the exact rate of economic growth?

As pointed out earlier, the fifth variable that effects the environmental impact of economic growth is its actual rate, considered in conjunction with the other four variables. The best way to think about this is to revisit the data in Table 1 which shows that, *ceteris paribus*, an economy growing

at 3% doubles its size every 23 years. Without changes to the composition of goods and services, the way goods and services are made, environmental protections, technology and social facts on the ground, then that 3% rate of economic growth *is* highly likely to be environmentally unsustainable – at least if the starting point is the type of economy we have today. However, if we then relax those *ceteris paribus* assumptions, the possibility of an economy maintaining a 3% growth rate becomes more plausible. In other words, *it all depends* on those other four key variables in the growth-environment relationship and on how ambitiously and judiciously they are shaped to facilitate the higher rate of growth.

The nature of this contingent relationship between economic growth and environment – and its evolving character – can be illustrated by looking afresh at the global challenge today. Facing currently massive and growing environmental stresses, a massive surge of investment in environmental remediation, renewable energy, and energy efficiency measures could well be the best thing that can done for that planet. If so, this amounts to a green Keynesian strategy of the sort could be expected to drive strong GDP growth, perhaps well above 3% p.a. for about a decade.

Following that green growth surge, however, a much slower growth rate of around 1% p.a. in already wealthy countries could enable avoidance of recession, whilst also increasing policymakers' degrees of freedom to reduce environmental impact. Longer term, further technological progress and changes to other variables might then make it possible to step up to higher[6] rates of growth – presuming that was seen as viable, desirable and necessary in a quite different type of future economy and society.

In other words, insisting on zero (or another specific rate) of economic growth as a short-, mid- or long-term requirement seems misconceived.

Avoiding zero or to negative values of economic growth

No inherent or ideological opposition to zero or negative economic growth is being put forward here. Rather, the argument is that *practical* constraints

[6] Given how important small changes in the rate of economic growth are, and that judgements as to what is high or low being somewhat arbitrary and conditioned by recent historical norms, it is seen as conceptually problematic to create ranges for 'high' and 'low' growth. However, reference can obviously be made to a specific rate of growth rate being higher or lower than another and being negative or positive.

currently make such options non-starters. First and foremost, negative or zero economic growth is not currently an electorally saleable idea in democratic countries, and perhaps not in non-democratic countries either. If and when this seemingly undeniable fact changes, so does the scope to consider negative or zero economic growth as a viable option. In the meantime, campaigning on a platform of reducing a country's environmental footprint via means other than creating an extended recession or depression has a compelling logic, particularly as many of the policy measures can be presented as ways for citizens to reduce their costs of living, with any subsequent rebound effects from such savings being channelled into environmentally benign pathways via good policy design.

Second, negative or zero rates of economic growth seem to be unnecessary, given that low (but positive) growth rates of around 1% (and perhaps a notch or two higher – particularly in the short and medium term) can create significant latitude to manage growth in an environmentally supporting way.

Third, negative economic growth may well be incompatible with capitalism (Cahen-Fourot *et al.* 2016). If so, sustainability requires transition to a post-capitalist system. This transition may well be both desirable and ultimately necessary; but requiring a post-capitalist transition on environmental grounds is nonetheless a problem, if only for the fact that, even on optimistic assumptions, it would presumably take at least a decade or two and, by that time, it'll be too late for the world to start getting its environmental house in order. As Chomsky puts it:

> We should recognize that if global warming is an automatic consequence of capitalism, we might as well say goodbye to each other. I would like to overcome capitalism, but it's not in the relevant time scale. Global warming basically has to be taken care of within the framework of existing institutions, modifying them as necessary. That's the problem we face (Chomsky 2020: 3).

Although Chomsky is essentially correct, it could also be added that his call to 'modifying existing reforms as necessary' could be understood as progressive stepping stones to another system, or at least substantial reform of the existing system.[7]

[7] Eric Olin Wright's (2019) analysis of how reforms *within* capitalism can lead to more transformative change is also relevant in this context

Conclusion

This article has sought to analyse the current state of debate on the economic growth-environment relationship. In its first half, the focus was mainly on identifying some unclear and confusing aspects of the existing literature and on making recommendations to remedy terminological, conceptual and analytical problems. The second half of the article has focused on trying to identify a better basis on which progress may be made. The principal argument has been for taking a *contingent* ('it depends') position on economic growth and the environment, pointing to our need for further specific, contextual information in assessing what impact any rate of economic growth is likely to have on the environment. That information is centred around what goods and services are being produced; how they are being produced; what environmental protection policies are in place; the general social and technological facts on the ground; and the *precise* rate of growth – not just whether it is positive or negative.

Although the article has presented several practical arguments against zero or negative growth as viable political economic options in the short or mid-term, it does not rule them out over longer time periods. Rather, it shows various scenarios in which different rates of positive economic growth could be appropriate at certain times and in different contexts. Taking an explicitly contingent approach to economic growth makes clear that, while the rate of growth is always relevant, it is *never* determinative. Therefore, rather than being dragged into the confusing and sometimes confused positions in the current literature on economic growth's relationship with the environment, the primary task is to get good environmental and social policy designed and implemented. Confused understandings of the relationship between economic growth and environment can too easily distract and divide us from the pursuit of this most urgent, important, substantial and multi-faceted of tasks.

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CHILDCARE WAGES

Zamela Gina

Australia's Early Childhood Sector (ECS) is critically understaffed. Low wages, poor working conditions and burnout have led to heightened attraction and retention challenges, resulting in a workforce shortage of around 21,000 early childhood professionals in 2024 (Jobs and Skills Australia 2024). While increasing demand for early childhood education and care (ECEC) over the past two decades has been accompanied by a strengthening of national regulations and professional standards, direct efforts to support the workforce have been lacking, with notable silence and inaction around the systemic undervaluation and underpayment of workers (Andrew and Newman 2012; McDonald *et al.* 2018; Thorpe *et al.* 2023). Improving wage conditions in the sector has been an obvious, yet elusive, solution to workforce sustainability sidelined by policy makers and government bodies until recently.

The COVID-19 pandemic brought national attention to wage challenges in the ECS. Growing public recognition of ECEC as an 'essential service' (Collins 2023: 25) and backbone of society and the economy (United Workers Union 2021a) led to increased support for higher wage attainment. Widespread childcare centre closures and caps on enrolments accentuated public concern.

Promising to reform the sector, improve working conditions and work toward universal childcare provision, the current Albanese government has made the sustainable provision of high-quality, accessible and affordable childcare a major priority and 'legacy vision' for their term (Thorpe *et al.* 2023: 2). To date, it has initiated two major inquiries into the sector which have highlighted low wages as a key driver of workforce turnover (see Productivity Commission 2024; Australian Competition and Consumer

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Commission 2023). Guided by a national ECEC workforce strategy report that recognises the importance of pay increases as an immediate priority for workforce sustainability, the government's interest in solving the ‘workforce crisis’ presents a unique opportunity for improving pay conditions (ACECQA 2021: 41). Recent developments in the sector reflect this potential. In July 2024, a 3.75% increase to award wages was implemented nationwide for all ECEC professionals and, in August 2024, the government announced that it would support an additional wage increase over 2 years to eligible providers, equivalent of up to 15% above the current national award rate (Klapoor 2024).

This article seizes the opportunity to comment on contemporary changes to wage standards in the ECS and to evaluate progress thus far. Building knowledge of the causes of low wages in the ECS from a political economy disciplinary perspective, it begins with a brief history and outline of wage dynamics in the sector. It then moves to an exploration of theoretical frameworks for understanding wage determination in Australia, including orthodox neoclassical economic theories and heterodox feminist-Marxist theories. Its following section considers the impacts of orthodox wage frameworks on ECEC pay standards, dissecting their influence on different wage improvement pathways, such as professionalism and upskilling, and on the gendered industrial relations architecture and limited wage bargaining opportunities. The article then explores recent wage developments and workforce initiatives in the sector to demonstrate the growing relevance of feminist-Marxist political economy perspectives in national wage reform.

Wage dynamics in the early childhood sector

Australia’s ECS is a complex, ‘evolutionary creature’ (Hill *et al.* 2007: 3). For most of the 20th and early 21st century it was largely untended, with the years between 1996 and 2006 commonly acknowledged as a ‘long period of indifference and neglect’ (Cheeseman and Torr 2009: 61). Lacking a national policy approach and treated as a residual variable by policy makers, ECEC governance was haphazard and fragmented, with little attention given to wages in the sector. This ‘messy’ governance approach shifted dramatically in the mid-2000’s as governments attempted to accommodate unprecedented demand for ECEC services and growing international awareness of the importance of ECEC for children's learning

and women's workforce participation (Lee 2020: 835). Attempts to streamline sectoral governance peaked in 2007, heralding the beginning of a ‘new era’ in ECEC reform that would involve a national approach to quality regulation, learning frameworks and equitable access (Cheeseman and Torr 2009: 68). Growing rapidly in size and scope from the late 20th century, the sector has expanded to cater for over 1.4 million children as of June 2023, compared to around 1 million in June 2013 (ACECQA 2023a) and approximately 300,000 in 1993 (Bray 2023). This included just under 1 million families accessing over 14,000 ECEC services daily in 2023, with the average child attending around 26.2 hours of ECEC per week, a 1.1% increase from June 2022 (Department of Education 2023). However, despite growth in demand for services, ECEC wages continue to be some of the lowest in the country.

In early 2024, childcare workers earned around $680 less than the average Australian per week, only 10% more than workers in occupations that do not require a qualification or substantial experience, for example in hospitality, retail and clerical roles (Jobs and Skills Australia 2024). While these conditions have improved since the July 2024 wage increase, which raised average earnings by $103 per week, the average ECEC worker still earns at least $500 per week less than the average Australian. Wages in the sector for Children’s Services Award employees start at $910.90 per week for support workers; $1,016.40 per week for certificate III level 3 qualified educators; and $1,162.40 per week for diploma qualified level 3.4 educators (Fair Work Ombudsman 2010). Early Childhood Teachers (ECTs) earn wages under the Educational Services (Teachers) Award 2020, starting at $1,342.40 for Level 1 ECTs per week at preschools and schools and $1,396.10 per week in long day care centres (Fair Work Ombudsman 2020). The average weekly earnings of Australians in 2024 were $1,996.40 per week, more than double the average of an ECEC support worker (ABS 2024).

In a 2021 survey, the vast majority of Australia’s early childhood workforce reported ‘always’ or ‘often’ worrying about finances, with many stating they would not recommend ECEC as a career choice to others (United Workers Union 2021a: 3). An acute awareness of low wage conditions has driven many potential ECEC workers from the sector, one saying that: ‘It’s all about money. You go to uni for four years, come out with a $16,000 debt to go to work for $29,000 a year. I can earn more pulling beers at my local pub. I loved prac and could really see myself in child care but then reality hits’ (Thorpe *et al.* 2011: 92).

Current pay standards, wage setting mechanisms and bargaining opportunities reveal a complex interplay of political economic ideologies, values and priorities that shape the persistence of low wages embedded in industrial relations architecture and practice. As conversations about the systemic undervaluation and underpayment of childcare workers have garnered attention, so have nuanced understandings of the causes of low wages and potential pathways to improving pay conditions (see, for example, Richardson *et al.* 2024). This article adds to these insights by dissecting the influence of different political economic theoretical frameworks on wage dynamics in the sector.

Orthodox wage theory

Neoclassical market supremacy

Orthodox wage theory, informed by neoclassical economics, views wages as a price that can be defined in terms of exchange value. Neoclassical theories centre the market as the most effective means of wage regulation. As Mutari *et al.* (2002: 73) explain, neoclassical economists position the market as 'the primary – indeed, almost exclusive – basis of their wage theories.'

This approach assumes that markets tend toward equilibrium, are impartial and therefore unbiased. As a result, they do not discriminate according to gender or race; and they produce wage outcomes that adjust independently to consumer demand, lowering in sectors where there is a greater workforce supply and rising in niche disciplines or in sectors that need more workers. Individuals are assumed to act as rational economic actors who have the power to choose to work in sectors that maximise their personal gain. Government intervention in wage setting processes, for example via minimum wage standards, is viewed as a distorting factor and threat to market equilibrium (Brožová 2018). From this perspective, market mechanisms are seen as the most effective way to ensure that wages are at the 'right' price determined by the laws of supply and demand. This ideological approach has dominated international discourse and practice over the past century and effectively masks the socioeconomic goals and agendas closely related to a particular conceptualization of capitalist society that prioritises profit maximisation (Roberts-Holmes and Moss 2021).

Human capital theory

Orthodox wage theory also deploys Human Capital Theory (HCT) to explain wage differentials and inequality within and between sectors, including gender wage gaps. HCT is rooted in the neoclassical belief that all individuals have some form of human capital which is determined by their abilities and skills accumulated through experience, education and professional training. These human capital levels form the 'basis' of earnings, with higher levels leading to increased pay rates and vice versa (Grybaitė 2006: 86-7).

To explain wage variations and dismiss the idea of gender wage inequality, HCT argues that women are traditionally less educated than men, and spend more time performing the bulk of unpaid, domestic labour. This leads them to have more intermittent attachment to the labour force. The division of labour by gender means that women accumulate less work experience and professional skills than men and have less incentive to invest in their formal upskilling, resulting in lower human capital which, in turn, reduces their ability to earn high wages relative to men. This gendered division of labour is taken as a given factor, the origins of which are not explored in detail (Mutari *et al.* 2002).

When women do choose to enter the workforce, they are theorised to continue juggling domestic labour, which decreases their attachment to paid labour, therefore reducing their productivity and wages. Orthodox theorists also argue that women will avoid professions that require significant or niche skill development, as their returns on investment are only reaped when they remain with that employer for extended periods of time, which is made more difficult by domestic commitments. Employers may avoid hiring women due to perceived uncertainty of long-term employment, a lack of return on investment, and women being more likely than men to work in part-time or casual positions (Lips 2013). Finally, wage depression in highly feminised sectors is understood to result from qualified women being excluded from male-dominated occupations for the above reasons, resulting in an oversupply of available workers within these sectors (Lips 2013: 170). HCT thus claims to account for wage discrimination within and between sectors. The theory's proponents argue that 'worker contributions and merit can be quantified and that rewards are then distributed in a rational, bias-free way that reflects this quantification' (Lips 2013: 170). The theory individualises the responsibility for

professional wages[1] by assigning each person a level of human capital determined by their skills, education and experience levels which will influence their pay prospects. It ignores the influence of non-economic factors on wage standards.

Heterodox wage theory

Feminist-Marxist political economy

Heterodox feminist-Marxist political economists argue that wage-setting is an economic, cultural and political process which is embedded in societal and institutional contexts (Karamessini and Ioakimoglou 2007). Wages are viewed as a social practice that enforce implicit beliefs pertaining to factors such as gender, race and class. Feminist-Marxists argue that orthodox wage theories are severely limited by their treatment of wages as a price, and wage differentials as 'distortions of market wages' (Mutari *et al.* 2002: 75). By addressing gender and race only in relation to wage discrimination, rather than treating them as underlying influences throughout wage determination processes, orthodox approaches treat wage inequality as a 'special case of market failure' (Mutari *et al.* 2002: 75).

More generally, a heterodox approach to wage determination refutes neoclassical claims that markets tend toward equilibrium and perfect competition, and that wages are prices determined through supply and demand. Rather, it views wages as 'indeterminate outcomes of bargaining between workers and capitalists' (Mutari and Figart 2002: 76). Employees' capacity to organise and bargain is of central importance to wage determination processes. Sectors that can organise collective action and/or hold great negotiation power are more likely to achieve higher wages than unorganised or decentralised workers with limited negotiation power. In such cases, employers drive down wages to maximise profit and wages can become parasitic.

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[1] Professional wages that reflect ECEC worker's qualifications, skills, financial investment and responsibilities, support them to achieve economic independence and security, and enable workers with relevant experience to be paid at or above national wage average.

Parasitic wages

Parasitic wages occur when wage standards do not enable a person to support themselves and/or their families, with labour continuity and reproduction only possible due to support from another source (Power *et al.* 2003; Kaufman 2010). This is a common scenario historically and globally in caring occupations, including early education and aged care, with many workers dependent on family or state assistance for survival – making them financially vulnerable and limiting agency to pursue alternate opportunities (Webb and Webb 1920). While these systems often disempower women engaged in paid care labour, they serve the goal of the capitalist class to maximise profit by driving down labour costs to exploitative levels. The capitalist profit-oriented agenda of wage minimisation and profit maximisation means that the 'interests of capitals and the interests of wage-labour are diametrically opposed to each other' (Marx 1847, cited in Hurst 2018: para. 30). Market supremist narratives that ignore the gendered, class-based power structures embedded within wage architecture fail to understand the causes of low wages and their effects, including the disincentive for workers to remain in the sector long-term.

Undervaluation of care labour

The ability to pay workers low and/or parasitic wages is enabled by the undervaluation of care work, wherein sociocultural beliefs devalue caring labour. Low societal valuations enable the imposition of 'care' or 'wage' penalties directed toward highly feminised care sectors. By naturalising caring expertise as inherently feminine, gendered narratives absolve the idea of a skilled workforce and need for higher wages (England and Folbre 1999: 41). This cultural sexism misrepresents care labour as unskilled work suiting 'women's innate skills and desires' (Cook *et al.* 2017: 39) and leads to unfavourable power structures that dismiss and silence ECEC voices. This lack of 'voice' limits individual and collective opportunities to influence enterprise and sector conditions.

England and Folbre (1999) argue that occupations which involve care work are not paid high wages for five core reasons. Firstly, gender bias and cultural coding mean that care skills are perceived as coming naturally to women. Women in general are seen as nurturing with mother-like qualities,

therefore not having to learn any skills to work as an educator or teacher; whereas men deserve 'greater compensation' because they have to learn skills to work (England and Folbre 1999: 44). Secondly, ECEC is argued to produce intrinsic rewards or 'compensating differentials' (England and Folbre 1999: 45). This means that, because of the assumed satisfying nature of this work, staff do not need to be highly compensated and deserve lower wages. Thirdly, ECEC produces human and social capital which is hard to measure and quantify. It is therefore too difficult to 'charge a price that reflects' workforce contributions, so minimum wages are appropriate (England and Folbre 1999: 45). Fourth, because many families struggle to afford ECEC and represent 'poor clients', there is downward pressure to make ECEC accessible and therefore educators are kept on low pay. Finally, there is the 'sacred cows' argument which contends that commodification demeans the 'love and care' provided by ECEC workers; therefore, it is best that the workforce does not prioritise professional wages at the risk of devaluing care (England and Folbre 1999: 46).

Decentralised, gendered industrial relations architecture

Feminist-Marxist political economy considers gendered Industrial Relations (IR) including *The Fair Work Act 2009*, which governs modern industrial award regulations and bargaining processes, to be a major factor in wage setting processes. Through enabling the decentralisation, de-collectivisation and de-unionisation of national wage bargaining systems and processes, while simultaneously slimming the role and scope of minimum award rates and conditions, the *Fair Work Act* has exacerbated barriers to high wages in ECEC. This shift decreased wage protection for women in lower paid occupations (where they are disproportionately reliant on minimum standards); as comprehensive awards and union representation historically provided lower-paid occupations with protection and opportunities for wage increases (Strachan and Burgess 2000: 363-4).

Charlesworth and Smith (2018: 88) describe modern award wage conditions as behaving as both a 'floor' and 'ceiling.' Minimum award rates limit the potential for parasitic wages in highly feminised sectors, while simultaneously providing a ceiling for workers who cannot access enterprise bargaining. As a result, minimum wage rates no longer act as a tool for collective empowerment, as they had for most of the 20th century

under the *Conciliation and Arbitration Act 1904*; rather, they have become a mechanism that enables the government to defer responsibility for low wage standards to market-based determination.

De-unionisation also negatively affects ‘agreement making’ and bargaining opportunities. The reduced role of unions, which empowered workers through their knowledge and capacity to navigate agreements, has led to a capability gap and unfair power dynamic in enterprise bargaining, resulting in risk of being ‘exposed’ and pushed into agreements with minimal gains and increasingly ineffective engagements with wage bargaining architecture (van Gellecum *et al.* 2008: 47). This understanding is important as it recognises the disempowered position of highly feminised workforces, the ECS being over 90% female (Jobs and Skills Australia 2024). Extending on Marxist theory to position gender as an organising principle of wages and sociocultural structures (Glenn 1998: 33), feminist-Marxist theory highlights:

> the limits of theories and politics which ignore the capitalist basis of women's lives […] [and] the common location of most women in the mode of production, as the most oppressed and exploited members of the world's working classes (Gimenez 2004: 101-2).

Causes of low wages: Interim summary

These fundamental differences between orthodox and heterodox approaches to wage setting mean that each theoretical framework develops different explanations of low wages and solutions to improving pay conditions. From an orthodox perspective, low wages in the ECS can be attributed to low human capital levels amongst workers and women's precarious engagement in the paid workforce. Higher wages can be achieved if ECEC workers increase their levels of human capital through professional development opportunities. Alternately, heterodox theories identify layered and multifaceted understandings of low wages. Causes of low wages include ECEC’s status as care work and the ability of employers to drive parasitic wages due to gendered IR architecture and decentralised wage bargaining opportunities.

Improving wage conditions is not simple and there is no clear solution. Systemic change is required, such as supporting high valuation of ECEC work, improving unionisation and collective bargaining pathways, and using feminist-Marxist theories to challenge and overcome the limitations

of orthodox wage theories, including the primacy of HCT and undervaluation of ECEC. The principles and critical perspectives embedded in feminist-Marxist theories can help in analysing the multi-dimensional factors embedded within wage determination and distribution processes and inspire heterodox solutions to professional wages that would otherwise be sidelined by orthodox economists.

The following section explores how orthodox theory's persistence as the popular means of understanding and shaping wage dynamics has influenced ineffective solutions to ECS wage growth through professionalism narratives and upskilling programs, and gendered IR architecture and ineffective wage bargaining opportunities.

Theory in Practice

Orthodox wage theories have had a significant impact on ECEC pay standards. They have driven the promotion of professionalism narratives and upskilling initiatives which have placed the responsibility for wage improvements on individual workers rather than collective or systemic change; and they have maintained gendered IR architecture and ineffective wage bargaining opportunities that create high profits for ECEC providers and wage stagnation for the workforce.

Professionalism narratives in public policy

HCT promotes the idea that if an individual collects more units of human capital through professional development, work experience and qualifications they will be rewarded with higher wages. Reform agendas popularised during the early 2000's were influenced by this narrative and promulgated the idea that ECS workforce professionalisation would result in a natural progression toward increased wages, regulated by market forces and public policy initiatives. Subsequent investment has targeted the provision of free and subsidised upskilling opportunities, and increasingly paid practicum placements to support workers through this required learning.

Government funding for professional development

Government bodies have attempted to indirectly boost wage conditions by funding professional development opportunities for ECEC staff to support their human capital maximisation. In the Albanese government's ten-year strategy 'Shaping Our Future' (2022-2031), designed to support a sustainable, high-quality ECEC workforce, Focus Area 5 titled 'Qualifications and Career Pathways' directs funding toward professional upskilling under the rationale that it will enable 'career progression' and the maintenance of a 'highly qualified, experienced and sustainable sector workforce' (ACECQA 2021: 55). As part of this focus, the government has invested significantly in providing and/or subsidising fee-free TAFE, vocational education and training, ECT scholarships, bursaries and other professional development initiatives. Of these initiatives, $1 billion was invested directly into a partnership with state and territory governments to establish a twelve-month Skills Agreement delivering 180,000 Fee-Free TAFE and vocational educational places from January 2023 for ECEC and other priority sectors (ACECQA 2023b). The Albanese government also allocated $12.56 million for investment in professional development subsidies and $3.21 million into paid practicum subsidies for educators and ECTs between 2023 and 2027 (Education Department 2024).

State governments have followed suit, introducing localised incentives to commence study in ECEC. In Victoria the 'Victorian Early Childhood Teacher and Educator Incentives programs' provide scholarships for eligible students, including up to $25,000 for Bachelor degree students, $18,000 for Master degree students, and $12,000 for graduate diploma students (Department of Education 2024b). Similarly, the Australian Capital Territory government funds around 8 Early Childhood Degree Scholarships twice a year to eligible educators, each worth up to $25,000 (ACT Education Directorate 2024). In Queensland, the Early Childhood Practicum Placement offers $5,000 to eligible students studying an undergraduate or postgraduate ECT degree to support them in completing unpaid practicum placements (Department of Education 2024a).

Low wages persist despite more qualifications

These education initiatives have been effective in increasing the number of workers pursuing and completing professional development and

qualifications. Data from Australia’s 2021 Early Childhood Education and Care National Workforce Census (Department of Education 2022: 15) demonstrates a significant decrease in the total percentage of unqualified members of the ECEC workforce – from 19.7% in 2013 to 15.2% in 2021. Meanwhile, the total percentage of staff with teaching qualifications rose from 12.2% in 2013 to 14.1% in 2021; and the total qualifications in an ECEC-related field rose from 68.1% in 2013 to 70.7% in 2021. Between 2020 and 2021, 139,140 staff also reported undertaking professional development training. Despite this, as qualification levels have risen, wage standards have not risen correspondingly to parity with average Australian wages.

Improvements in qualifications and experience levels mean that an educator can move up through minimum wage standard levels, as dictated by the Fair Work Commission’s Children's Services Award 2010 and Educational Services (Teachers) Award. However, these wage standards may still be low in comparison to other professions or national standards. For example, a new certificate III level 3 qualified educator earns $1,016.40 per week, compared to a certificate III level 3.3 qualified educator with 2 years of experience earning $1,101.50 per week – an $85.10 difference per week. If an educator upskills from being a new level 3.4 diploma qualified educator earning $1,162.40 per week (Fair Work Ombudsman 2010) to a new Level 1 ECT earning $1,396.10 per week in a long day care centre, they will earn $233.7 more per week (Fair Work Ombudsman 2020). This means that a worker can move upward within the confines of the awards, and still not reach par with the average Australian. A full time Level 5 ECT (a teacher considered highly accomplished with at least 3 years of experience) on the award rate earns $1931.7 per week, still $64.7 less than average full time Australian earnings (ABS 2024). As over 70% of child carers are reliant on award rates, compared to 23% for workers in all other occupations, this represents a significant earnings gap between industries that HCT does not effectively account for nor provide solutions to overcome (Job and Skills Australia 2024).

Assuming freedom of choice

HCT adopts the neoclassical belief that individuals are utility-maximising. This includes the assumption that workers choose to work in the ECS based on personal preference and, if/when they are faced with adverse

conditions, including low pay and suboptimal working conditions, they can leave without much difficulty. This movement is theorised to result in increased demand for workers, higher compensation and improved workforce conditions as the market compensates for supply and demand factors (Mutari *et al.* 2002). While orthodox theory 'acknowledges limits on choice', including preferences, values and norms, it ultimately ignores systemic and institutional barriers that women have historically faced in navigating paid work and wage improvement pathways (Folbre 2012: 601).

Government funded initiatives developed through a HCT lens don't account for the diverse and layered needs of this predominantly female workforce who often do not have adequate resources or time to upskill and face a 'care gap', where they are reliant on others and/or have to take on additional work to help finance living expenses due to low wages and cost of living struggles (McDonald *et al.* 2018: 662). The ECEC workforce has tended to be predominantly female due to limited choice and workforce constraints. As Folbre (2012) explains, explicit laws restricting women's labour force participation enacted throughout history have limited their work options to caring occupations. The simplistic assumption underpinning HCT which views individuals as being able to enter and leave employment at ease neglects women's comparative struggles to gain entry to, and discrimination faced within, job markets. Coercion, punishment and restriction have led women to specialise in ECEC, restricting opportunities to explore other occupations (Folbre 2012).

The focus on professional development adopted by government bodies at the expense of funding wage growth directly has also contributed to ECEs and ECTs feeling unsupported, leading to workforce burn-out and limited motivation to upskill. Some ECEC workers choose not to 'bother' working toward bachelor qualifications due to limited financial benefits and large study fees compared to other occupations (Oke *et al.* 2021).

While professionalism narratives and initiatives have led to an increase in the number of educators and teachers in the sector who participate in training and upskilling programs, they have not been an effective avenue for collective wage increases or workforce sustainability (Cumming *et al.* 2015: 2). In practice, collective improvements and wage increases have been primarily linked to improvements in minimum wage standards. Increases in ECEC minimum wage standards were not the result of market

responses to human capital acquisition, rather government intervention to boost minimum awards conditions. As Boyd (2013: 1) explains:

> The solution has been framed as a need for professionalising the workforce – professional development training, higher education and enhanced skills. While seeking professional status is expected to improve the quality of childcare programs and worker compensation [...] They [still] experienced poverty wages, few benefits, high work-related expenses and job insecurity [...] Obtaining professional status and credentials for early education and care workers is not enough.

Gendered architecture and ineffective opportunities

Gendered industrial relations

Orthodox political economy's adoption of market values and neglect of sociocultural factors' impact on wage setting practices, discourages critical engagement with gendered IR architecture and embeds ineffective wage bargaining practices that enable high profits for ECEC providers and wage stagnation for the workforce. Gendered IR architecture constructs wage bargaining environments that are not conducive for ECEC workers to negotiate higher wages, and mechanisms created to ostensibly encourage and enable women to improve wage conditions have failed thus far. The shift to enterprise bargaining was historically promoted to: 'chart a middle course […] balance the needs of flexibility for employers with the need for fairness for employees [...] [and] promote productivity]' (Department of Employment and Workplace Relations 2022: 4). The embedded assumption that a decentralised bargaining process, initiated and progressed without any union support, is more compatible with 'gender work-force objectives' neglects to consider the agendas of service providers and negotiation power dynamics that are commonplace in bargaining practices (Strachan and Burgess 2000: 366-7).

Attempting to negotiate professional wages and/or conditions above minimum award regulations within modern IR architecture is a difficult pursuit. Embedded androcentric bias in national policymaking processes marginalises, devalues and treats women's labour (paid and unpaid) as an expendable, exploitable resource. As a result, women, especially those who work in highly feminised care-based sectors, occupy a disadvantaged position relative to men. This bias is 'built into the system' and results in

minimal attention and support for ECEC services and their unique negotiation capacities being considered in national wage architecture, governance and wage bargaining mechanisms (Jenkins 2021: 8). This has manifested under the *Fair Work Act's* bargaining streams, including the Low-paid bargaining stream and Multi-enterprise agreement stream.

The Low-Paid Bargaining (LPB) stream was introduced under the *Act* to specifically acknowledge the unique experiences of workers in highly feminised sectors and their unsuccessful interactions with wage bargaining structures. As set out in sections 241 to 246 of the *Act*, the now-reformed bargaining stream was created to assist and encourage low-paid sectors that have difficulty bargaining to commence multi-enterprise agreement negotiations covering two or more employers. If a party was awarded a Low-paid Authorisation by the Fair Work Commission, they could commence multi-enterprise bargaining negotiations with a funding body (Cooper and Ellem 2012).

There were, however, significant barriers to commencing this process, which resulted in marginalisation of the very groups identified as the target beneficiaries. Fair Work Commissioners conservatively and inconsistently assessed the eligibility criteria for inclusion in the bargaining authorisation, resulting in 'only one successful variation of an award to date through the equal remuneration provisions of the *Fair Work Act*' (Smith and Whitehouse 2020: 550) and 'only five applications [...] made for an LPB authorisation' over the first decade of the *Act's* implementation (Macdonald *et al.* 2018). Cooper (2014: 64) contends that: 'the limits of the legislation – its failure to incorporate access for employees with little real experience of real collective bargaining and its uncertain arbitral framework – are laid bare.'

This 'complete failure' has been recognised broadly and sparked movement toward a new system of collective bargaining under a 'Supported Bargaining' (SB) stream of multi-employer bargaining (Charlesworth and Macdonald 2023: 405). Introduced in 2022 through amendments to the *Fair Work Act*, it replaces the LPB stream and adopts less restrictive criteria to provide greater access to multi-employer bargaining. These changes demonstrate the failure of enterprise bargaining systems to empower ECEC workers to achieve professional wages, highlight national recognition of these failures, and point to potential movement toward more accessible bargaining arrangements.

A lucrative environment for ECEC providers

Increased corporatisation of the ECEC landscape has meant that a defining dynamic of the ECS has been the capacity for service providers to exploit the sector's quasi-market structure by extracting large subsidies from the government and relying on low minimum wage standards to maximise profits. Despite workers struggling to survive on low wages, the sector represents a relatively secure, lucrative, long-term, and sought-after investment opportunity for large multinational corporations. While extensive research has been conducted into the causes of workforce challenges, subsequent policy initiatives tend toward addressing 'only some aspects of workforce sustainability' rather than 'multiple challenges at setting, community and policy levels' (Cumming *et al.* 2015: 1). The movement toward ECEC marketisation has created more potential for the leveraging of public funds for the purposes of private profit and gain as opposed to supporting children, families and staff or improving wage standards, with this risk 'rarely acknowledged' by policy makers and state representatives (Adamson and Brennan 2014: 50).

The United Workers Union (2021b: 5) claims that a significant portion of taxpayer money that is directed toward funding the ECS ultimately ends up as 'huge profits' for large for-profit providers. While the ECS is not fully private nor for-profit, as of 2022 around 50% of national ECEC services were from for-profit providers, compared to 39% from not-for-profit providers and 11% from public providers. This growing dominance of for-profit providers is relevant as they are consistently ranked lower in terms of quality than alternative providers. For example, in 2021, only 16% of for-profit services were rated as exceeding National Quality Standards, compared to 36% of not-for-profit and 40% of government run centres. The diversion of resources in for-profit services away from caring tasks or staff wages toward 'dividend payouts, other financialised transactions, and million-dollar executive compensation packages' is alarming, considering they are publicly subsidised yet privately delivered (Grudnoff 2022: 29).

From 2019 to 2020, $10.6 billion was channelled by government bodies into the ECS, the majority into subsidies to reduce the cost of ECEC for parents through the Child Care Subsidy, with this number expected to climb to over $12 billion by 2024. From 2019 to 2020, total revenue in the sector was estimated to be between $13.8 to $15.4 billion (United Workers Union 2021b: 5). This indicates that:

> 70-80% of revenue in a sector attracting investors from Australian and global finance houses is funded by the Australian taxpayer. The level of subsidies and the firm expectation they will only ever be increased by Australian governments are commonly cited in ECEC prospectuses as guarantees of future growth.

The prevalence of government subsidies creates extraordinary opportunities for profit making, with private investment encouraged and enshrined in the *National Early Childhood Development Strategy – Investing in the Early Years*. The strategy identified private sector ECEC growth as playing a large role in the sectors' future development; but it did not acknowledge potential conflict between investment being channelled toward profit versus social investment (Adamson and Brennan 2014). The 2023 *Childcare Inquiry* revealed that for-profit providers are more likely to increase and charge higher service fees than not-for-profit providers, while the latter tend to pay more staff above award wages. The inquiry also confirmed that services with higher quality ratings were more likely to pay educators and teachers higher wages (Australian Competition and Consumer Commission 2023). This demonstrates that there is a positive link between higher staff wages and higher quality ECEC provision, and that for-profit centres are likely to charge higher fees, pay lower wages and deliver lower quality services compared to not-for-profit centres.

Integrating wage theories in recent reforms

Orthodox wage theories evidently cannot explain the causes of and solutions to overcoming low wages in the ECS. Market-oriented wage theories that look at wages through an economic relations lens fail to consider the systemic, gendered and multidimensional barriers faced by ECEC workers when pursuing higher wages. Heterodox theories, however, can be used to critically understand diverse factors affecting wage determination. While not offering a definitive cause of or solution to overcoming low wages, heterodox approaches engage dynamically with factors outside of the scope of the market that directly impact pay standards. Recognising this, industry actors including employers, government agencies, unions and ECEC organisations have increasingly turned to heterodox theories to complement and overcome the limited scope of orthodox theories in recent reform initiatives.

While orthodox theories have been, and continue to be, the primary framework used by stakeholders to set and manage pay standards, heterodox theories are growing in relevance and popularity for their capacity to explore systems-based causes of and solutions to low wages. New approaches are emerging because orthodox approaches have failed to deal effectively with workforce attraction and retention challenges; and government bodies are recognising that immediate changes to wage conditions are needed to prevent further loss of staff and to work toward attracting and retaining the estimated 89,000 additional workers needed to meet growing demand between 2024-2034 (Jobs and Skills Australia 2024). Efforts under way by employers, government, union and ECEC sector bodies to move past low wages are demonstrating the benefits of integrated theoretical and policy approaches, exemplified below.

Employers

To attract and retain workers, some major ECEC organisations like G8 Education have committed to providing wages at above award rates for all staff and discounting childcare fees for their children (G8 Education 2024). Goodstart Early Learning has committed to paying educators and support staff at a minimum 5% above award rate and centre directors 12% above award rate; providing allowances for staff who undertake additional responsibilities such as being mentors and educational leaders; and allowing cultural leave of up to 5 days per year for Aboriginal and Torres Strait Islander employees for ceremonial purposes, including Sorry Business (Goodstart Early Learning 2024). Direct wage boosts and culturally considerate approaches to wage conditions and leave entitlements are increasingly influenced by national findings that poor working conditions are driving workforce burnout (Productivity Commission 2024; Australian Competition and Consumer Commission 2023). This responsiveness by employers demonstrates a break from orthodoxy. While both these organisations also provide access to subsidised training and promote professional development and qualification attainment, directly funding above award wages and additional perks catering to the needs of this workforce suggests heterodox influence.

Government

The failure of Australia's previous multi-enterprise bargaining mechanism, the LPB stream, and its replacement by the SB stream provides a new opportunity for collective bargaining gains. According to Charlesworth and Macdonald (2023: 407), a significant change in the 2022 *Fair Work Amendment Act* included liberalising bargaining-approval conditions, with other improvements including: not excluding employees who previously had an enterprise agreement from engaging in multi-enterprise bargaining; granting employees access to protected industrial action; and including the potential extension of SB multi-employer agreements to other organisations, subject to certain criteria being met. These improvements enable greater engagement with the SB stream, thus creating increased access to multi-employer bargaining opportunities and, if successful, providing the opportunity for sharing collective gains, fundamentally supporting a greater chance for professional wage obtainment in the ECS. Changes implemented through the 2022 *Fair Work Amendment Act* have also led to changes in the 'single interest' bargaining stream, including improved access to multi-employer bargaining across different enterprises that hold 'common interests', compared to its previous limitation to a narrow group of employers including franchises and related corporations (Charlesworth and Macdonald 2023: 407).

These reforms are heterodox in nature and have the potential to support the incremental growth of collective bargaining in Australia. Thus, while enterprise bargaining may still be the main form of wage negotiations, multi-employer opportunities could extend gains to care sectors more liberally (Stanford *et al.* 2022).

Unions

As evidence of the potential for the SB stream to produce professional wages, approximately a year after the stream was introduced, the United Workers Union (UWU), Australian Education Union – Victorian Branch (AEU) and the Independent Education Union of Australia (IEU) formally lodged an application for a supported bargaining authorisation to commence negotiations to cover employees and employers in the ECS, representing over 60 individual employers (Marin-Guzman 2023). As the first application lodged under the new *Secure Jobs, Better Pay* legislation,

the application was accepted on the grounds of multi-employer wage negotiations being justified due to ‘a relatively high degree of award dependence in the ECEC sector, and low rates of pay prevailing in this sector’ (Roberts 2023: 8). The successful acceptance of their right to bargain up to a 25% pay rise across multiple employers has been described as the:

> first order of its kind delivered under Labor’s new laws, triggering a path to force the government to the negotiating table [...] The decision means workers will also have the right to take protected industrial action as part of the bargaining and can seek to get the Commonwealth, as a third-party funder, to the negotiating table [...] UWU (United Workers Union) intends to call on the federal government, as the funder of the sector, to come to the bargaining table and come prepared to fund a real wage increase (Marin-Guzman 2023: 9).

As negotiations progress, the SB bargaining process has the potential to redistribute earnings to lower-paid workers. This approach moves past the individualistic nature of the orthodox theory in favour of collective gains.

ECEC sector

Across the sector, wellness programs, including coaching and mentoring initiatives to support educators navigating professional upskilling and ECEC careers, have grown in popularity. One such program, ‘Early Learning Connection’, provides supported career pathways in early childhood education for women in Canberra. A key action in the ACT Government’s *Valuing Educators, Values Children - A Workforce Strategy for the ACT Early Childhood Education and Care Profession* (2023-25), it prioritises a systems-based approach to workforce empowerment, providing free and subsidised study opportunities, career and coaching services, study skills, group workshops, and facilitating paid employment in early learning centres across the ACT. The program is heterodox in nature as study programs have been designed with the workforce in mind, including certificate III classes which operate during school hours from 9:30am-2:30pm over an extended semester to allow for school pick-ups and drop-offs, and early morning classes offered to students studying toward the bachelor of early childhood education (from birth to five years) to allow for their ‘release’ in the morning for study, rather than in the afternoon when conflict with centre staffing ratio requirements is more likely (Early Learning Connection 2024).

Conclusion

Orthodox labour market theories have been, and continue to be, the primary framework used by stakeholders to set and manage pay standards; and there is little indication that this is likely to change in the immediate future. Concurrently, however, recent inquiries into the sector have provided nuanced, heterodox-influenced insights into workforce sustainability. Recent reforms from employers, government, union and ECEC sector bodies demonstrate that heterodox theories and approaches to wage improvements are increasingly influential post-COVID.

The outcome 'on the ground' for workers in the sector remains uncertain. There is no guarantee of continued, sustainable future wage growth. Historically, the ECS has experienced a pattern of advances, retreats and changing barriers to pay reform, with women being 'penalised' regardless of how they seek pay equality (Smith and Whitehouse 2020: 535). Government action since the COVID-19 pandemic has demonstrated its significant power to push continued wage increases in the sector through workforce inquiries, strategies and changes to minimum award conditions. Heightened access to policymakers' agendas in recent years has supported significant wage increases and positive progress in the sector. A blending of orthodox and heterodox values is also evident in actions taken concurrently by employers to directly boost wages, by government to support direct engagement with wage bargaining, and by unions to collectively engage with the SB stream and the ECEC sector to support worker wellbeing and workforce sustainability.

Probing these issues and outcomes, this article has provided a contemporary analysis of wage standards in Australia's ECS from a political economy disciplinary perspective. It has analysed low wages as a form of structured inequality faced by this highly feminised workforce; and it has evaluated the theoretical elements underpinning recent changes to pay standards and wage setting mechanisms in the sector. It has shown that orthodox theories of wages deriving from neoclassical economics cannot produce substantial systems-based change to low wage conditions because of their individualistic focus on human capital and market wage mechanisms. On the other hand, heterodox theories, drawing on Marxian and feminist political economy, engage more dynamically with a broader range of factors to explain wage determination and distribution processes, thereby having greater capacity to reveal the barriers and enablers of

higher wages. The heterodox approach supports more direct action to improve wages, rather than the indirect engagement with wage improvements that is more characteristic of the orthodox approach.

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LIQUID CAPITAL:
WATER MARKETISATION AS AN ACCUMULATION STRATEGY

Zac Edwards

In recent decades, water resource management has become a key concern of environmental and economic policy worldwide. The marketisation of water rights through cap-and-trade systems has emerged as a significant policy approach, due to its theoretical promise of protecting the environment while ensuring economically 'optimal' allocation of water resources. Australia's Murray-Darling Basin (MDB) is one of the largest examples of this policy approach in practice. Despite its stated aims, however, the scheme has been associated with environmental damage and worsening social inequality. The durability of market-based water policy in the face of these failures requires critical explanation.

Neil Smith's (2007) article *Nature as Accumulation Strategy?* has provided an influential framework for critical social scientists seeking to account for the roll-out of market-based environmental policy. Smith argues that market-based environmental policy represents an attempt by capital to accumulate *through* its own environmental limits via the 'real subsumption' of nature. Smith posits that by turning environmental externalities into commodities and forming markets for their exchange, states have reconfigured the very environmental limits that constrain capital into new frontiers of capital accumulation.

Against Smith, some critics have countered that the marketisation of nature is not an 'accumulation strategy' that fundamentally reorganises capital's relation to nature, but rather an exercise in 'value-grabbing' (Andreucci *et al.* 2017). These critics argue that markets for ecological commodities do not contribute to value production and are merely a

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vehicle for the zero-sum redistribution of 'ecological rents' (Felli 2014). Influenced by this critique, Bigger (2018: 312) concludes an empirical study of carbon credits, fishing quotas, and water quality markets by arguing:

> [i]n general, tradeable permit systems do not facilitate highly liquid financial markets that might signal the increasing importance of regulatory markets as an accumulation strategy for capital.

This article engages in this debate through the case study of water marketisation in the MDB. In part, it vindicates Smith's 'nature as accumulation strategy' thesis and refutes the 'ecological rent' school of thought. It shows how water marketisation in the MDB developed historically as an attempt to secure ongoing accumulation in the face of ecological limits. It then demonstrates how the roll-out of water markets has facilitated accumulation at the aggregate level (notwithstanding the possibility of a longer-term profit squeeze brought on by ecological decline). This does not necessarily imply the ontological claim that nature itself is *directly* productive of value in the Marxian sense (*e.g.* as debated by Kallis and Swyngedouw 2017). Instead, it shows that water markets can facilitate the reorganisation of agriculture's conditions of production on terms more favourable to accumulation – a more modest claim that nonetheless demonstrates the enduring relevance of Smith's theory.

This article also identifies shortcomings in Smith's thesis, showing that it fails to account for the diversity of ways in which capital instrumentalises water markets in pursuit of profit. Going beyond Smith, this article introduces *fractions of capital* as a key unit of analysis for understanding the marketisation of nature. As the MDB case study will show, different fractions of capital are engaged in eco-social relations through water markets that range from productive to purely redistributive – and in many cases, the distinction is blurred. These interests and relations, by turns competing and complementary, have shaped the ongoing roll-out and evolution of water markets in the MDB.

Furthermore, while the marketisation of water in the MDB drew from an ensemble of existing neoliberal strategies being deployed at the same time in other sectors, it is not reducible to any grand logic of neoliberalism or capitalism *in general*. Rather, like other processes of neoliberalisation, water policy reform was essentially improvised, 'articulated through historically and geographically specific strategies of institutional transformation and ideological rearticulation' (Brenner and Theodore

2005: 102) by various actors vying to stabilise the accumulation of capital in the face of crisis. Thus, in analysing the marketisation of water and other ecological commodities, this article resists imposing Smith's 'nature as accumulation strategy' theory as a teleologically unfolding tendency within the capitalist management of nature: instead, it remains sensitive to historical, political, and geographic specificities. In doing so, it exposes the marketisation of nature as a fragile, contradictory, and therefore contestable project, thereby opening space for alternatives.

Water policy in the Murray-Darling Basin: A brief history

According to Smith's 'nature as accumulation strategy' thesis, the emergence of market environmentalism is a response to historical developments within the capital-nature relation. As capital runs out of external frontiers to conquer, it increasingly moves from 'extensive' to 'intensive' forms of accumulation (Smith 2007: 31). Rather than simply appropriating resources, capital increasingly reorganises nature 'all the way down' and financialises nature 'all the way up' (Smith 2007: 33). For Smith, this transformation, at least superficially, resolves the contradiction between capital and environmental sustainability by producing new frontiers of accumulation even in the face of a shrinking resource base and ecological decline.

As critical geographers such as Swyngedouw (2015: 9) have shown, regimes of water management are always highly *social* in character, shaped by 'diverse political projects, social visions, ecological sensitivities, sociocultural imaginaries, discursive formations, institutional arrangements, economic interests and strategies, and engineering technologies' (Swyngedouw 2015: 9).

The discussion below offers a brief 'hydro-social' (Linton and Budds 2014) history of water policy in the MDB that seeks to take these interwoven forces into account. In doing so, it reveals how the dynamics described by Smith (i.e. the closure of ecological frontiers, intensification, and ecological decline) created a situation in which the state, drawing in an improvised way on an ensemble of existing neoliberal strategies, rolled out water markets to secure ongoing accumulation.

Colonial expansion

In its earliest phase, colonial water policy in the MDB was based on the common law doctrine of *riparianism*, whereby landowners were free to use any water that flowed through or was contiguous with their land (Musgrave 2008: 29). This was an expression of a broader expansion of the colonial economy into the Australian hinterland via land grabs by British officials and, later, the squatter class (McMichael 2002: 60ff.). This expansion was expressed ideologically through representations of 'the bush' as a limitless bounty, a source of wealth, and even a ticket to personal freedom and class mobility (Waterhouse 2005: 165*ff*; McQueen 1976). While popular depictions of pastoral life did focus on the dryness of the Australian interior, they maintained a fatalistic tone, depicting the struggle for survival to tame a harsh and unforgiving nature, rather than reflecting on the inadequacy of British farming practices in an unfamiliar continent (Gibbs 2009).

Agricultural intensification and water licensing

By the mid-19th century, this squatter-dominated, expansionist model of agrarian capitalist development was giving way to a period of intensification which ushered in a new paradigm of water management. Urban radicals of the time agitated for access to land, while members of an emerging urban bourgeoisie sought an outlet for their capital. These two groupings coalesced into a political bloc and waged a campaign to 'unlock the land' from what they perceived as the arbitrary privileges enjoyed by the squatters (Baker 1958; McQueen 1976). This struggle culminated in the passing of the *Crown Lands Acts* in 1861, which diminished the class power of the squatters in New South Wales, with other states soon following. Clearly defined private property rights over land were established, laying the foundations for agricultural rationalisation and intensification.

The states established a program of 'closer settlement' which aimed to populate the countryside more densely through smaller, intensive farms. Water came to occupy a central role within this model of national development, as both a means for transporting commodities and intensifying agriculture across the continent (Gibbs 2009). In 1912, the *Federal Water Act* consolidated 'a system of private water exploitation

under public licence whose essentials still apply today' (Lloyd 1988: 124, as cited in Musgrave 2008). While water use remained linked to land ownership, water resources were now owned by the states, which distributed usage rights via a licensing system. The late-19th and early-20th century also saw the Basin's hydrology transformed through state-led infrastructure projects such as dams and weirs, converting the Southern Basin into a highly regulated hydrological system (Davies and Lawrence 2019; Musgrave 2008: 35*ff*.).

This 'state hydraulic paradigm' (Bakker 2014; Schmidt 2014) had contradictory effects. On one hand, state-sponsored irrigation was promoted on the grounds that it would support smallholder agriculture and closer settlement schemes. This link between irrigation schemes and close settlement continued into the 1950s, when plots of rural land were granted to WWII veterans (Musgrave 2008: 36). On the other hand, technological intensification in agriculture created economies of scale and drove up operating costs in agriculture, making smallholder operations less viable. As a result, irrigation projects often facilitated larger cash-cropping operations. For example, the success of rice farming in the Murrumbidgee Irrigation Area between the 1920s and the 1980s led to a continuous consolidation of land into larger holdings (Musgrave 2008: 37). This trend towards consolidation would eventually contribute to the decline of smallholder agriculture, as well as the model of government assistance that underpinned it.

Neoliberalisation and water markets

In line with Smith's argument, the third and most recent phase of colonial water management in the MDB emerged from a collision between environmental decline and neoliberal economic strategy. On the economic side, the second half of the 20th century was marked by the rise of agribusiness and large-scale corporate farming. Gray and Lawrence (2001: 8) describe this model of agriculture as follows:

> By using the inputs of corporate agribusiness firms, farmers achieve increasingly high levels of output. When markets have been buoyant… productivity has translated into profit. In such circumstances increased income can be used to purchase adjacent lands thus allowing, through economies of scale, ever-greater machinery to be applied.

Industrial agriculture drastically increased farm output. However, this productivity came at a price. As capital-intensity (and therefore production costs) increased, owner-operated 'family farms' were pushed out and agricultural labour displaced. In 1947, self-employed farmers in Australia outnumbered commercial farm employers at a ratio of 4:1 but, by 1971, this had dropped to less than 3:1, illustrating the declining viability of smaller farms (Lawrence 1984: 78). Agriculture accounted for around 10% of total employment in Australia in the 1950s but dropped to less than 5% by the turn of the century (Pollard 2000).

At the same time, rising agricultural output was not readily absorbed on the domestic market. This problem became particularly clear following the entry of Britain into the European Economic Community in 1973, and the resulting decline in its trade relations with Australia (Campbell and Dumsday 1990: 166). Larger producers began to view agricultural protectionism as a hinderance, as it barred their access to foreign markets. Beginning in the 1980s, a process of neoliberal restructuring began whereby some forms of agricultural protection were rolled back, and competition between producers was intensified to increase efficiency and orient agriculture towards exports (Gray and Lawrence 2001: 58-61). This reinforced the existing tendency towards land consolidation and the vertical integration of farm industries by agribusiness firms (Lawrence, 1987: 139-58).

These economic transformations coincided with the realisation that further irrigation licences could not be granted indefinitely. The Millennium Drought (2004 – 2009) brought into focus the problem of over-allocation of licences in the MDB. Over-allocation threatened not only the Basin's ecological character, but also to the property rights of existing irrigators, whose water entitlements were becoming less and less secure as on-paper allocations diverged from available volumes of water (Crase *et al.* 2004). Ongoing accumulation in agriculture now required capital to produce more with less – in Smith's (2007: 46) terms, nature had to be produced more intensively.

These intersecting economic and environmental conditions necessitated a new approach to water management. In forging this new approach, the Australian state drew on an existing ensemble of neoliberal strategies that had already been deployed across other sectors: specifically, the tightening of market discipline as a means of increasing productivity, and the privatisation of functions previously managed by the state to create new

outlets for capital. It is significant that the strongest early push towards water marketisation occurred between 1994 and 2004 under the Council of Australian Governments' 'national competition policy', which also oversaw a wave of privatisations in the water sector (McKay 2008: 50).

The explicit aims of water marketisation, aside from protecting water resources, were to drive up productivity in agriculture through the imposition of competitive pressure and to create opportunities for private investment (McKay 2008). Marketisation certainly catered to the demands of agribusiness firms seeking new outlets for their capital, with many of these firms going on to play a major role in the MDB's water markets, as both market intermediaries and institutional investors. It also, as discussed below, allowed agribusiness to turn towards *more* water-intensive crops if they were sufficiently profitable, at once propping up accumulation while also undermining the policy's ecological justification. In Smith's (2007: 20) terms, the bias of water marketisation in the MDB towards the interests of capital was never 'accidental nor simply an unintended consequence of otherwise well-meaning environmental legislation'; it was, from the very start, a strategy for securing accumulation in the face of crisis.

Hydrology of the Murray-Darling Basin

The geomorphology of the MDB has been drastically altered by two centuries of high-impact colonial economic practices. Over this period, the

> native vegetation of trees, shrubs and grasses has largely been removed […] and replaced with exotic cereal crops and fodder grasses. Linear earthworks and paved surfaces span the region and divide the land surface into geometric blocks. Gullying and erosion have transformed stream morphology and dramatically increased rates of sediment transport and floodplain storage […] The entire surface hydrology of the MDB has been constrained and controlled by a vast network of weirs, dams, canals and levees (Davies and Lawrence 2019: 200).

This transformation has not been uniform across different regions. In the Northern Basin, which constitutes the main catchment area for the Darling River and spans from northern New South Wales to southern Queensland, there remains a mix of 'regulated' and 'unregulated' hydrological systems. Much of the region is relatively dry, and many of its watercourses are ephemeral; as such, some areas do not lend themselves to large engineering projects. The Southern Basin, encompassing the catchment

areas of the Murray and Murrumbidgee Rivers, is more intensively regulated through engineered structures, ensuring a high degree of hydrological connectivity within the region. More than 95% of surface water entitlements in the Southern Basin fall within regulated systems, where water flows are 'managed through artificial structures such as large dams and weirs' (Australian Competition and Consumer Commission [ACCC] 2021: 54).

Water infrastructure in the MDB is administered by both public and private entities. Most infrastructure situated on major rivers is managed by state-owned organisations, such as WaterNSW, Goulburn-Murray Water, and Sunwater (ACCC 2021: 124). However, private Irrigation Infrastructure Operators (IIOs) also play a major role in distributing water within certain catchment areas. Some of these IIOs developed independently, as in the cotton-growing regions of Northern NSW (Musgrave 2008: 38), while others are the product of privatisation in the 1990s (*cf.* Murray Irrigation 2020). Private dams also play a role in the physical regulation of water in the MDB, storing water both for use and for future sale. Over the past decade, infrastructure subsidies have driven a boom in private dam construction, increasing the volume of water available for irrigation and reduced environmental flows (Slattery *et al.* 2019; Wheeler *et al.* 2020).

Water market institutions in the Murray-Darling Basin

Even within the most engineered hydrological systems, the conversion of water into a tradable commodity is not straightforward. Critical geographers have shown that 'some natures "resist" complete commodification […] while others are more readily subsumed' (Castree 2003: 289). Critical geographers have described water as an 'unruly' resource, to the extent that it possesses a form of 'agency' (Jones and McDonald 2007; Bear and Bull 2011).

As noted, rainfall patterns in the MDB are highly variable. From the perspective of capitalist agriculture, water is frequently in the 'wrong' place at the 'wrong' time, which in extreme cases is experienced as drought or flood. Furthermore, unlike most commodities, water is neither easily transported (like a consumer good) nor completely immobile (like land). Whether moving through regulated or unregulated watercourses, water is often lost in transit via evaporation, seepage, and overflow (ACCC 2021: 452-9). The transformation of water into a commodity for exchange thus

depends on a complex set of institutions designed to reconcile the spatio-temporal unruliness of water flows with the demands of capitalist agricultural production.

In the MDB, the spatial and temporal variability of rainfall is reconciled with the commodity form through the implementation of a capacity-sharing model of water licensing. Under a capacity-sharing system, rather than claiming ongoing ownership of a specific volume of water, users own the right to a proportional share of available water in a catchment area (Dudley 1992). This right is known as a water 'entitlement'; trade in these entitlements is commonly known as 'permanent trade'. Water entitlements are sorted into asset classes based on their reliability and level of priority over other licence-holders (ACCC 2021: 60-1). In this sense a water entitlement is more like a financial asset than a material commodity.

Entitlement holders receive water 'allocations' based on rainfall, and the volume and priority level of their holdings. These allocations are also tradeable. This is known as 'temporary trade' (Murray Darling Basin Authority [MDBA] 2021a). Trade occurs relatively freely within 'water trading regions', geographic units with a high degree of internal connectivity that often correspond to a catchment area. 'Inter-valley trade' (transactions between water trading regions) is more complicated; under some circumstances, limits have been imposed on inter-valley trading to accommodate hydrological realities. For example, one narrow section of the Murray River, the Barmah Choke, can only pass 7000ML of water per day without flooding. Upstream-downstream trade across the Barmah Choke is therefore restricted during summer and autumn months to prevent unseasonal flooding and conveyance losses (MDBA 2021b).

Trade in both entitlements and allocations is largely overseen and approved by the MDBA, a regulatory agency established by the federal government in 2007 that operates across all Basin states and territories. However, in some catchment areas, regulatory responsibilities have been delegated to private IIOs. These organisations purchase large volumes of water entitlements on the official market, then distribute allocations directly to their customers through internal networks. These latter transactions are not fully captured in existing statistics on water trading (ACCC 2021: 88).

In addition to regulatory agencies and IIOs, water markets are shaped by a variety of market intermediaries, such as brokers (*e.g.* Ruralco Water, Wilks Water, Elders) and exchanges (*e.g.* Waterexchange, H2OX and

Waterpool Trading) (ACCC: 71). These intermediaries facilitate trading by connecting buyers and sellers, as well as navigating legal and bureaucratic complexities. Other organisations offer market information; some are publicly owned, such as the Bureau of Meteorology (BOM), while others are private and offer information and consultancy for a fee (*e.g.* WaterFlow 2019; Aither n.d.).

Within the Murray-Darling water markets, mechanisms have been introduced to reserve a share of water for the environment. Environmental water holders are government-owned entities that hold permanent water entitlements to divert water from consumptive use and manage the release of water to meet ecological targets (Department of Agriculture, Water and the Environment 2021). The share of water reserved for environmental use is established by the MDBA through the setting of 'sustainable diversion limits' (SDLs), which are, in principle, constructed with reference to historical rainfall and flow data (Basin Plan 2012: s.6.01–6.12C). Environmental water holders attempt to meet SDLs through voluntary buybacks of entitlements by environmental water holders and through the subsidisation of infrastructure upgrades, though the latter method is more costly and less effective (Wittwer and Dixon 2013; Loch and Adamson 2015).

Fractions of capital in the water market

Smith's 'nature as accumulation strategy' thesis has become the target of critique on the basis that it identifies ecological markets as new frontiers of accumulation. Critics like Felli (2014) and Andreucci *et al.* (2017) argue that ecological markets are simply a new mechanism for the distribution of rents – in other words, the circulation of value through ecological markets is zero-sum, and does not facilitate accumulation at the aggregate level. The case of the MDB demonstrates that this 'ecological rent' critique is reductive because water marketisation *has* fuelled accumulation by facilitating the material reorganisation of agriculture's conditions of production.

However, neither Smith nor his critics account for how *fractions of capital* mobilise ecological markets in diverse and sometimes competing ways. Market-facilitated accumulation in agriculture has existed *alongside* the specific rent-seeking strategies of intermediaries and investors; the latter does not negate the former. Furthermore, some strategies which resemble

rent-seeking in isolation interact with production in complex ways, potentially having positive-sum effects on accumulation at the aggregate level. These interactions between fractions of capital and their strategies for pursuing revenue, by turns complimentary and contradictory, are key to understanding the ongoing evolution of water policy in the MDB.

To define class fractions, this analysis draws on Marx's analysis of the 'circuit of capital'. In the first volume of *Capital*, Marx (1976: 255) defines capital as a process of 'self-valorisation' whereby value, through its metamorphosis from money, into commodities, and back into money, expands itself through the appropriation of surplus-value. This 'general formula for capital' is expressed as M–C–M' (Marx 1976: 257). However, on a more concrete level, individual firms tend to be functionally differentiated, operating within particular moments in this circuit. We may distinguish, for example, between capital deployed in the production of commodities and capital operating within the sphere of circulation. In the second volume of *Capital*, these distinctions are further refined, with capital operating in the sphere of circulation divided into commodity capital and money capital (Marx 1978). Furthermore, landed property, which lacks a direct role in the production or circulation of capital, may also be counted among the key determinants of wealth distribution due to its capacity to appropriate value from both capital and labour (Marx 1981: 960; Collins 2018).

The bearers of these functional relations may be identified with class fractions – the industrialist as bearer of productive capital; the wholesaler as bearer of commodity capital; the banker as bearer of money capital; the landlord with landed property, etc. While each is necessary for the reproduction of capitalism as a whole, they may also possess individual interests that are antagonistic. This interplay of fractional interests is central to understanding the struggle for hegemony within the ruling class and the dynamic stabilisation of capital accumulation as mediated by the state through successive policy regimes (van der Pijl 2012).

In the case of the MDB water market, the main holder of productive capital is the irrigator, for whom water is an input into the production process. Water markets, when combined with engineering interventions, facilitate accumulation for irrigators by 'smoothing out' the spatial variability of water supply. Water markets have also been used to tame water's *temporal* variability using 'carryover allocations', whereby unused water accrued

during previous seasons can be claimed in the future, and even traded through a practice known as 'carryover parking' (ACCC 2021: 89).

In the sphere of circulation, two dominant fractions operate: water market intermediaries and institutional investors. Intermediaries capture a portion of the surplus produced in agriculture by facilitating water market transactions. Institutional investors extract surplus by holding a portfolio of water entitlements and selling allocations, while in the long-term expecting their portfolio to appreciate. While to some extent institutional investors fulfill the role of the ecological rentier as imagined by Felli (2014) and Andreucci *et al.* (2017), innovations in derivative-style water contracts complicate this analysis. By creating instruments such as water futures, institutional investors exert additional spatio-temporal effects on water markets that transform agricultural organisation on a material level, thus facilitating accumulation while also bringing about new types of risk.

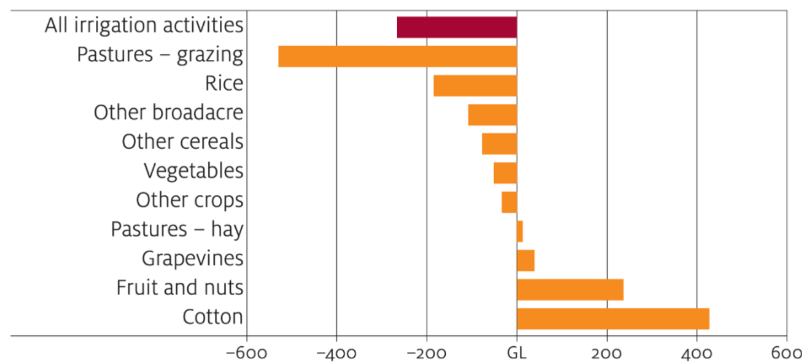
Water markets and irrigators

Establishing how water marketisation in the MDB has changed the behaviour of irrigators is not straightforward because of the many factors that affect trends in agriculture. However, available data shows that there has been a significant expansion in the production of certain water-intensive crops, even during dry periods. During the 2017-2018 financial year, the most recent period for which data is available, 'cotton' and 'fruits and nuts' accounted for the largest share of gross value of irrigated agricultural production (GVIAP) in the MDB (ABS 2019). The growth of the fruit and nuts sector has been particularly striking; between 2011-12 and 2019-20 there was a nearly continuous increase in the area of land irrigated, while the volume of water jumped from 475,286 to 757,093 megalitres (ABS 2021).

These trends are not solely driven by water marketisation; they are also a product of the increasing global integration of Australian agriculture since the mid-20th century and, more recently, by strong demand for these commodities on the world market, driven particularly by the growth of the Chinese economy (*cf.* Australian Bureau of Agricultural and Resource Economics and Science [ABARES] 2020). However, the shift towards water-intensive crops such as cotton and tree nuts could not have occurred at such a scale without the institutional support of water markets.

Figure 1 shows ABARES modelling of long-run changes in water use at a set price point of $100 per megalitre. Between 2002-03 and 2016-17, while almost all other sectors saw stable or declining use, 'cotton' and 'fruits and nuts' increased their use by more than 400 and 200 gigalitres respectively. In other words, there has been a transfer of water away from less profitable to more profitable sectors, fulfilling water marketisation's aim to facilitate 'water reaching its most productive use' in economic terms (Basin Plan 2012: s.5.07). Concurrently, the water-intensiveness of the more profitable crops undermines the scheme's stated ecological purpose.

Figure 1. Long-run change in water use (2002–03 compared with 2016–17) at a price of $100/ML



Source: Gupta and Hughes (2018).

The expansion of the fruit and nut sector exemplifies how water markets work with the re-engineered waterscape to reconcile the spatio-temporal rhythms of capitalist production and of nature. The production time for crops such as tree nuts, which dominate the sector, is particularly long. Almond trees, for example, take 5 to 6 years from planting to reach full yield. If an almond plantation is not adequately watered during this time, its value is never realised and the owner's capital is destroyed. Investment decisions in perennial horticulture therefore involve much longer time-horizons than annual crops. Whereas an annual crop may be substituted or abandoned during a drought year, permanent plantings require a consistent supply of water to avert downside risk.

A comparison of water usage in cotton production and in 'fruit and nuts' horticulture illustrates this point. The area irrigated for cotton production in the MDB declined from 320,175 hectares in 2017-2018 to 44,034 hectares in 2019-2020 in response to drought. During the same period, the volume of water applied to cotton crops dropped from 2,420,296 to 287,750 megalitres, and the application rate from 7.8 to 6.5 megalitres per hectare (ABS 2021; *cf.* BOM 2021).

By comparison, the fruit and nuts sector has been far less responsive to water price changes. During the same drought period of 2017-18 to 2019-20, the area irrigated for fruit and nut production in the MDB increased from 87,562 to 101,077 hectares. At the very peak of the drought in 2018-19, water use in the sector hit a historic high of 769,066 megalitres (ABS 2021).

This inelasticity of demand for water demonstrates that, in permanent horticulture, the costs of accessing water through the market are outweighed by the profitability of water-intensive crops. This problematises the notion that water markets induce behavioural change among irrigators to transition towards more ecologically sustainable crops.

Furthermore, it illustrates how water markets can operate as an accumulation strategy for capital: by smoothing over spatio-temporal variations in water supply, water markets have facilitated accumulation by allowing irrigators to mitigate the downside risk of planting perennial, water-intensive crops.

Water market intermediaries

Recent years have seen the proliferation of intermediaries within the Basin's water markets. Already, survey data from 2008-09 indicated that 77% of respondents who had participated in a water trade over the year had used a water market intermediary (Ashton 2010). Expanding water market participation suggests an increase in intermediary activity since then (ACCC 2021: 85).

Intermediaries include water exchanges and water brokers. Water exchanges are digital platforms for matching buyers and sellers, fulfilling the role of a central marketplace that is currently absent from the MDB's formal water market architecture. Water exchanges appropriate a portion of the surplus produced by irrigated agriculture by charging a flat fee or

commission on transactions: for example, one of the major exchanges, H2OX, charges users $2.20 per megalitre on all allocation trades (Xpanisiv n.d.).

In addition to exchanges, around 80 water brokers operate in the MDB, concentrated particularly in the Southern Basin (ACCC 2021: 127). Brokers tend to intervene more directly in the circulation process than exchanges, with many organising trades via their own water accounts. Price differentials between water trading regions, owing to differences in rainfall, demand and regulatory frameworks, are exploited by some brokers as opportunities for arbitrage.

These brokers have come to dominate inter-valley trade by developing methods of expediting the application process so that their transactions are approved before the inter-valley trade limit is reached. One method involves aggregating water allocations so that they are approved as a single transaction. Digital technology is also increasingly used to automate the application process (ACCC: 249-52).

While spatio-temporal unevenness is a precondition of these arbitraging practices, inter-valley trade itself has a ‘smoothing’ effect on the distribution and pricing of water in the MDB. At the same time, intermediaries use their control over the circulation process to extract a portion of the surplus produced in agriculture. Thus, it appears that intermediaries may act as *ecological rentier* while *also* playing a part in reorganising the conditions of production on terms favourable to accumulation. This contradictory and ambiguous role refutes the ‘ecological rent’ critique of Smith (Felli 2014; Andreucci *et al.* 2017) and shows that this critique suffers from a narrowly production-focused view of Marxian value theory.

For Marx, while the circulation of commodities is not itself directly *productive* of value, it is essential to the *realisation* of value; thus, production and circulation form an organic unity. The spatial extension and temporal compression of water trade, as facilitated by water market intermediaries, allows for transformations in the production process that are favourable to accumulation (*cf.* Harvey 1990) – these effects are *not* ruled out by the fact that intermediaries also extract rents.

Water market investors

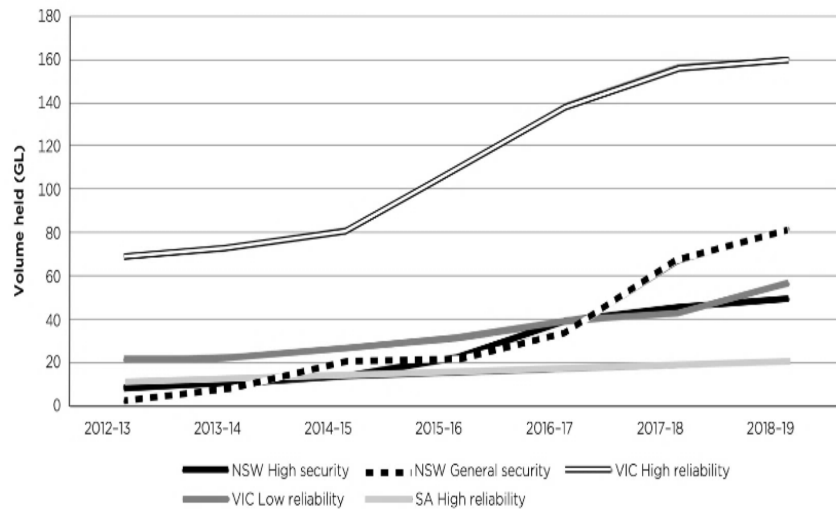
Since the unbundling of water rights from land ownership in the Basin states, investment in water rights by non-productive users has been increasing (Seidl *et al.* 2020).

Non-productive holders of water rights range from large institutional investors through to retired irrigators (ACCC 2021: 126). Investors pursue a variety of strategies for appropriating value through the ownership and circulation of water rights. The crudest of these strategies is short-term *speculation* on the temporary allocation market. One version of this practice involves the deliberate creation of a hoard to influence future price movements. Although the magnitude of short-term speculation is hard to assess due to the decentralised character of water trading and reporting in the MDB, it appears to be undertaken mainly by smaller investors (ACCC: 163). The available evidence does not suggest that allocation hoarding exerts a significant influence on water price or availability (Loch *et al.* 2021).

Of probably greater influence is ownership of permanent water entitlements as a common profit-making strategy by institutional investors. On 30 June 2019, the four largest investors (Argyle Group, Aware Water, Duxton Water Ltd, Kilter Rural) collectively owned 7% of all high-security entitlements issued in the Southern Basin (ACCC 2021: 167). Figure 2 below shows more details about the volume and type of water entitlements held by these four investors during the period between 2012-13 and 2018-19. It shows that, in aggregate, their holdings of the water entitlements more than doubled during that 6-year period.

Investors buy water entitlements as a speculative asset in anticipation that their value will increase over the long-term, an expectation that is particularly warranted during dry periods: according to water consultancy firm Aither (2020: 34), between 2015-16 and 2019-20, the total value of water entitlements in the MDB almost doubled from $13.5 billion to $26.3 billion. More frequent and severe periods of water scarcity due to climate change, as well as the 'demand-hardening' effects of the recent expansion of perennial horticulture, will likely lead to further appreciation in the future (Loch *et al.* 2021). Institutional investors tend to hedge risk by purchasing entitlements from different water trading regions and from different reliability classes, although with a strong bias towards high security entitlements (ACCC 2021: 176).

Figure 2: Volume of MDB water entitlements held by the four largest investors, by class and year



Source: ACCC (2021).

Additionally, investors derive short-term income from selling the allocations that accrue to their water entitlements. Non-irrigator investors account for a disproportionate share of trades-out within MDB allocation markets (ACCC: 171). Revenue derived from these channels (*i.e.* the asset appreciation of entitlements and the sale of allocations) is based on a set of socio-ecological relations that is distinct from both irrigated agriculture and market intermediary activities. Water investors can operate entirely outside the productive process. But, unlike water market intermediaries who appropriate a portion of the surplus by charging fees for their services or exploiting price differentials between geographically dispersed markets, water market investors derive their social power from their ongoing control over a finite resource. Like landed proprietors, institutional water investors can bar agricultural capital's access to an essential condition of production, and through this relation are able to extract from productive capital a portion of its surplus (*cf.* Fine 2016).

In this sense, water investors form an ecological rentier class. However, this does not entirely refute the 'nature as accumulation strategy' thesis, as

Felli (2014) and Andreucci *et al.* (2017) claim. Water investors are also engaged in the creation and circulation of derivative-style water products such as water futures and entitlement leases. These products represent more than a zero-sum redistributive relation; rather, they mark a shift in the way that finance and agriculture value nature and organise risk, with concomitant effects on the organisation of production itself. The term 'derivative-style' is used because, since 2014, these products have been excluded from the definition of derivatives under Australian law, exempting them from the regulatory oversight (Treasury 2014). Functionally, however, they are indistinguishable from other derivative products, and so will be referred to simply as 'derivates' hereafter.

The most recently available data shows only around 7% of irrigators are engaged in lease contracts, and even fewer make use of derivatives (ACCC 2021: 123). However, leases and derivatives account for a large share of the incomes of some institutional investors. As of June 2021, 43% of Argyle Capital's water entitlement portfolio was leased, and 23% of expected 2021-22 allocations had been sold in the form of forward contracts (Argyle Capital 2021: 16). Duxton Water's latest figures indicate that, as of July 2021, 68% of its entitlements were leased and a smaller, undisclosed proportion of allocations had been sold in forward contracts (Duxton Water 2021).

Individual capitalists and firms use derivatives to redistribute risk in pursuit of specific goals. Derivatives can be used to hedge against a particular vulnerability; for example, irrigators wishing to reduce their exposure to water allocation price increases may take out a forward contract with a water investor. Conversely, derivatives can be used to speculate; in the scenario just mentioned, the investor increases their exposure to allocation price movements in the hope of earning a premium upon the contract's expiry.

Entitlement leases, while distinct from derivatives, serve a similar purpose by *shifting exposure to risk*. Water entitlements are akin to shares, in that they represent an unknown yield. When an entitlement lease is signed, the lessor (usually an investor) receives a contractually agreed-upon payment, while the lessee (usually an irrigator) is exposed to potential changes in the volume of water allocated to that entitlement.

While derivatives are used to shift risk, their overall function cannot be reduced to the hedging and speculative strategies of individual capitals. While a single derivative contract represents a zero-sum relationship

between counterparties, in the aggregate, derivatives can be seen to involve a positive sum. By permitting the better planning and organisation of production and trade, derivatives may generate positive effects on resource allocation and accumulation (Bryan and Rafferty 2006: 41; see also Parsons 1988). Modelling by Bayer and Loch (2017) supports this view in the case of water markets, finding that the introduction of forward contracts improves efficiency to a greater extent and at lower cost than entitlement trading.

Empirically, the degree to which derivatives have altered the organisation of irrigated agriculture in the MDB is difficult to assess, as forward contracts are traded 'over the counter' and irrigators tend not to disclose the makeup of their water portfolios. But. while uptake currently appears low, there is significant incentive for irrigators to make greater use of forwards and options in the future. Australian farmers rank climatic variability as their highest risk, setting them apart historically from those in other advanced economies (Nguyen *et al*. 2007). Climatic variability produces price volatility within allocation markets (Grafton and Horne 2014: 66) and represents a risk to entitlement holders in the form of reduced allocation volumes during dry years. Some irrigators have found that this risk outweighs the benefit of owning any entitlements at all. For example, agribusiness firm Boundary Bend Limited lost revenue in 2007 when allocation volumes were reduced to 35% of its nominal entitlements – subsequently, the company sold its entire entitlement portfolio and sourced water solely from the temporary market (Boundary Bend 2019).

As discussed earlier, water marketisation provides irrigators with a way of mitigating the risks associated with water's spatio-temporal variability. Derivatives represent a radical deepening of this project. Forwards, futures, and options contracts 'bind the present to the future by reconciling prices today with prices tomorrow' (Bryan and Rafferty 2006: 39). Water entitlements may yield different volumes of water each season and spot markets for water allocations are volatile. But derivatives, through their temporal 'binding' function, have the potential to anchor future water prices to a predicted value; and to this extent, they play an active role in the *valuation of nature* itself.

Of course, predictions about the future value of water can deviate from material reality. This is not inherently a problem for accumulation – rather, the 'contestability' of fundamental value is integral to how derivatives operate (Bryan and Rafferty 2006: 37). But extreme deviations may have

destructive effects across both finance and the material economy. For example, in the event of an unforeseen dry period, an overexposed investor may struggle to access the volume of allocations required to meet their forward obligations. Irrigators who have factored the delivery of water through forwards contracts into their production decisions may find themselves facing serious losses should their counterparties fail to settle these contracts in kind. Furthermore, if water derivatives become further developed, standardised, and enmeshed with other financial products, the chances of contagion in the event of a localised shock may increase.

The emergence of derivatives contracts between investors and irrigators therefore problematises the narrative of 'productive' irrigators and 'rentier' water investors (*cf.* Felli 2014; Andreucci *et al.* 2017), because the effects of derivatives are irreducible to a zero-sum game between hedgers and speculators. Forward, futures, and options contracts, through their temporal 'binding' effect, play a role in valuing water and mitigating price uncertainty, allowing irrigators to reorganise production towards new profit-making strategies, and providing finance with a potentially profitable source of exposure. At the same time, derivatives may introduce new forms of systemic risk into finance and agriculture.

Water market reform and intra-capitalist competition

As the above discussion demonstrates, water marketisation in the MDB emerged not merely as a policy response to environmental pressures, but also as a strategy for propping up accumulation. Moreover, these markets are instrumentalised by different fractions of capital in pursuit of diverse and sometimes conflicting goals. The resulting tensions that arise continue to shape the policy evolution of water marketisation in the basin.

A contradictory relationship can be observed between irrigators and market intermediaries. Irrigators have raised concern, for example, that intermediaries manipulate market prices by exploiting information asymmetries, misrepresenting prices on their public registers, and dominating inter-valley trade by aggregating trade applications and automating the submission process (see ACCC 2021: 233). Conflicts of interest have also arisen whereby brokers have themselves been the buying or selling party in a trade without informing their clients (ACCC: 236-9).

However, there is also some degree of complementarity between irrigators and water market intermediaries. The use of intermediaries is widespread

in the Southern Basin, where allocation trades are most prevalent (ACCC: 127). According to a survey of irrigators across the whole MDB, 77% of irrigators had used a water market intermediary in the 2008-09 water year, only 14% of which reported having any problems; and, within this group, most complaints related to delays and mistakes rather than misleading conduct (Ashton 2010: 8). A *Water Market Intermediaries Code* is under development to further harmonise the activities of intermediaries with the interests of irrigators (Department of Climate Change, Energy, Environment and Water 2023).

There is a sharper antagonism between irrigators and non-farm investors. Naturally, water investment firms take a positive view of their own role within water markets, arguing that they provide 'important risk management tools' to irrigators in the form of derivative-style contracts (Riparian Capital Partners 2019: 4). Ultimately, however, water investors' economic power derives from their ability to exclude potential users from access to a finite resource. While it may be true that some irrigators purchase and lease water products from investors to increase their flexibility or hedge risk, investors nevertheless extract surplus from irrigators through their control over an essential condition of production.

This kind of social relation – akin to (but *not* reducible to) a rent relation – confronts the irrigator as a barrier to accumulation. The activities of non-farm investors have therefore been a cause for considerable angst among some irrigators, who accuse 'professional speculators' of 'influencing market prices […] by deliberately holding back supply' and have called on regulators to 'move immediately to create market rules that discourage the participation of professional speculators' (NSW Farmers' Association 2019: 5). The conflict between irrigators and water investors is a common theme in the media, with coverage contrasting the productive character of irrigation with the unproductive activity of speculators. Medium-sized irrigator Ryan Marr, when interviewed by ABC news, put it this way:

> We have all these ticket-clippers who come along who are making a living from all the in-between. Is that fair and right when it is the grower at the end of the chain who has to do all the hard work to grow the crop, carry the risk, to actually make it worth money? (Sullivan 2019).

Rob McGavin, co-founder of Boundary Bend (one of the largest agribusinesses in the Basin), accuses speculators of precipitating rural decline:

> Every day [speculators] are in the market bidding against the irrigator means the irrigator has got to pay more, which means they don't have as much to spend in town, which means the whole community suffers (Sullivan 2019).

Such claims about water speculation have been empirically contested (*e.g.* Loch *et al.* 2021). It may be that irrigator's cries of foul play over water prices may be misplaced or self-interested; but whatever the reality, these statements reveal an anxiety rooted in a real antagonism between the interests of irrigators and water investors. These tensions have reached such a pitch that the government's recent water market roadmap report has tried to hose them down, claiming that:

> [although] market participants are concerned about investor speculation […] investors make up only 7% of high-reliability entitlements in the Southern Basin and provide several benefits – including new sources of capital for irrigated agriculture and water products for the market (Quinlivan 2022: 27).

Unlike irrigators, it is in investors' interests for the price of water to appreciate, whether due to real scarcity (due to drought and over the longer-term, climate change) or due to future revaluations and buy-backs by government agencies. As such, water investors tend to adopt neutral or positive stances towards environmental protection.

By contrast, irrigators have lobbied aggressively against environmental protection, substantially influencing the trajectory of water market reform in the Basin. Initial consultations around the establishment the *Basin Plan* were rife with 'reactionary' rhetoric from irrigation lobbyists, who downplayed the benefits and emphasised the dangers of reduced extraction (Crase *et al.* 2011). Irrigation lobbyists instead advocated 'additional public investment in purported water-saving irrigation infrastructure and a major downward revision of the SDLs' (Crase *et al.* 2011: 196).

The subsequently published draft *Basin Plan* responded to these concerns by scheduling a review of SDLs for 2015, which would consider the water-saving impacts of 'works or measures', 'river management and river operational practices', new 'methods of delivering water', as well as economic and social considerations (MDBA 2011: 26-7). Furthermore, while the initial *Guide to the Proposed Basin Plan* determined that between 3000 and 7600 gigalitres of water would have to be recovered for the environment to restore key ecological functions, this was revised to 2750 gigalitres in the final *Basin Plan* without any scientific explanation (Walker 2019: 54, 188, 215-21).

Despite these concessions, irrigation lobbyists continue to advocate for increased extraction. In a submission to a Productivity Commission inquiry into water management, the National Farmers' Federation (NFF) (2020: 9) argued that:

> Governments must shift from solely focusing on achieving volumetric outcomes to maximising social, economic and environmental outcomes with existing water […] In respect of the Murray-Darling Basin, the NFF has a long-standing position to focus on enhancing environmental outcomes through complementary measures, or maximising environmental outcomes through non-flow measures.

This ongoing attack on environmental caps, in addition to threatening the Basin's ecology, has meant that the scope for investors to use the market for financialised forms of accumulation has been curtailed. It is unclear whether the market will continue to 'mature', as the government's water market roadmap predicts (Quinlivan 2022: 43), or whether its development will continue to be hampered by the short-term interests of irrigators seeking to access cheap water.

This does not refute the core claim of Neil Smith's 'nature as accumulation strategy' theory. Rather, it shows that the marketisation of nature is not an inevitably unfolding logic that determines capital's relation to nature but, rather, a hegemonic project shaped in its development by the interplay of group interests and strategies. As the above discussion shows, using class fractions in political economic analysis assists in understanding the different types of eco-social relations that are interwoven through the MDB water market – and how their actions have shaped the evolution of Australian water policy.

Conclusion

Consistent with Neil Smith's 'nature as accumulation strategy' thesis, the development of water markets in Australia's Murray-Darling Basin has been largely subordinate to the interests of capital. Water markets did not simply emerge as an evolution of water policy towards ever greater efficiency and environmental responsibility, as official histories imply (*e.g.*Musgrave 2008). Rather, marketisation emerged as an 'unholy alliance' between environmental protection and neoliberal economic strategy.

Furthermore, contrary to the critique put forward by Felli (2014) and Andreucci *et al.* (2017), marketisation has not merely led to the emergence of the ecological rentier. Instead, water marketisation has served to shore up accumulation at the aggregate level. Irrigators use water markets to manage the spatio-temporal variability of water flows, facilitating a transition to water-intensive perennial crops where profitable. Market intermediaries such as water brokers and exchanges exert control over the circulation of water, allowing them to capture a portion of the surplus produced by agriculture. However, their role is not reducible to ecological rentier – by allowing irrigators to access more water, in more places and more of the time, intermediaries reorganise nature to annihilate spatial and temporal barriers to accumulation (*cf.* Harvey 1990). Institutional investors most closely resemble the 'ecological rentier' imagined by Smith's critics, but even they may facilitate accumulation by offering derivative-style products such as entitlement leases, forward, and futures contracts, redistributing risk in ways that materially reorganise agricultural production.

While this analysis demonstrates the ongoing relevance of Smith's 'nature as accumulation strategy' argument, it also exposes its shortcomings. The marketisation of water cannot properly be understood as the inevitable unfolding of a new logic of capital. Instead, as we have seen, the various fractions of capital have sought to mobilise water markets in distinct and sometimes conflicting ways. The interplay of these competing interests and practices has shaped, and continues to shape, the evolution of water policy in the MDB. By exposing these conflictual social processes associated with the dominant paradigm and policy of water marketisation, this political economic analysis reveals its ultimate fragility and contestability.

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A ‘NEW’ CAPITALISM?
THE STATE AND RESTRUCTURING

Al Rainnie, Darryn Snell and Mark Dean

Industrial policy is back on the agenda for many countries after years in the wilderness. COVID-19, the climate crisis, and the emergence of a new cold war – what has been described as the polycrisis (Tooze 2018) – has raised concerns about sovereign industrial capabilities for governments and has contributed to a renewal of the state and its intervention in economic, industrial and regional development. In a recent series of publications (Dean *et al.* 2021, 2024; Rainnie and Snell 2023, 2024) we have traced the reemergence of industrial policy in Australia, its regional and renewables focus and, crucially, the increasing and fundamental militarisation of that policy. In this article, we examine the re-emergence of the state in the industrial policy and industrial development domain, and what has been broadly defined as the ‘new state capitalism’ (Alami 2023). While some political economists have suggested ‘new state capitalism’ has emerged out of global economic and environmental crisis and represents a break with the era of neo-liberalism which began in the 1980s, we suggest that the new state capitalism continues to support many of the key tenets of neo-liberalism which prove challenging for meaningful regional and industrial renewal.

The COVID-19 pandemic created disruption of global production networks and the emergence of an unemployment crisis, leading to an increasingly politicised economy and a shift in economic strategy toward more active intervention. A classic example was the Biden Administration’s *Inflation Reduction Act* that involved $891 billion in government funding to be used for supporting the growth of manufacturing in the United States (US Department of Treasury 2022). The *Inflation*

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Reduction Act aimed to address rising inequality, generate employment, particularly in 'rustbelt' regions, and turbocharge the renewable energy sector. It was also a key component of the US government's shift towards 'containing' – and reducing import reliance on – a more aggressive China. The Ukraine War exacerbated these geo-political challenges as energy prices and inflation were driven ever higher and alliances between Russia and China strengthened.

As the crisis unfolded in 2020, a range of researchers and organisations arrived at general agreement that these conditions allowed for, and indeed demanded, a more ambitious and interventionist policy approach to the social, political, environmental and economic crises. It had been generally acknowledged that ambitious and interventionist policy responses would be needed to build on the connections between the future of work, industrial structure, and the environment (see, for example, WWF 2020; UN 2020; ACTU 2020a, 2020b). The fact that the pandemic warranted a strong interventionist response became clearer still when, in *The Economist* – the mouthpiece of Western economic liberalism – an editorial piece (Leaders 2020) acknowledged that the COVID-19 pandemic and climate crises were fundamentally connected. The yet more astonishing aspect of this editorial, beyond describing how COVID-19 revealed the size of the challenge ahead, was that it went on to argue that the pandemic had also created a 'unique chance' to 'enact government policies that steer the economy away from carbon at a lower financial, social and political cost than might otherwise have been the case.'

In this article, we consider some of the interventions in the Australian economy that have continued growing since the pandemic. Its next section outlines how, and by whom, intervention came to be described as the 'new state capitalism'. This is followed by sections that explore the foundations of the new interventionism and how it has manifested in Australia, culminating in the Albanese government's *Future Made in Australia* policy. We conclude by suggesting that the new capitalism is not all that new and may be simply another manifestation of the current crisis.

A new state capitalism?

Alami *et al.* (2023: 245) point to the recently more visible role of the state across the global economy – as promoter, supervisor, regulator and owner

of capital. Alami calls this a 'new state capitalism' and presents several theses about its character:

- State capitalism is not an irregular deviation of the state from its form and determination as a capitalist state.
- State capitalism is an immanent potentiality, an impulse which is contained in the form of the capitalist state and built into its genetic code.
- The landscapes of present-day state capitalism are made of multifaceted, multilinear and interactive state transformations, which unfold in an uneven and combined manner.
- The currently unfolding arc in the historic trajectories of state intervention must be seen as the political form of these geographically uneven determinate transformations of capital accumulation.
- Contemporary state capitalism develops combinatorial forms, with cascading impacts across geographic space and policy.
- State capitalist impulses catalyse struggles over the political legitimacy of the emergent and reconstituted landscape of state intervention and over the definition of the relations between the state *qua* public and the private, in the process remaking the terrain of the struggle itself.
- These legitimacy struggles contain material, discursive and ideological dimensions – at a range of scales.
- Legitimacy struggles are a component of broader material conflicts between and within states, classes and sections of capital which shape the evolving landscapes of state capitalism.
- The impulse to state capitalism has four tendencies:
    a. *productivist* – intervening in production arrangements and competitive dynamics of productive capital – with a crucial territorial dimension;
    b. *absorptive* – enabling accumulation of vast surpluses in some state fuelled expansion of sovereign wealth funds;
    c. *stabilising* – resulting from states' attempts to produce new scales and geographies of intervention to retain sovereignty and preserve domestic political orders in the face of high mobility capital and speculative finance; and

d. *disciplinary* – politics of governing alienation as outcome of growth of relative surplus populations (Alami and Dixon 2023: 89).

These impulses entail a complex configuration of political authority, sovereignty and territoriality which is irreducible to a unidirectional movement. All four impulses are likely to deepen to a point where state capitalism becomes epoch defining. State-owned enterprises, sovereign wealth funds and other models of state-controlled enterprises are part of this process, as they grow in number and become increasingly integrated into global circuits of production, finance, infrastructure and corporate ownership. Van Appeldoorn and de Graaf (2022: 320-1), building upon the concept of new state capitalism, make four further inferences, that:

- the current unprecedented state interventions to save markets and restore private capital accumulation have significantly strengthened active management of the economy by the state;
- different roles, while potentially contradictory, often go hand in hand;
- the current reconfiguration of roles of the state does not necessarily imply a fundamental break with marketisation, but it does seem to signal the end of neo-liberalism, with a new emphasis on a market-creating role for the state; and
- the market-directing role for the state is becoming more prominent, reinforced by the COVID-19 crisis.

Developing a spatial element in the analysis has been a focus for writers linking new state capitalism with the concept of 'uneven and combined development'. The latter, according to Peck *et al.* (2023: 1400) is an active and unwritten law from which no region can claim exemption, retaining a distinctive presence while at the same time being co-produced through more than local relations, shaping an emergent totality. Gibson has (2022: 79) tried to pull together some of these arguments regarding polycrisis and emergent state capitalism in the Australian context, arguing that:

> Multiple crises and disruptions – climate disasters, the pandemic, geopolitical volatility, and supply chain interruptions – have together created the conditions for fresh rounds of state-capitalist development in regions. Viewed from a regional political-economic perspective, this is the latest phase in an extractivist, profit-orientated, and rent seeking mode of capitalism consistent with the settler-colonial experience (*cf.* Holm and Eklund 2018; Beresford 2018).

Responding to uncertainty and the decarbonisation imperative, governments have recalibrated modes of state-capitalist large-scale transformation in regional Australia. Aiming to secure mobile investment capital and promising jobs bonanzas in regions, governments and private capital are together forging deals and announcing pump-priming projects.

Gibson (2022: 2-3) also suggests that, in this antagonistic context, regions have surfaced as a key scale where alternatives are imagined, large infrastructure bids in renewables announced, and energy futures contested:

> From mineral extraction to infrastructure, expanded port capacity to decarbonisation and energy initiatives, sectoral corporate interests, institutional investors, state and federal governments are collaborating over diverse transformational projects with regions their target [...] The future of regional Australia will be shaped by power geometries, *i.e.*, how regional actors are entwined within macro scale dynamics beyond individual places.

In this context, the paramount technique has been to promote investment in projects that are explicitly spatial, such as 'green hydrogen hubs', 'renewables zones', 'energy precincts', and 'clean manufacturing precincts'. These analyses, however, only tell us what governments are pursuing and why they have been encouraged to pursue them. In other words, the focus is on the changing role of the state, rather than the possible alterations in capitalism itself. Taking a broader political economy perspective implies the need for a deeper dive into analysis of capitalism, crisis and the state.

Capitalism, crisis and the state

Michael Roberts (2023) distinguishes between what economists call slumps, depressions and recessions. Slumps in capitalism are regular and recurring roughly every 8-10 years. Each slump revives and expands capitalist production for several years before slipping back into a new slump. Depressions are different. Instead of coming out of a slump, capitalist economies stay depressed with lower output, employment and investment for a long period. In the history of capitalism, there have been three major depressions – between 1873 and 1897 in the US and Europe; the Great Depression from 1929 to 1941; and the period during and after the Global Financial Crisis (GFC) in 2008, with the COVID-19 pandemic perhaps contributing to its continuation.

According to Adam Tooze (2018), the GFC was a crisis of the transatlantic dollar system, as the flood of dollars that fed the system dried up. Crisis management became a permanent fixture of the global economy, and, crucially, concentrated state action prevented the GFC from developing into a 1930s-scale slump. A massive surge in state spending followed the onset of the GFC and then the COVID-19 pandemic accelerated it further. Alex Callinicos (2023: 69) calls this the emergence of Technocratic Keynesianism, a process that assigns power to technocratic actors at central banks and regulatory agencies. Whether this heralded the end of the neo-liberal era is premature at best. Callinicos (2023: 74) argues that there are three dimensions of neo-liberalism: as ideology; as reassertion of capitalist power; and as an economic policy regime.

At the heart of neo-liberal ideology is the concept of freedom, seen as the freedom from (state) interference. This should not be mistaken for arguments for a minimal state. Instead, the neo-liberal project is focused on designing the institutions to inoculate capitalism against the threat from democracy – changing the nature of regulation rather than de-regulating. During the supposedly deregulating regime of the Reagan/Thatcher years, for example, the dominant mode was market regulating, *i.e.*, shifting the focus of regulation, rather than making a bonfire of all regulations. More generally, as David Harvey (2005: 19) argues, neo-liberalism is a political project to re-establish the conditions for capital accumulation and restore the power of economic elites.

US hegemony has proven stoic throughout the neoliberal era. The end of the (first) Cold War – 1989-91 – can be seen as the onset of the third phase of Imperialism, defined by the efforts of the US to maintain its hegemony and make it truly global (Callinicos 2023: 89). A crucial difference between the first and second Cold Wars was that the Soviet Union had been an enclosed state and relatively enclosed economy. The new Cold War, between the US and China, is quite different. China's rise to be the second largest economy in the world has depended on its opening up to global markets. Equally, western capital was keen to participate in the Chinese economy for the purposes of establishing export-oriented global production chains and for access to the growing Chinese consumer market. Therefore, the battle between China and the US is not a simple rivalry between a new and rising power and an old and declining one. Both have followed mutually dependent debt-driven accumulation strategies whose limits are now visible (Callinicos 2023: 99). It is a battle about control of sectors (see *e.g.*, *The Silicon Wars*) dressed up in a new nationalism.

This is a political economic context in which location of and access to 'strategic resources' has become a central concern. Regarded in this way, the Biden Administration's *Inflation Reduction Act* can be seen to be sucking investment and resources out of Europe and the Southern hemisphere into the US. Smaller imperialisms and dependant nations are left to manoeuvre for advantage around the conflict between the superpowers. It is this context in which Australia's relationship to AUKUS and its increasingly militarised industrial strategy must be placed. This is NOT a fragile global balance of power between liberal democracy and autocracy (Buzan and Lawson 2014). The post-Second World War international order was careering towards a cliff and COVID-19 pushed it over (Callinicos 2023: 114).

The New Washington Consensus

For Caddick (2023) and Roberts (2023) the polycrisis revealed, *inter alia*, the vulnerability of the globalised economy to supply chain interruption, given the rise of China particularly in critical mineral sectors. Andersen (2023) pointed to US Secretary of State Blinken arguing in 2022 that modern industrial strategy was therefore to be aimed at maintaining and expanding US economic and technological influence and making the economy and supply chains more resilient. National Security Adviser Jake Sullivan addressed the Brookings Institute in 2023 about 'Renewing American Economic Leadership 'and spoke to Beijing's leadership in critical minerals, arguing that the Global Infrastructure and Investment initiative was to be promoted as a response to China's Belt & Road Initiative which was gathering pace across many nations.

What emerged was a New Washington Consensus, its aim being to sustain the hegemony of the US and its junior allies, with the US setting the agenda and its junior partners following. For Roberts (2023), the new emergent form of industrial strategy was to involve government intervention to subsidise and tax companies in promoting national targets, together with more trade and capital controls and public investment. Janet Yellen, US Trade Secretary, pointed out that these policies were more aligned with the past than breaking with them, claiming that the foundation was Modern Supply Side Economics (MSSE) that blends both aggregate demand and supply side economics (see Roberts 2023). On this basis, the priorities are labour supply, human capital, public infrastructure, R&D, and investment

in the sustainable environment achieved through the provision of government subsidies to private enterprises involving packages of market-based incentives and directional spending. These policies aim to steer private investment towards solving economic problems rather than the state seeking to own and centrally control organisations. This is the philosophy that underlies the *Inflation Reduction Act*. Roberts (2023) supports Adam Tooze in arguing that this is not a model for better economies and environments. Rather, it is a new global strategy to sustain US capitalism at home and US imperialism abroad. Yellen's suggestion that the new policy approach is based on MSSE is also contestable, because the work of Mariana Mazzucato is the more obvious foundation.

Mazzucato and the 'mission economy'

UK economist Mariana Mazzucato has become an influential voice in 'rethinking' policy approaches to capitalism. For Mazzucato (2013, 2015), addressing capitalism's current crisis requires the state and the public sector to become much more involved in innovation policy. She argues that innovation has stagnated as private sector organisations have retreated from long-term strategic investment, for example in laboratories, towards short term strategies under pressures of increased financialization. Mazzucato draws on Polanyi in suggesting that markets are created by public policy, and points to the many, key technological revolutions and general-purpose technologies (mass production, aviation and space technologies, nuclear power, information and communication technologies and the Internet) that have involved the active hand of the state. Analysis of 'market failure' can neither explain nor justify transformative mission-based public sector investment.

Traditionally, the fruits of innovation policy have been privatized and the costs socialized. In advancing the notion of the Entrepreneurial State, Mazzucato looks to shift the balance. She starts from the concept of a state, wherein a decentralised network of different types of state agencies fosters innovation and development. The state can work as an agency to nurture nascent and knowledge-intensive firms; promote strategic trade and financial leverage; prioritise investments in existing strategic sectors; create national champions; and provide coherence to economic policies. Taking this approach, Mazzucato *et al.* (2020: 803) have argued for a 'mission-oriented approach to creating and shaping markets'.

Faced with 'grand societal challenges' such as ecological crises, policymakers can determine the direction of growth by making strategic investments across many sectors and nurturing new industrial landscapes which the private sector can further develop. Mazzucato *et al.* (2020: 809-10) propose the 'ROAR' framework, which involves strategic thinking about the desired direction of travel (Routes), the structure and capacity of public sector (Organisations), the way in which policy is (Assessed) and the incentive structure for both the public and private sectors (Risks and Rewards). Taking this approach, Mazzucato *et al.* (2020: 434) argue, enriches and diversifies the theoretical and practical approaches to policy evaluation and creates the capacities needed to deliver challenge-driven policies, such as finding low-cost decarbonisation solutions. Insights can be drawn from evolutionary economics and related disciplines that focus on shifting and shaping technology and innovation frontiers and managing complex systems in contexts of uncertainty. Governments can also embrace new tools and techniques from service design research that focus on user experience and co-creating practices.

On one reading, this signals a fundamental redirection for the role of the state, moving beyond the entrepreneurial state to the 'environmental state'. Hausknost and Hammond (2020: 2) suggest that this can be explained as extending the functional logic of the welfare state from the mitigation of social externalities to the mitigation of environmental externalities. However, the environmental state is tied to the paradigm of 'ecological modernisation', a strategy to increase the efficiency and effectiveness of environmental management through technological and administrative innovation largely led and/or maintained by the private sector. Nor is the use of subsidies to drive private sector-led innovations new, as is evident in proposals to reallocate subsidies from fossil fuel-oriented innovations (*e.g.,* plastics, and carbon-capture and storage) to renewable and more sustainable solutions (*e.g.*, renewable energy and recycling) to reach ecological modernisation goals.

Mazzucato argues that, although capitalism is in crisis, the good news is that we can do things better. It requires reimagining the potential of the public sector driven by public purpose:

> [W]hat mission-oriented policies add is the imagination necessary to decide where and how to invest, regardless of the business cycle. So instead of 'shovel-ready' investment in roads and houses, mission-oriented thinking frames the problems that green infrastructure can solve (Mazzucato 2021: 209).

According to Mazzucato, this means reinventing government for the twenty-first century. Only governments have the capacity to carry out transformation on the scale needed; but they cannot do it alone and must work alongside purpose-driven businesses. This means bringing 'purpose' to the core of corporate governance and taking a broad stakeholder position across the economy (Mazzucato 2019: 205). However, beyond these recommendations, Mazzucato did not take the debate much further. Perhaps more influential has been her support for both the EU and US policies regarding a Green New Deal, a policy direction to which we now turn.

The resurgence of industry policy: A new orthodoxy?

Writing just prior to the onset of the pandemic, Aiginger and Rodrik (2020) argued that, despite previous predictions of the death of activist industrial policy, it is in fact making a global comeback. On an international scale, several factors are driving this resurgence. First, in developing economies there has been pushback against market fundamentalism, given the harsh economic and human consequences of neo-liberal policies. In advanced economies, labour market malaise and the lingering effects of the GFC had a similar effect, sparking more openness to alternative, interventionist policy frameworks. The continuing decline in the employment shares of manufacturing in the USA and Western Europe and the increasing competitive threat of China have reinforced this tendency, for geo-strategic and economic vulnerability reasons. Finally, interest in industrial policy has been further stimulated by disruptive technological change – from automation to digitisation, Industry 4.0 and the 'Internet of Things'.

The emerging orthodoxy also suggests that the shape of industrial policy must change in response to at least three new conditions. First, industrial policy can no longer be limited to manufacturing *per se* as technological advances are blurring the distinctions between industries. Rather, policy must nurture strategic economic activities more broadly, including other sectors (such as innovation-intensive services) with similar features to manufacturing (innovation intensity, export orientation, complex supply chains, and potential to lead productivity and income growth). Second, policy must rely less on top-down incentives and seek to establish sustained collaboration between business, the public sector and other stakeholders (including organised labour) around issues of innovation,

investment, productivity and social well-being. Third, industrial policy can no longer be isolated, developed on its own and competing with other policy streams (like competition, regional or growth policy). Instead, it should be seen as one element of a multi-dimensional effort to foster high-quality, sustainable economic and social development. Finally, targeting structural change and productivity growth can no longer guide policy without consideration of the direction of technological change and environmental implications. Steering technological change so that it is friendlier to the environment and labour must be a key element of the new industrial policies (Aiginger and Rodrik 2020: 192-3).

According to Aiginger and Rodrik (2020: 201–2), industrial policy should therefore incorporate several key understandings, which include:

- manufacturing remains crucial for growth and well-being
- industrial policy must be systemic, not isolated or delegated to specialists
- the optimal scale of the industrial sector depends on capabilities, ambitions and preferences
- industrial policy must take a 'high road' that allows structural change within manufacturing and generates decent jobs
- industrial policy should aim to redirect technical progress and prepare for less expansive and circular growth
- societal goals should be paramount, moving beyond a limited focus on correcting market failures
- industrial policy is a search process, open to new solutions, experiments and learning.

In tracing the development of industrial policy in an Australian context, Roy Green (2020) comes to similar conclusions. Writing in the middle of the pandemic, Green placed the Australian experience into the context of structural deterioration in Australia's productivity performance that had been temporarily masked by terms of trade effects associated with the resources boom, noting that:

> This productivity slowdown, which afflicts a number of advanced economies, has been accompanied by wage stagnation, increasing social inequality and the 'financialisation' of large corporations as they preference share buy backs and executive bonuses over investment in innovation and research.

Drawing on the idea of a 'resource curse' (wherein a country's competitive advantage in primary industry funnels the economy towards extraction, rather than creating a more diversified value-adding economy), Green argues that Australia sustained (for a while) a developed-world lifestyle on the basis of a developing-world industrial structure. This is consistent with Australia's very low rankings in international indices of complexity and innovation (Rainnie and Dean 2021, Dean *et al.* 2021). According to Harvard University's Atlas of Economic Complexity, Australia continues to fall, with its ranking in economic complexity now 93rd among the 133 countries for which there is data (How 2023). A more recent Tech Council report (2024) suggested that Australia had slipped even further to 102nd out of 145 countries.

Although Australia benefits from the presence of manufacturers with a global presence, they tend to be relatively small players selling into specialised markets. Building on ideas he helped develop in a report for the Rudd-Gillard government, *Smart Manufacturing for a Smart Australia* (Prime Minister's Manufacturing Taskforce 2012), Green outlines a framework for a national industrial strategy adapted to the Australian economic conditions. Echoing Aiginger and Rodrik (2020), he argues for a systematic approach that coordinates innovation, regional policy and trade policy, with manufacturing at its core, while also targeting upstream and downstream industries, sectoral change, clusters and networks. Green says it should be steered by societal goals that support sustainability and responsible globalisation; and proposes five building blocks for success:

1. an *industrial strategy commission* to develop national priorities in consultation with industry sectors, aimed at growing industries of the future with new technologies, skills and business models
2. *industry–research collaboration* to address the need for deeper collaboration between industry and research organisations, including around the Commonwealth CSIRO designated 'national missions'
3. *start-ups and precincts*, acknowledging the contribution of entrepreneurial startups to economic renewal; and including the integration of the digital and physical dimensions of manufacturing (an essential feature of Industry 4.0)
4. *public procurement*, recognising that, too often, local tenders are overlooked in favour of large international companies selected on a narrow 'value for money' basis, when these large companies themselves might owe their own existence to another country's more imaginative procurement policy.

5. *skills and education*, recognising that industrial transformation in Australia will depend ultimately on the adequacy of the workforce and management skills, a key element of 'non-R&D' innovation.

Green concludes that the challenge of the present crisis is to devise a growth path which doesn't simply replicate what came before but addresses broader issues of climate change and social inequality in conjunction with the imperative of technological change and innovation. To succeed in this challenge means creating a more dynamic, sustainable and inclusive, knowledge-based economy with a major role for advanced manufacturing.

These approaches echo Mazzucato's (2021) argument for a mission-oriented approach to creating and shaping markets and building advanced domestic capabilities to supply these markets. The implication is that, faced with 'grand societal challenges' such as the ecological crisis, policymakers can determine the direction of growth by making strategic investments across many sectors and nurturing new industrial landscapes which the private sector can further develop.

A Future Made in Australia?

Rising to the challenge, in 2024, the Australian government launched its *Future Made in Australia* (FMiA) Strategy (Treasury 2024). The government committed $22.7 billion of public spending to a package to facilitate the private sector investment necessary for Australia to be 'an indispensable part of the global economy'. This expenditure commitment pales beside the $368 billion (at least) that AUKUS would cost. It also falls short of the spending commitment of between $83 to $138 billion over 20 years that The Australia Institute (Joyce and Stanford 2023) has estimated would be needed to develop a comprehensive response to the US *Inflation Reduction Act.* Nevertheless, as an initial commitment, it is very substantial. The Government (2024: 1) argued that the FMiA package in the 2024–25 Budget delivers by: attracting and enabling investment; making Australia a renewable energy superpower; value adding to our resources and strengthening economic security; backing Australian ideas; and investing in people and places.

Th FMiA package includes targeted public investment to strengthen the alignment of economic incentives with Australia's national interests and incentivise private investment at scale to develop priority industries.

Furthermore, a National Interest Framework would be structured around two streams. The *Net Zero Transformation Stream* will include industries that will make a significant contribution to the net zero transition and are expected to have an enduring comparative advantage: for these industries the public funding is expected to bolster their significant contribution to emissions reduction at an efficient cost. The *Economic Resilience and Security Stream* will include industries in which some level of domestic capability is necessary or efficient for attaining adequate economic resilience and security, but in which the private sector would not invest in the absence of public funding.

Reinforcing the intermingling of industrial, strategic and military concerns, the FMiA package also includes investments in other sectors, including critical technologies, defence priorities, skills in priority sectors, a competitive business environment and reforms to better attract and deploy investment. As such, the FMiA is not clearly separable from the government's broader agenda for economic growth.

Jim Chalmers, Treasurer in the Albanese government, waxed lyrical about embracing the broader challenge, saying:

> We recognise the moment we're in poses a different set and kind of economic and social challenges than the 1950s or the 1980s, so our approach to industry policy needs to be different too […] Like all shifts that involve big change and uncertainty, the private sector will do most of the heavy lifting – but existing market structures won't always cut it – especially when we're trying to create new markets and transform old ones (Chalmers 2023).

Mariana Mazzucato (2024) gave her seal of approval specifically to the FMiA in an article in the *Australian Financial Review* with the headline, 'This is a bold opportunity to refocus Australia's economy', saying that:

> A modern industrial policy is not about guarantees and subsidies, it is about a new form of partnership that socialises not only risks but also rewards. A progressive vision for inclusive capitalism in Australia must craft a new deal with the private sector and double down on worker empowerment.

Unsurprisingly, the FMiA also came in for criticism. Sydney Professor Toby Walsh immediately dismissed Mazzucato's moonshot mission as 'moonshine' (Walsh 2024). Some trade unions were unimpressed too. The AMWU (2024) suggested that, though important, the FMiA was simply not enough and made false assumptions. Assuming that profits have not been big enough to finance private investment ignores the fact that profits

have been high but not reinvested in environmental and productive ventures. Assuming that private sector businesses can be trusted to respond positively to government support is similarly dubious. Finally, the AMWU expressed concern that the focus on labour training focussed on war-making when all other manufacturing sectors are crying out for skilled labour. The managerial capacity is also in question because, as Plunkett (2024b) points out, in international comparisons, Australian management lags far behind most other developed nations.

From the opposite end of the political spectrum, it is not surprising to find the Australian Productivity Commission complaining about government intervention potentially adversely affecting productivity. However, as Plunkett (2024a) suggests, the government should perhaps not take too much notice of the impeccably neo-liberal Productivity Commission until it is revamped.

Reacting against the responses of these critics, a group of more than seventy academics responded to criticism of FMiA with an open letter published in the *Journal of Australian Political Economy*. The academics nevertheless suggested that FMiA still had some way to go:

> Further steps towards a full national strategy should include place-based innovation clusters, massive investments in vocational and technical skills, support for other sustainable manufacturing activities (from green metals to wind power equipment to electric vehicles), the active use of public procurement to nurture domestic production, and other measures to support sustainability and a circular economy. This overarching effort to develop a sustainable manufacturing capability must operate in tandem with strong and consistent policies to reduce fossil fuel production, use and emissions over time. The strategy must also feature strong labour, environmental and social conditionalities to ensure that the revival of manufacturing strengthens workers' rights, Indigenous rights, women's participation and equality, and environmental protection. These conditionalities – in essence, 'sticks' to go along with 'carrots' – are essential to advance the public interest and ensure the benefits of a Future Made in Australia are broadly shared. Finally, the strategy should also reach offshore to support just and socially responsible decarbonisation and climate resilient trajectories for our pacific neighbours (Open Letter 2024: 154)

Australian economist Saul Eslake dismissed the Open Letter as 'Manufacturing Fetishism'. Plunkett (2024a) argues that the policy could more accurately be described as renewable energy fetishism and is a classic case of socialisation of risk, with the rewards seeming a long way

off. Moreover, it is worth noting that FMiA also has little to say about the importance of recycling massive amounts of decommissioned offshore oil and gas rigs, solar panels or lithium batteries. Perhaps being wary of criticisms like these, there has already been a discernible shift in the government's 'mission zeal' language towards emphasising words like 'practical' and 'disciplined'.

Conclusion

To say that there has been a re-emergence of the state is misleading because it never actually went away (see Fairbrother and Rainnie 2006). As van Apeldoorn and de Graaf (2022) point out, the state always plays many roles within capital accumulation, varying across space and time between market creation, market correction, market intervention, and market direction. The state is ever-present: it is the *nature* of state actions that varies.

The emergence of polycrisis has driven a resurgence of the state's role in shaping patterns of restructuring through industrial policy and shaped its content, such as in the current Australian government's FMiA. Our approach does not see these developments heralding an end to neo-liberalism. Rather, as Tooze (2024) points out, neo-liberalism lives on precisely because it constantly reinvents itself. The new state capitalism has its own contradictions; and its emergence is uneven and contested. Overall, we see the new state capitalism as one of many attempts to drag capitalism out of its ongoing and seemingly intractable malaise.

Finally, following Gramsci, *pace* Tooze, this may well be the time of monsters. The implications for new state capitalism of the recent re-election of Donald Trump in the US is currently an open question, although the 'mission economy' Trump intends on pursuing will not include climate change as a major priority and the future of AUKUS may be reassessed. Here in Australia, the prospects for the nation's re-emerging industrial policy trajectory are also uncertain. Investments in Australia's renewable energy industry which have struggled, despite being a major focal point of Australian government industry policy efforts, may unfortunately become even gloomier (Macdonald-Smith 2024). What is more certain is that capitalism, and capitalist interests within the US, will be further emboldened.

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50 YEARS OF POLITICAL ECONOMY IN AUSTRALIA

The first full course in political economy began at Sydney University in 1975. Fifty years later, a stocktaking of subsequent experiences is appropriate. *JAPE* will therefore publish a special issue in 2025 that considers the emergence of the political economy movement, subsequent developments nationwide, achievements and disappointments, and the challenges for political economy today.

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Please submit papers (word length: 1500-8000) by 28 February, 2025 to Frank Stilwell at: *frank.stilwell@sydney.edu.au.*

SOCIAL DEMOCRATIC NEOLIBERALISM: RECONSIDERING THE HAWKE AND KEATING GOVERNMENTS

Tom Conley

The post-Hawke-Keating Australian Labor Party has studiously avoided the relationship between the structural reforms of the Hawke and Keating Labor governments and the neoliberal outcomes it attributes to the Liberal-National Party Coalition. In opposition, Treasurer Jim Chalmers (2020) argued that an incoming Labor government would reject neoliberalism:

> [H]ollowing-out the state hurts people. We're seeing the cold hard consequences of years of cuts and closures dressed-up as 'savings' and the outsourcing and offshoring of services in the name of 'efficiency' […] Neoliberalism has failed, but what comes next? Where will we start again?

In government, Treasurer Chalmers (2023) repeated his critique of neoliberalism:

> Successive leaders failed to find their way conclusively or convincingly past the neoliberalism of the pre-crises period. In other words, while the world was getting more uncertain, we had been growing more vulnerable.

Chalmers' essay calls to mind Labor Prime Minister Kevin Rudd's critique of neoliberalism during the global financial crisis (GFC). Rudd (2009: 21-22) argued that the GFC was a 'seismic event' that was:

> barely 30 years since the triumph of neo-liberalism – that particular brand of free-market fundamentalism, extreme capitalism and excessive greed which became the economic orthodoxy of our time.

Conley, T. (2025)
'Social Democratic Neoliberalism:
Reconsidering the Hawke and Keating Governments'
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No. 94, pp. 104-27.

Social democrats, Rudd argued, had to 'save capitalism from itself' – once again. His effective argument is that capitalism needs to be saved from the sort of policies that formal social democrats – like the Hawke and Keating governments from 1983-1996 – had wrought. Financialisation was the major target of Rudd's polemic, but finance was unleashed by Hawke and Keating and reinforced by all subsequent governments – his included (Conley 2018). Given the Albanese government's supposed shift away from neoliberalism via its *Future Made in Australia* industry policy (Albanese 2024), it is relevant to reconsider the merger between neoliberalism and social democracy during the Hawke and Keating governments.

The Hawke and Keating governments enacted neoliberal policies that financialised the Australian economy, downplayed the capacity and role of the public sector, led to precarious employment and declining bargaining power for labour, and which inhibited the recovery from the severe recession in the early 1990s. The pace of change varied between sectors of the economy, between the far-reaching and rapid liberalisation of the financial sector and the more gradual, guided, but eventually comprehensive shift in industrial relations. On the other hand, the development of Medicare, increased funding for education, superannuation reform, and a series of industry plans, provided clear connections to a social democratic Labor agenda. The governments' continued obeisance to social democratic ideals and connections to organised labour conditioned the pace and order of structural economic change. Given the Coalition's then argument for a faster and deeper engagement with neoliberalism, the Labor governments' social democratic policies helped to create a more consensual, moderate image. Social democratic neoliberalism was a more politically stable policy framework for the adoption and maintenance of neoliberalism than that favoured by the political right. Clearly, the combination of neoliberalism and (partial) social democracy was a successful political strategy for Labor as it held office for thirteen years from 1983 to 1996.

Governments face political imperatives as well as economic ones. The Hawke and Keating governments were both neoliberal *and* social democratic. The glue that held these two elements together was a progressive construction of contemporary globalisation. While economic globalisation is a long-standing phenomenon, government policy changes, technological developments and the search for new markets in the late twentieth century undoubtedly led to an intensification of economic

integration and interdependence – that some have designated hyper-globalisation (Rodrik 2011). The increasingly dominant construction of globalisation held that Australia's economic structure and the policies of the past were no longer sustainable because of changes in the global political economy. If globalisation were embraced by adopting neoliberal policies, Australians would supposedly benefit but, failing this, there was no choice – global pressures would force adjustments on Australia. Constructions of economic globalisation provided a framework to reconcile the competing imperatives facing a centre-left party attempting to hold the electoral middle ground. The aim was to establish the inevitability and legitimacy of neoliberal adjustments to globalisation. Expectations about the possibilities of politics had to be lowered, but not extinguished.

The increasing embrace of neoliberalism, the perceived need to refashion the economy to meet new global imperatives and appease business and financial interests, and the widespread vilification of intervention, meant that policy-makers were unwilling to extend, or even maintain, the social democratic elements of their economic policy agenda. The merger helped entrench neoliberalism but ultimately suffocated social democracy. Once Labor was replaced by the centre-right Liberal-National Coalition, globalisation, financialisation and neoliberalism interacted to produce a continuously weakened version of social democracy and rising income and wealth inequality.

After a review of various literatures assessing the nature of the Hawke and Keating governments and some contemporary ruminations on Labor and neoliberalism, this article provides a detailed historical analysis of key policy positions and changes during Labor's thirteen years of government. It analyses key speeches, policy documents, contemporary news articles, political biographies and autobiographies. It documents the ascendancy of a refashioned globalisation as a framework to manage the neoliberal policy transition and contributes to the ongoing debate about the neoliberal ascendancy and its consequences in Australia and elsewhere. It ultimately provides a more nuanced account of the Hawke and Keating governments' dominant role in attempting to develop a 'social democratic' neoliberalism.

Assessing neoliberalism

In this article I define neoliberalism as:

- a set of 'market' ideas to guide policy and restrict certain political interventions, especially those that involve an expansion of state social support and progressive taxation on the wealthy and capital. These ideas were supported by sections of business, journalists and wider academia (especially 'orthodox' economics). These policy ideas were taken up as a solution to the twin economic and political crises of the 1970s and 1980s and became a catch-all putative solution to political, social and economic problems.
- a political *and* economic project that has attempted to change expectations about the role of the state and of welfare, conditioned and shaped by existing social democratic attributes such as industry intervention, regulated industrial relations, and welfare.
- as a set of enacted policies that facilitated a refashioned globalisation and financialisation built on debt expansion, creating policy regimes that favoured business actors, particularly financial interests, over labour (Conley 2022: 419).

The role of centre-left governments in the adoption of neoliberalism has fuelled an important debate in comparative and Australian political economy (Beilharz 1994; Frankel 1997; Lavelle 2005; Pierson 2007). Humphrys (2019) correctly argues that popular conceptions of neoliberalism's new right origins downplay the role of social democratic and labourist parties, and of organised labour. The vision of an all-encompassing neoliberal project in Australia, however, is misplaced. The issue here is about intent, extent and capacity. Looking back provides a consistency and rationality to *ad hoc* adjustments. Social democratic elements in Australia and elsewhere conditioned the form of neoliberalism and shaped outcomes. Whereas Humphrys' extensive analysis tells a persuasive story about the way the industrial and political wings of the labour movement cooperated to develop policy change, neoliberalism did not completely overtake the policy agenda. Instead, it existed alongside, challenged, and increasingly dominated other aspects of policy. Nevertheless, by the end of the Hawke and Keating period, neoliberalism had become the dominant influence on the political economy.

In Australia in the 1980s and early 1990s, the form of neoliberal change was clearly conditioned by social democratic ideas, connections to organised labour, and extant policy frameworks. Governments work to adapt policy and develop *ad hoc* responses to problems, especially those with electoral consequences. As Dardot and Laval (2013: 9) argue:

> In truth, there was no large-scale conspiracy, nor even a ready-fashioned doctrine cynically and resolutely implemented by politicians to meet the expectations of their powerful friends in the world of business […] The neo-liberal society we live in is the fruit of a historical process that was not fully programmed by its pioneers. Its constituent elements were assembled gradually, in interaction with one another, and in the consolidation of some by others.

Crouch (2017: 195) argues that 'social democracy, in contrast to both socialism and neoliberalism, stands for the search for creative compromises between markets and their regulation, rather than accepting grudging concessions with a preference at either pole'. It is the nature of the compromise that is of concern here. If a political project did exist during the Hawke and Keating years it was built around the concept of new global pressures, which was constructed in opposition to the long-standing protectionist policy structure. Through persuasion (the rhetoric of globalisation) and coercion (neoliberal policy changes), Labor abandoned Australian 'insularity' and succumbed to global dictates to regulate the domestic allocation of resources, socio-economic outcomes and policy possibilities. In this sense, renewed 'globalisation' provided both an opportunity and a constraint on policy. As previously argued:

> The Australian state, during Labor's tenure of office, increased its autonomy from domestic opponents of liberal economic policy change and exhibited considerable capacity by forcing domestic adjustment despite intense opposition and a protectionist policy legacy deeply embedded in the politico-economic culture of Australia' (Conley 2002: 378).

Former Labor Treasurer Wayne Swan (2017) argues that this attempt by Hawke and Keating to provide a path through global economic change via social democracy was 'labourist' rather than neoliberal:

> Hawke and Keating recognised the consequences of unleashing market forces on the Australian economy, and more importantly, unleashing them on Australian society […] The meticulous crafting of policies from 1983-96 ensured that prosperity and social equality went hand in hand.

In other words, Hawke and Keating had managed 'market forces' by maintaining 'social equality'. This is a contentious claim, but the aim *was* to marry neoliberal policy change with social democracy or, as Keating (1995) called it, 'economic liberalisation and social fairness'. Swan concedes that 'elements of the reforms were neoliberal', but opening the economy was inevitable because of the 'utter failure of the protected settlement'.

There is a pragmatism at the heart of Australian labourism with the means less important than the ends – widespread prosperity based on growth. Irving (1994: 1-2) argues:

> There is a common-sense, empiricist understanding of labourism as what the Labour Party has done and what it has believed in. This usage […] offers no principle for distinguishing labourism from other ideologies, for example liberalism or socialism. So a second usage of labourism has tried to get beneath the surface of events and establish the structure and limits of a supposedly distinct set of ideas and practices. In tracing the history of these two usages we discover that 'labourism' is not an innocent term. Thus, in Australia, one of the ironies of current usage is that a term which was propagated by the New Left to describe the effects of bourgeois hegemony on the labour movement is now taken up in a celebratory way by the New Labor Right.

The 'main tenets' of Australian labourism, according to Hagan, in his study of the ACTU, were 'White Australia, Tariff Protection, compulsory arbitration, strong unions and the Labor Party' (Hagan cited in Beilharz 1994: 37). The shift away from Labor's dominant 'labourist' ethos during Whitlam's leadership occurred via an emerging European-style social democracy that sealed the fate of one key tenet of the labourist legacy – racism – and hinted at the demise of another: protectionism. Whitlam's efforts to spread the luck of the 'lucky country' occurred just as the luck ran out with the end of the post-World War II long boom. The deteriorating domestic and international economies led to a reassessment of economic policy by the Bill Hayden-dominated Labor Party. There were, of course, disparate elements to Labor ideology, with ideas about Labor as a socialist party only dying in the early days of the Hawke government.

During the late 1980s, there was considerable debate about whether the Hawke government had abandoned the Labor social democratic tradition or whether it simply changed the means to achieve traditional Labor aims. Maddox (1989), Jaensch (1989) and Beilharz (1994) insisted that the

Hawke government represented a decisive break with traditional Labor practice. Johnson (1989: 1, 95) argued that it was ‘wrong to depict it as decisively breaking with Labor traditions’, as Labor had never advocated anything other than a ‘humanised capitalist society’. The ‘real break with Labor’s tradition’, Johnson (1989: 96) insisted, ‘would have come if the government had responded to the crisis in a left-wing direction’. Weller and O’Neill (2014) also argue that the Hawke and Keating governments weren’t motivated by neoliberal ideology or justifications. Hawke and Keating and their governments did not identify as neoliberals; instead, they identified as social democratic globalisers and modernisers. Indeed, it is here that we can see the pivotal role of social democratic ideas and actions in smoothing the adoption of neoliberal policies. Both leaders may have had social democratic goals, but their belief was that these goals could be achieved by globalisation, neoliberalism, and financialisation.

In what follows, I develop a narrative about Labor’s initial embrace of neoliberalism and globalisation, shaped by a growing awareness of Australia’s cyclical and structural economic challenges and a Labor Party chastened by public perceptions of economic incompetence after the tumult of the Whitlam years.

The global ascendancy

Whitlam’s wage ‘explosion’ of 1974 and Fraser’s wage ‘break-out’ of late 1981 reinforced the message that the effective management of labour relations was essential for successful government and economic stability. Whitlam (1975) made it clear that the restoration of profitability was an essential component of Labor reformism. An ALP-ACTU agreement had been endorsed at the Party’s National Conference in 1979 and Labor took a prices-incomes policy to the 1980 election. Delegates endorsed the concept at the 1982 National Conference and negotiations continued into early 1983 (Australian Labor Party 1982; Hayden 1982). In February 1983, a Special Unions Conference ratified the Accord after Malcolm Fraser called an early election (Kelly 1994).

The Accord aimed to control inflation by balancing an expansionary macroeconomic policy stance with wage restraint, with the union movement and workers compensated for restraint by the ‘social wage’ and ‘over time’ (ALP/ACTU 1983; Stilwell 1986). The Accord rejected the use of unemployment to hold down inflation and industry policy was to be

'closely monitored and comprehensive' with interventionist policies and a 'planning mechanism' to revitalise industry and assist the 'transition of the economy into a planned framework'. The parties emphasised that 'industry policy must be applied in a manner which will facilitate change while minimising the hardship associated with such change'. Reductions in protection were to be determined by 'planning mechanisms in which unions and business will play key roles'. The 'virtual unfettered actions of transnational companies' were to be regulated and 'the guidelines of the Foreign Investment Review Board' reviewed; 'substantial tax incentives now available to Australian industries to relocate in low tax countries' were to be eliminated. Overall, the objective of economic policy was stated to be 'the attainment of full employment', which required the government to play a substantially interventionist role in the economy. Neoliberalism and globalism were nowhere to be seen; and more comprehensive interventionist proposals were seriously canvassed by the Labor Left (Langmore 1982).

The early portents for left-wing interventionism were not good. During the 1983 campaign, newly installed leader, Bob Hawke stated: 'We offer no miracles […] This is not the time for grandiose spending proposals of the kind Mr Fraser has drummed up in recent weeks' (Hawke 1983a: 210). Upon Hawke's taking office, Treasury, in the form of Secretary John Stone, informed the government that the budget outlook was significantly worse than was admitted by the Fraser government (Edwards 1996: 196), leading to the immediate abandonment of key elements of the policy platform.

At the National Economic Summit Conference, held in April 1983, Hawke (1983b) argued that all Australians had an interest in achieving economic growth and that these interests would be best served by the various participants coming together to formulate a consensual solution to Australia's economic problems. Getting business onside – to achieve consensus – led to significant modifications to the Accord (McEachern 1991: 21-3). The consensual framework meant that the union movement's demands were predicated on the restoration of the amorphous concept of 'international competitiveness' and, more importantly, the profit share. The ACTU was sympathetic to the problems of governing from the very beginning. Its submission to the 1983 national wage case stated:

> It was never perceived that all the individual provisions, commitments, goals in the accord would be achieved in the first term of office […] it is something that will be gradually implemented over years, not months (Cited in Hawke 1983c: 1492).

The decision to float the dollar, abandon exchange controls and liberalise the financial sector revealed an early willingness to embrace neoliberalism. The government saw liberalisation as an inevitable response to global financial and technological developments. The decision exposed the Australian political economy to the rhetorical disciplines of global finance, with financial pressures providing a major stimulus and justification for the subsequent embrace of neoliberal policies in other sectors of the economy (Keating 1986a; Hawke 1994: 236). From the beginning, Hawke and Keating stressed the importance of the world economy in structuring economic policy (Keating 1983: 465).

The government's embrace of financialisation, particularly foreign bank entry, caused much anguish within the Party and the union movement. At the 1984 Conference the government defeated the Left not only on foreign banks, but on the issues of uranium mining, US bases, East Timor, and on alternative ideas for running economic policy. Keating hectored the delegates of the 1984 ALP National Conference stressing that the abandonment of foreign investment restrictions was a strike against the existing banking oligopoly in Australia (ABC Television 1993).

The government maintained that the advocates of 'old social democracy' – the Left of the Party – had to abandon their distrust of markets and economic openness. In 1983 Hawke argued that social democrats 'have no reason to deny the capacity of markets to allocate resources efficiently' (Hawke 1983d: 1627). Liberalisation was portrayed as fighting against establishment business interests, which for too long had made easy profits at the expense of working people. An open, liberalised, market economy was not inconsistent with an egalitarian society, at least in the longer-term – 'over time'.

Hawke's 'trilogy' commitment during the 1984 election campaign aimed to discipline demands on public spending. The government committed to no increases in taxation, government spending or the budget deficit as a percentage of GDP, which made cuts to the public sector unavoidable (Hawke 1984: 2238-39). After the 1984 election, the first of a series of May Statements cut spending by $1.25 billion (Keating 1985a). The cuts restricted the possibilities for a more interventionist industry strategy and higher social spending. The trilogy represented a confluence of neoliberalism and electoral opportunism.

During much of 1985, the government's economic agenda was shaped by Keating's and the Treasury's combined zeal for taxation reform. Taxation

reform, according to Kelly (1994: 156), was ‘legitimated in terms of the internationalisation of the economy’. Keating failed to achieve all his tax goals because Hawke remained conscious of the electoral implications of major policy changes (not least the introduction of a consumption tax). Hawke may have been committed to neoliberal reform, but he was also committed to his re-election.

Interventionist programs, in particular sectoral industry policies, the Accord, and social reforms such as Medicare, show that the neoliberal direction was supplemented by some key social democratic policies. There were also concessions over other areas of policy, such as the US Alliance and environmentalism. Although weakened, the Left of the Party in combination with Hawke’s electoral pragmatism, stopped Keating from going further and faster down the neoliberal path. Undoubtedly, however, the overall framework of gradual liberalisation had the effect of wearing down opposition to policies that in the early years of government would have caused widespread revolt within the labour movement. This was especially the case with the shift to privatisation. In 1985, Hawke (1985a: 1618) vehemently criticised ‘Liberal’ policies:

> What is rational about weakening the industrial system and abandoning central wage fixation? What in the name of reason, is the justification for breaking up and selling off the great and efficient national assets, like the Commonwealth Bank, Telecom, TAA, Qantas […] it is based on a blind and mindless commitment to a narrow, dogmatic and discredited ideology.

In 1987, however, Hawke reversed his earlier opposition to privatisation, arguing that ‘Australian holdings that could have and no doubt did make good sense in earlier times, are not necessarily what is appropriate for current circumstances’ (cited in Langmore 1988: 13).

Justification of the policy shift was reinforced in 1986 by a terms of trade crisis and the accompanying problems of an expanding current account deficit, increased foreign indebtedness and currency depreciation. Keating and his economic advisors became obsessed with the current account deficit. According to Edwards (1996: 353): ‘In Keating’s office, Don Russell argued strongly that the government and Keating’s reputation could not survive a widening CAD’. The need to adjust to international developments and forces became the major focus of government policy. The government, for a period, put its faith in the ‘twin deficits’ thesis, with Keating and Finance Minister Peter Walsh (1989: 2) arguing that the aim of fiscal policy was ‘to reduce public sector outlays and borrowings in

order to moderate aggregate demand and the public call on Australian savings'.

The government also eschewed the preferred option of many in the union movement to develop comprehensive and strategic industry policies (ACTU/TDC 1987; Conley and van Acker 2011). Despite continuing tensions within the Party about the direction of economic policy, the problem of the current account deficit reinforced the government's belief that fundamental economic restructuring was unavoidable (Keating 1986b; see also Bell 1993). 'The public sector', Keating (1987a) insisted, 'must give way to the externally traded goods sector in order that we overcome our trade problem'.

Keating's impromptu reference to Australia becoming a 'banana republic' in May 1986 galvanised the sense of crisis, especially in the media. Soon after, Hawke (1986: 949) made a televised address to the nation to cement the process of educating Australians about the need for policy change:

> Either we take the hard decisions required – in which case we exercise some control over the kind of future which we have for ourselves and our children – or we just passively accept those adjustments forced on us by external conditions no matter what their consequences.

The government used the crisis to argue that the world economy was forcing the neoliberal policy shift. Keating (1986b: 37) argued that Australia had 'to adjust to the world as it is'.

The end of protection

The government's efforts to fix the current account (albeit from a blinkered perspective) was an attempt to improve the 'international competitiveness' of Australian industry via tariff cuts. 'The government is convinced', Button (1983: 1327) had argued in 1983, 'of the need for measures to encourage business to adopt a more global perspective'. The government developed industry plans that attempted to restructure or at least manage the decline of faltering firms and key industry sectors such as steel, automotive, and textiles, clothing and footwear industries. In 1985, the Government tentatively began the long process of dismantling the tariff protection regime.

Industry restructuring was gradual because of the government's union affiliations and the fear of large job losses. Keating argued that the increase

in domestic demand, the revitalisation of the profit share through wage restraint, and the depreciation of the dollar would automatically improve the competitiveness of the manufacturing sector (the so-called J-curve effect), making interventionist industry policies redundant (Keating 1985b: 565). However, Button (1986: 571) argued that this analysis was more relevant for countries such as Sweden or Germany with efficient and globally competitive manufacturing sectors. By 1986, it was evident that macroeconomic policy changes were not going to be sufficient for the substantial structural adjustment required in the Australian economy.

Tariff reductions began in earnest in May 1988 (Keating 1988). In 1989, the government released ANU economist Ross Garnaut's (1989) *Australia and the Northeast Asian Ascendancy*. This was followed by *The Global Challenge: Australian Manufacturing in the 1990s*, a report for the Australian Manufacturing Council (Pappas Carter Evans and Koop/Telesis 1990). The reports agreed on the need to restructure and increase the export-orientation of the Australian economy but differed profoundly on strategy. Garnaut came down firmly on the side of unqualified liberalisation, whilst the AMC Report and the earlier union report *Australia Reconstructed* preached strategic interventionism (ACTU/TDC 1987). Hawke and Keating soon revealed that they viewed interventionist policies as the 'new protection'. The Industries Assistance Commission (IAC) criticised proposals which endorsed selective targeting of industries, arguing that: 'The general objective of a competitive industry structure must have priority over the adjustment averting demands of particular sections' (IAC 1986: iv; see also IAC 1987: 9-11).

In 1991, as the economy was mired in recession, the government was preoccupied by the debilitating leadership contest between Hawke and Keating. Nevertheless, in March, the government released *Building a Competitive Australia*, which mandated a significant cut in tariffs, even in the sensitive automobile and textiles, clothing and footwear industries (Hawke *et al.* 1991). The statement secured neoliberalism as the dominant element in the government's overall economic policy stance. Hawke (1991: 5) argued:

> We have rejected the views of the so-called 'new protectionists' because they are simply proposing, in effect, the same discredited policies that had isolated our national economy from the rest of the world and caused the great damage we are all working to repair.

At any one time, there are different narratives and policy agendas within the economic policy debate and within a government and public service. The industry departments differed in their policy emphases to the central agencies and the various advisory bodies, such as the IAC and the Bureau of Industry Economics. Significant modifications were often made to policies suggested by the more neoliberal sections of the bureaucracy. This was partly at the urging of more interventionist-minded members of the government such as successive industry Ministers, John Button and John Kerin and their departments, and partly at the urging of other members of the government and Caucus who were aware of the electoral dangers of a rampant and uncompensated neoliberalism. There is no doubt that Button and Kerin were 'developmentalist' and that they made some significant advances in progressing non-protectionist industry policy in Australia (Thurbon 2012). However, a substantive, but restricted, developmentalism in industrial governance does not refute the overall dominance of neoliberalism. As Jones (1997: 21) argues:

> The stark reality is that none of the major parties – the trade union movement in general, the ACTU, and the Labor Party in Government – were committed to a broad and assertive agenda for industry policy (or trade policy for that matter).

Thurbon (2012: 286) argues that we shouldn't conflate liberalisation, deregulation, and privatisation with neoliberalism because 'states are motivated to pursue economic openness for a variety of reasons'. In Australia, 'openness was motivated less by neoliberal ideology than by developmental desire'. While there were clearly pragmatic developmental reasons for openness, there *was* an ideological commitment to free trade, a smaller state, privatisation and enterprise bargaining. The second 'trap', Thurbon argues, is to see the Australian state as a unitary actor: 'states often simultaneously display divergent tendencies in different policy spheres'. Australia in the Hawke and Keating years, she contends, became increasingly neoliberal in social policy, but more developmental in industrial governance. Developmentalism requires a more deliberate approach and was increasingly vulnerable to the fiscal retrenchment that the government saw as crucial for establishing economic credibility. Neoliberal rhetoric and policies increasingly limited perceptions of policy possibilities, especially strategic interventionism. Instead, the aim was to complement tariff reform with a range of 'competition' reforms.

Hawke flagged the importance of microeconomic reform in 1986, when he argued that 'an essential part of our thrust to internationalise the

Australian economy has been a series of initiatives to lift the performance of all sectors of the economy – whether directly involved in trade or not'. In July 1987, the public service had been comprehensively recast along managerialist lines and, soon after, the government restructured the higher education sector by reintroducing tuition fees, albeit in the form of a deferred payment scheme. Hawke (1989a) claimed that 'the era of profligate welfare handouts has long gone'. The government removed benefits for the young unemployed and those who voluntarily left work, means-tested the family allowance and generally tightened and targeted social payments (Saunders 1991). Up until 1991, total welfare spending fell as employment growth increased but, as Bryson (1994: 292) notes, surveillance was intensified and 'eligibility increasingly linked to explicit demonstrations of commitment to labour force participation'.

Perhaps the most significant welfare change was the change in the provision of retirement incomes. In 1992 the government introduced the Superannuation Guarantee Charge, which required employers to make contributions to employees' accounts. By 1996, contributions had reached 6 per cent of wages and salaries. The 'choice' of a private, occupational superannuation system over a public system was no doubt influenced by the overarching efforts of Keating to restrict the growth in state spending and responsibilities (Humphrys 2019: 150-1). Superannuation and the shift to a 'defined contribution' model forces Australians to engage with financial markets and financial risk (Bryan and Rafferty 2018).

From the late 1980s, substantive changes were also made on the waterfront, in the agricultural, transport, and telecommunications sectors, and in competition policy (Quiggin 1996). The government's growing focus on microeconomic reform was seen as vital to 'prove' to business that it was serious about reducing business costs and impediments and providing the right 'climate' for investment. Keating's (1999) contention was that the 'public' had to give way to the 'private':

> Unlike some people on the left of politics we believed that if the call by the government sector on national resources was too high it would squeeze private-sector activity and initiative.

Product differentiation?

In December 1991, Keating replaced Hawke as PM and immediately set about reinvigorating his government's electoral chances by distinguishing

Labor from the Coalition under John Hewson. He de-emphasised the neoliberal elements and made it clear that Labor's policy program was less extreme than the Coalition's. In Keating's (1992a) *One Nation* economic statement, the government advertised a shift to increased public investment, subsidies for private investment, and an abandonment of the surplus commitment that had been generated in the late 1980s. The *One Nation* statement was designed to combat the Coalition's comprehensive *Fightback!* Manifesto which included the liberalisation of industrial relations, the undermining of Medicare, a 15% consumption tax, income tax cuts aimed at middle- and high-income earners, cuts to government spending, and privatisation (Liberal and National Parties 1991).

Critics soon argued that Keating had shifted the government's position back towards Keynesian expansionism, interventionism and even protectionism, to hasten the recovery from recession and to improve Labor's chances of winning the 1993 election. Nevertheless, the fiscal measures outlined were modest given the depth of recession, especially considering the later fiscal responses by the Rudd government to the global financial crisis and by the Morrison government to the COVID-19 Pandemic. Rather than returning to protectionism, Keating simply maintained that there were no further reductions in the pipeline. He did not turn his back on the neoliberal policy changes of the 1980s.

The Coalition's harder neoliberal vision and Keating's rhetorical shift to nation-building, and the social issues of aboriginal land rights (brought on by the High Court's Mabo decision), the republic, the arts, Asia, and multiculturalism provided the necessary 'product differentiation' to generate a Labor victory at the March 1993 election (Johnson 2019: 118-21). In the aftermath, the government's mistake was to see the victory as a Keating miracle rather than a Hewson debacle. Assured that the victory signaled an acceptance of Labor's form of neoliberalism, Keating abandoned his more moderate rhetoric and reverted to a policy program emphasising Australia's place in Asia and the wider world economy, and the benefits of continuous economic reform (Keating 1992b).

Keating's dedication to neoliberal ideas was particularly evident in the arena of competition policy. In 1992, as part of its microeconomic reform agenda, the government commissioned a report into national competition policy led by Fred Hilmer. Federal and State governments adopted the report's recommendations (Hilmer 1993) resulting in changes to the Trade Practices Act 1974 to include state-owned enterprises and the creation of

the Australian Competition and Consumer Commission. The Council of Australian Governments adopted national competition principles, establishing the National Competition Council. The process led to extensive privatisation in the energy sector, water and waste management, transportation and telecommunications. The aim was to give the private sector access to areas of the economy previously dominated by public provision under the guise of 'competition'.

Keating (1993a) also accelerated the shift to enterprise bargaining and eschewed an interventionist industry policy. In May 1986, the Coalition had fully embraced a shift to an enterprise-based 'flexible' industrial relations system, unequivocally departing from the so-called industrial relations club (Kelly 1994: 265-6). The Business Council of Australia (BCA) (1989) also began to campaign assertively for a shift to enterprise bargaining. In 1987, Labor shifted industrial relations to a two-tier system, with second tier wage outcomes to be bargained between unions and companies (generally through employer associations). In early 1988, the ACTU signaled its intention to bypass the Industrial Relations Commission (IRC), with affiliates directly negotiating with employers for wage rises. In April 1989, the government committed to the most 'far-reaching overhaul of industrial awards since Federation'. According to Keating, the new pay system 'will make Australian industry more productive, competitive and better placed to overcome our balance of payments problem' (Keating 1989b: 11-2).

In the middle of 1989, the BCA released a report arguing for a comprehensive shift to enterprise bargaining (Hilmer 1989). The following February, ACTU Secretary Bill Kelty argued that the issue was 'what sort of enterprise bargaining, what sort of relationships' (cited in Dabscheck 1995: 62). The Accord partners agreed on a new wage-tax-superannuation deal that included a commitment to continued award restructuring and the adoption of enterprise bargaining. There was to be a 3 per cent increase in superannuation contributions, phased in between May 1991 and May 1993. The government also refocused the unemployment benefit system towards 'actively encouraging employment' (Dabscheck 1995: 63). Keating (1990: 3) emphasised that a 'moderate wage outcome will help to maintain competitive exports'.

Disappointed by the IRC response to its agenda, the government bypassed it by amending the Industrial Relations Act 1988 to allow parties to negotiate enterprise deals without Commission approval (Keating 1992c:

7). Keating (1993a) argued that the government's model for industrial relations placed:

> primary emphasis on bargaining at the workplace level within a framework of minimum standards provided by arbitral tribunals […] We need to make the system more flexible and relevant to our present and future needs.

The move to enterprise bargaining removed an important anomaly to the government's embrace of neoliberalism and opened the labour movement to a less union-friendly version of enterprise bargaining developed by the Coalition in its Workplace Relations Act 1996. Cahill (2008: 326) argues that '[t]hrough the Accord, the ACTU tied its own fortunes and those of its members to the maintenance of a Labor federal government'. The informal commitment of the ACTU to support the government, in addition to the formal Accord agreements, meant that it endorsed neoliberal policy changes and censored and punished opposition to Hawke and Keating's agenda (Humphrys 2019). Hampson argues that 'much of the alleged union influence over vital policy issues was more apparent than real, and was strategically misguided. The Accord locked the union movement into policies it could not control, and which were opposed to its interests' (Hampson 1996).

Free trade and Asia

Increasingly during the 1980s and 1990s, policymakers argued that Australia needed to 'compete' in Asia and the wider global economy. Australia needed to embrace freer trade and encourage other countries to see the light. Hawke (1985b: 97) declared that:

> Trade is the outstanding manifestation of the central condition of our existence and indeed our very survival in the modern world – the indivisibility – the essential oneness of the human race.

Protectionism, subsidisation, restrictions on competition and non-tariff barriers continued to be an important facet of the world political economy, but Hawke insisted that '[t]he continuation of domestic liberalisation is in any case fully justified by the domestic benefits, independently of the trade policy rewards which it makes possible' (Hawke 1985c: 1516; IAC 1986: 1-6).

Higgott (1991) argues that the Hawke government's trade diplomacy should be considered within the framework of 'two-level bargaining'. The

government's foreign economic policy had both international and domestic purposes: internationally, the aim was to maintain the open trade order and lower agricultural protectionism and to signal that Australia had moved away from protection; domestically, the aim was to signal, firstly, to agricultural interests that the government was working on their behalf and, secondly, to opponents of domestic economic reform that the government was steadfast in its liberal policy direction. Australia's international efforts to secure free trade depended 'on our general willingness to practise at home what we preach abroad' (Hawke, Keating and Button 1991: 19). Keating (1993b: 465) also put his faith in trade: 'there is one thing which we know will without doubt reduce all our problems, and that is stronger and stronger trade'. Keating (1996: 2) believed that foreign and domestic policy were inextricably intertwined: Australia, he asserted, could no longer enact domestic policies without considering their effect on Australia's position in the world economy or on its external relations. This was a further reason why it was necessary for Australia to abandon the protectionist policy structure, to redress the injustices done to the aborigines, to become a republic, and to find its place in the 'East Asian hemisphere'.

Keating also intensified Hawke's (1989b) earlier emphasis on Asian 'enmeshment', stressing the importance of the Asia Pacific Economic Forum (APEC) for Australia's economic future. Keating (1994) described the outcome of the 1994 APEC leaders' meeting in Bogor, Indonesia, where leaders committed to free trade by early in the twenty-first century, as 'the most important thing I have ever done'. Australia needed to embrace free trade, the government argued, through both multilateral and regional forums. Keating (1992d: 2) declared that Labor's policy changes had improved Australia's position in the world: 'When I use the word 'independent', I mean a sense of responsibility as much as a sense of pride. I mean taking responsibility for our own destiny'.

Conclusion: Whither social democracy?

The Hawke and Keating governments' uptake of neoliberalism was comprehensive but not complete and was supplemented by some social democratic social and industry policies. To suggest that the Hawke and Keating governments were unequivocally neoliberal is to underestimate the complexities of political economic change during the 1980s and 1990s.

Economic policy choices resulted from a multiplicity of cross-cutting pressures and interpretations: political calculations about how best to manage the economy to produce growth, whilst maintaining electoral support; the residual strength of, and reactions to, policy legacies; the experience of other countries, especially the United States and the United Kingdom; dominant economic ideas; societal changes; perceptions of the power of major political and economic actors; and the constraining nature of the world political economy.

Neoliberalism and globalisation appealed to policymakers, both political and bureaucratic, because as a set of ideas and a program of governance, they provided a seemingly coherent strategy that repudiated the failures of the past, appealed to vital (globalising) economic interests and supposedly enabled the state to strike a path through the pressures emergent from both the international and domestic domains. The promise of neoliberalism was that embracing globalisation and markets, and downgrading the role of the state, would produce beneficial outcomes. There was no alternative anyway. Labor's social democracy lubricated the uptake of neoliberalism and was an integral component of a seemingly successful economic and political strategy.

Overall, the correctness of the label – economic rationalism, neoliberalism, economic liberalism, globalism, new 'labourism' – matters less than the outcomes of policy change. Given Australia's run of three decades without a technical recession, notwithstanding the COVID-19 Pandemic, the changes have been seen by some as an unequivocal success. However, many of the problems revealed by the Pandemic have their roots in this period of transformational reform: continuing resource dependence and inadequate resource taxation, rising household indebtedness and high property prices, worsening inequality, precarious employment, and declining governmental capacity.

Carol Johnson (2019: 2), in her recent book on social democracy in Australia, asks the question:

> How do social democratic parties develop a coherent and unifying narrative regarding lessening inequality that pulls their various constituencies together in such complex, uncertain and difficult times?

Galea (2024: 250) also asks whether recent rhetorical shifts by Jim Chalmers contain the seeds of 'potentially significant shift in the future for social democracy'. His answer is a resounding no. Despite the recent rhetoric and the tentative shift to industry policy by the Albanese

government, it appears that an emaciated social democracy subservient to neoliberal tropes and policy solutions is the best that the government is willing to countenance. The social democratic neoliberalism that emerged in the 1980s and dominates the modern Labor Party is a social democracy shorn of an overarching egalitarian goal. It has become a party unwilling to use the resources of the public sector to improve the material conditions of many working people and those reliant on welfare for whatever reason. Social democratic goals are subsumed under the weight of neoliberal orthodoxy. Tinkering around the edges and offering bland critiques of neoliberalism are not going to lessen entrenched and growing economic inequality, nor will they help to build an electoral coalition to develop a substantive alternative to neoliberalism.

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ECONOMIC NOTES

TAXING TECH COMPANIES

David Richardson

Technofeudalism, the latest book by Yanis Varoufakis (2023) describes ‘cloud capital’ as fundamentally different to capitalism as we know it. Varoufakis argues that we are witnessing a shift comparable to the emergence of capitalism as it emerged from within a feudal economic system. Speaking to the Press Club in Australia about it when visiting Australia in 2024, he pointed to the six things that this cloud capital (as encountered in Amazon or Alibaba) does all at once: it grabs our attention; it manufactures our desires; it sells to us, directly, outside any actual markets, that which will satiate the desires it made us have; it drives and monitors waged labour inside the workplaces; it elicits massive free labour from us, its cloud-serfs; and It provides the potential of blending seamlessly all that with free, digital payments. As he said, ‘is it any wonder that the owners of this cloud capital – I call them cloudalists – have a hitherto undreamt-of power to extract?’ (Varoufakis 2024).[1]

Because cloudalists originate almost exclusively in the US and China, the competition between them is integral to the dangerous competition between the two superpowers. Seen in this way, the resulting conflict is ‘the manifestation of a dangerous clash between two technofeudal systems – one denominated in dollars, the other in yuan’ (Varoufakis 2024).

[1] The ‘power to extract’ may be taken as referring to extracting value from all the other parties that the cloudalists deal with, whether they know it or not

Richardson, D. (2025)
‘Taxing Tech Companies’
Journal of Australian Political Economy
No. 94, pp. 128-37.

As well as being integral to the increasing superpower tensions – in which Australia, via AUKUS, has become more embedded – the cloud has thrown up other issues with which the governments and people of many countries are having to grapple. There are issues of privacy, the issue of 'theft' of news and other produced content, the use of artificial intelligence, and issues to do with anti-competitive behaviour. The last of these issues is an ongoing concern in Australia, where the ACCC is presently in the middle of a five-year inquiry into the intensity of competition, the concentration of power, the behaviour of suppliers, mergers and acquisitions, barriers to entry or expansion and changes in the range of services offered by suppliers of digital platform services (ACCC no date). A Parliamentary committee, the Joint Select Committee on Social Media and Australian Society, recently reported on measures to address the refusal by Meta (Facebook's owner) to renew its funding deals to compensate for the content it steals from Australian media organisations (Doherty 2024). The final Parliamentary committee report is expected to focus on 'online safety, the influence of algorithms on social media feeds, the effects of social media on the mental health of users and age verification technology' (Doherty 2024). The networks seemingly refuse to counter issues such as on-line bullying, sexual harassment, and racism.

Outside Australia, the American Department of Justice is acting against Google which 'pays more than $10bn to Apple and other companies to be the default search engine on their platforms' (*Economist* 2023). Amazon, which charges very high commissions, 'penalises [sellers] for offering cheaper prices on other platforms by downranking products or removing them from the "Buy Box", which allows instant purchases' (*Economist* 2023). Amazon is said to have 40% to 50% of the US ecommerce market.[2] The EU has also been active against abuses. The Australian Government has also been in dispute with X (formerly Twitter) which has refused to ban footage of an attempted assassination likely to induce copy-cat behaviour (Worthington 2024). Arguably, a seventh characteristic could be added to Varoufakis' list of cloudalism's characteristics: recidivism.

In private discussion during his recent time in Australia, Varoufakis suggested that the power of the cloudalists might be partially addressed by imposing a special monopoly tax on them. From another direction, Matt

[2] For all categories Amazon's share is forecast to be 40.4% for 2024 and can be expected to be higher in categories such as books and recorded music (Lebow 2024).

Comyn, CEO of the Commonwealth Bank, suggests a $5 billion tax on tech companies, perhaps in the form of a tax on payments to their head offices (Kehoe 2024). Comyn is in dispute with Apple in particular because of the ApplePay monopoly. As The *Financial Review* noted: 'CBA and Apple are locked in a fight for control of billions of dollars of card payments that are made with mobile phones' (Eyers 2021). Apple only allows its own 'digital wallet' to access iPhone's near-field communication (NFC). This means tap-and-go payments have to be made through Apple, which takes a fee in the process. From a wider perspective, this also fits into the cloudalists' strategy of using their unregulated global power to take on banking and payments systems in national jurisdictions (Varoufakis 2023).

The Varoufakis/Comyn tech tax proposal, especially the suggestion that the tax be on payments to head office, reflects one of the mechanisms used to transfer profits out of Australia. For example, Apple Australia is charged by Apple Ireland for the use of intellectual property (IP). Ireland has very low tax rates on certain global incomes as a way of attracting that type of activity to Ireland. That type of transfer can include patents, trademarks, business practices and so on. But there is no logical reason (apart from tax avoidance) why a particular part of Apple should be treated as that which generates the profits on IP. Arguably, that should be allocated internationally according to sales. If so, Comyn's proposal would address some of that sales revenue currently escaping tax.

How much tax do the cloudalists pay?

Table 1 shows the pre-tax income or 'profits' of the various tech giants and expresses that as a share of their total sales or receipts in 2023. Its first column of data shows figures for the global share of profits to sales; and the second column shows comparative figures for Australia, as reported to the Australian Tax Office. Hence for example, Facebook/Meta reports taxable income of 10.0% of sales in Australia while globally the figure is 35.1%. Tesla may appear the odd one out in this group, but it is included because it now includes X (formerly Twitter).

Table 1: Pre-tax income as share of total sales/receipts, 2023 (%)

	Global	Australia
Amazon	-1.1	6.4
Apple	29.7	3.8
Facebook/Meta	35.1	10.0
Google/Alphabet	25.2	21.9
Microsoft	42.1	4.6
Tesla	16.8	3.2

Source: author's calculations based on companies' Annual Reports and ATO (2024).

All but one of the tech companies shown in Table 1 reported lower profit rates for their Australian operations than for their global operations. The exception was Amazon which declared a global loss. All the other giant tech companies appear to have contrived their affairs to make it look like their profitability in Australia is lower than what they have been earning overseas. There is a credibility issue here, because there is no general reason to believe that it is harder to service or otherwise to do business, in Australia than the rest of the world. On this basis, the tech companies have an obligation to explain why they apparently earn a much smaller margin on their sales in Australia. Taking Apple for example, it is hard to understand why its profitability on Australian sales is a mere 3.8%, while its profitability on sales globally is 29.7%.

Taking account of research and development (R&D) spending by the tech companies makes the situation appear yet more anomalous. Currently R&D is treated as an expense and so is deducted from revenue when declaring a profit. Arguably, however, R&D is more of an investment that should not be included as an operating expense. More importantly, R&D on behalf of these companies does not take place in Australia, so that we are not comparing like-with-like when comparing the figures in Table 1. To deal with this concern, Table 2 compares the Australian and global profitability data without R&D expenditures. Its first column of figures shows each company's global income after deduction of R&D spending expressed, as a percentage of its global sales revenue. The right-hand

column shows the profit rate in Australia, as before. That adjustment to the global profitability calculation clearly makes a large difference for the comparison between the global and Australian figures. In all cases, the gap widens substantially when seen in terms of the R&D-adjusted profit rates.

Table 2: Pre-tax income as share of total sales/receipts, after deducting R&D expenditures, 2023 (%)

	Global	Australia
Amazon	13.1	6.4
Apple	37.5	3.8
Facebook/Meta	63.7	10.0
Google/Alphabet	39.2	21.9
Microsoft	55	4.6
Tesla	20.6	3.2

Source: As for Table 1.

Thus, the adjustment for where the tech companies undertake their R&D, on a like-for-like basis, makes the global profit per sales figure look much higher. The very much lower profit rate that the companies claim to be making in Australia is indicative of an artificial lowering that is motivated by tax-minimisation. For example, by excluding R&D spending, the figure for Facebook/Meta's global profitability on sales is 63.7%, while its Australian operation records only a 10% profitability on sales. This is not just a wide difference in the numbers: it points also to a huge credibility gap.

Indeed, it almost inconceivable that such a striking differences between profitability in Australia and the world as a whole are attributable to some inherent attribute/s of the Australian economy. Much more probably, the outcomes reported in Tables 1 and 2 are indicative of successful attempts to disguise Australian profits and make them appear elsewhere in low tax jurisdictions. The tech companies clearly have a case to answer.

How do they do it?

Although Netflix is not included in the list of cloudalists considered so far, it provides a recent and egregious example of multinational tax avoidance in Australia. In 2023, Netflix reported $1.1 billion in revenue, but it paid a $1.01 billion 'distribution fee' to other Netflix companies (Buckingham-Jones 2024). Apparently, most of this used to be paid to Netflix International BV, a Dutch subsidiary. This contrivance ensured that very little tax ($9.4 million in calendar 2023) is paid in Australia (Buckingham-Jones 2024). Tax office figures show that, in 2022-23, Netflix Australia declared just $2.4 million as taxable income on sales of $1,154.9 million and paid no tax (Australian Tax Office 2024).

In 2014, the *Australian Financial Review* reported on Australian-based companies using complex tax avoidance schemes based on secret tax deals in Luxembourg via multinational accounting firm PwC (Chenoweth 2014). The cited means of tax avoidance include 'hybrid debt structures, total swap returns, royalty payments and intra-group loans to reduce taxes.' The article further claims that 'the ability to move profits around the world purely by paperwork in return for what seems a minor fee to Luxembourg is a recurrent feature in the leaked tax agreements' (Chenoweth 2014).

License fees for intellectual property are one of the key means of avoiding Australian tax. This is the case for multinational corporations generally as they can avoid taxation in Australia by claiming to make huge payments overseas for access to IP through licensing arrangements. It is a form of 'transfer pricing', the general practice of transferring profit from high to low tax jurisdictions via artificial third-party transactions. Years ago, it referred to the then common practice of selling commodities below market values from Australia to a subsidiary in *e.g.* Hong Kong, which on-sold them at a profit to another subsidiary *e.g.* in Japan. Although the commodities never entered Hong Kong, the paper transactions would show the profit as due to the Hong Kong subsidiary. These activities, especially those relating to alumina and bauxite exports, were the subject of pathbreaking study by the Transnational Corporations Research Project (TCRP) created and headed by Ted Wheelwright, assisted by Greg Crough. The summary of the TCRP's work by Evan Jones (1982) says that, although it was met with general distain, it appears to have been influential in a High Court judgement that supported the Australian Tax Office against tax avoidance arrangements by Commonwealth Aluminium Corporation

Ltd. The judgement by Justice Murphy (1980) quotes extensively from that TCRP literature on transfer pricing.

The concept applies just as well to the international 'sales' of services. Transfer pricing by high tech companies still involves transfers between related entities, but now the payments are for more ephemeral services that often cannot be measured or quantified. They are now supposedly payments for the right to use IP, business models, brands and the like. Consumers pay a big premium for the tech services from companies, such as Amazon, Google, Facebook, Apple, and others. To minimise tax, these companies set up artificial transactions between themselves, so that the company's subsidiary registered in Australia pays royalties for the IP to a related subsidiary in another country (most likely a tax haven) that is not necessarily the head office of the group.

An example may clarify the process. Consider a company, which we might call TECH, that has subsidiaries around the world. TECH Australia pays TECH Ireland, for example, a royalty for the right to use the IP. If Ireland levies a much lower tax on these receipts than if they had been declared as profits in Australia, the effect is to reduce the total amount of tax paid by the global TECH company. TECH's revenue stream from licensing its IP must be declared in some jurisdiction and, by declaring that TECH Ireland owns the IP, it is thereby able to minimise its global tax. However, the whole arrangement lacks legitimacy. The corporate decision to set up TECH Ireland as the subsidiary that holds the IP has nothing to do with the generation of the IP itself. As the song by Dire Straits put it: 'that ain't working, that's the way you do it, money for nothing…'

Many of these payments overseas appear in Australian Bureau of Statistics figures as payments for services. Such payments abroad for the licensing of IP, information and telecommunications and business services amount to some $37 billion for 2023-24 (ABS 2024). Thus, through ABS figures, we can identify tens of billions of dollars in categories that are likely to contain suspect payments, although much may be legitimate. What we cannot do from the ABS figures is estimate the likely flows between related entities, such as different Apple subsidiaries.

The nature and treatment of intangible assets is the key issue here. They comprise assets such as patents and other intellectual property that are used by a company to make profits, just as they might use any other attribute to their advantage. A tech company, such as Apple, is not suggesting that any additional profit due to its intangible assets should be treated differently.

It is just that tax law allows it to notionally allocate its intellectual property anywhere it wants; and so it will allocate it where company incomes are taxed most lightly. Apple has lots of proprietary technology or monopoly power which allows it to make huge profits globally. Rather than all of Apple owning all of its technology, it is more strategic to say that it is all owned by, say, the Irish subsidiary which then charges the Australian and other subsidiaries for using the technology. In that case, more of the profits appear in Ireland where the tax is low, or zero in some cases. Because the company's proprietary technology is used to generate profit throughout the world, in that sense, its technology is stateless. But it is certainly artificial to allocate that monopoly power to a profit centre in Ireland. The more equitable approach would be to allocate the profit to the regions where the tech company makes its profit and in proportion to sales in each region. *That is exactly what would happen if each tech company permitted itself to be taxed everywhere at the local tax rate.*

How much tax revenue does Australia currently forego as a result of the tech companies deviating from this entirely reasonable norm? Suppose the Australian Tax Office could insist that the intra company payments were ignored. Suppose also that had the effect of bringing Australian taxable incomes in line with the global ratios set out in Table 1. The author's calculations suggest that would increase the taxable income of the multinational tech companies in Australia from $1.5 billion to $8.7 billion per annum. That figure is obtained by assuming that, for each company, the taxable income in Australia would be the same proportion of total receipts as it is globally (Amazon is not included in the calculations because globally it makes a small loss). If the increase in taxable income ($7.1 billion with rounding errors) attracted the 30% company tax applying in Australia, then tax paid by these companies would increase from $0.5 billion to $2.7 billion – an annual increase of $2.1 billion. That would fluctuate from year to year but is more likely to have an upward rather than downward trend, given the increasingly pervasive role of digital technologies in modern economic and social activities and the avowedly oligopolistic character of the giant multinationals companies who control it. A reasonably modest estimate of the additional tax revenue for Australia over the next decade, net of inflationary effects, would be around $20 billion.

Conclusions

The Australian Government has long been interested in the giant tech companies in relation to issues such as stealing content, anticompetitive conduct and privacy violations. Indeed, their behaviour illustrates the comments by Luigi Zingales (2015) that 'fraud' is a feature of markets. Each tech company could be a model corporate citizen but, instead, as the *Economist* (2019) suggests, the contrary tendency is to act like an 'evil genius'.

In a submission to the Treasury on multinational tax integrity, it was recommended that the government change the tax legislation to disallow deductions for licence fees paid abroad for IP and similar payments for other business services to closely owned affiliates and subsidiaries (Richardson 2022). That would have the effect of ensuring that the tax paid in Australia is proportionate to the company profits that derive from Australia. Moreover, the Australian Tax Office (ATO) should ignore any transaction between 100 per cent owned affiliates of a multinational, unless it can be shown that there is a genuine trade between the two. On corporate tax matters, the government is always at a disadvantage, since the taxpayer invariably knows much more about its business than the ATO can discover. The existence of this information asymmetry constitutes a case for considering reversal of the onus of proof when there is good reason to suspect the motive behind the sort of transactions described in this economic note.

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BOOK REVIEWS

Thomas Piketty

A Brief History of Equality

Cambridge: Bellnap Press, 2023, 274pp.

Nature, Culture and Inequality

Melbourne: Scribe, 2024, 84pp.

Piketty's 2013 global bestseller, *Capital in the Twenty-First Century*, is rightly renowned as a landmark in studies of economic inequality. He followed it with other substantial contributions, particularly *Capital and Ideology* which, at 1093 pages, dwarfed the 'mere' 704 pages of his original blockbuster. Not surprisingly, there have been recurrent calls for him to write a shorter book that would be more accessible to a broad readership. Well, he's now done *two* in quick succession.

The first is a stand-alone book that summarises the key arguments in his earlier tomes. It is interesting that Piketty calls it a history of *equality*, rather than *inequality*, because the latter is the focus. Equality – whether equality of opportunities or equality of outcomes – is an abstract ideal. The reality is *always* inequality, varying in extent according to class, gender and race, between nations, and over time. All these aspects are considered in the book, with strong emphasis on the temporal aspect and the evidence and reasons for the long waves of greater and lesser inequalities in incomes and wealth.

The book starts by considering the 'slow de-concentration of power and property since the end of the 18th century', including 'the difficult emergence of a patrimonial middle class'. Strong emphasis is put on the heritage of slavery and colonialism in shaping inequality between and within nations. Interestingly, a whole chapter is also devoted to the case for reparations to be made by the colonial powers for the damages they inflicted on the poorer nations. Coming then to the 20th Century, the book's focus shifts to on the 'great redistribution' between 1914 and 1980 as inequality in the major capitalist societies was significantly reduced.

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This compression was partly because so much capital had been destroyed by the two world wars; and partly because, after the second world war, democracy produced progressive taxation and the flowering of welfare states. What Piketty calls 'liberalisation' ended that era, but it gets only brief mention in the book (and neoliberalism is mentioned in a footnote). The concluding chapter argues for renewed efforts for radical reform, aiming for 'democratic ecological and multicultural socialism'.

Piketty's more recent and yet slimmer volume has a similar emphasis on 'the long march towards greater equality of income' but tells the story in a more fragmentary manner. Some of the 13 chapters comprise only 3 or 4 pages in large font. These features may reflect the book's origin as a lecture Piketty presented to the Franch Society of Ethnology in 2022, spliced together with 18 charts of detailed empirics (mostly drawn from *The World Inequality Report* that he and his World Inequality Lab colleagues compiled and published in 2022). The focus is sometimes on France, sometimes global, sometimes on data and sometimes on personal judgments. But if you want to spend only a couple of hours with Piketty – as if you're attending one of his public lectures – you might find that these glimpses of the bigger picture could be just the ticket.

Clive Hamilton and Myra Hamilton

The Privileged Few

Cambridge: Polity Press, 2024, 243pp.

This new book, in effect, picks up where Piketty's political economy leaves off, moving from analysis of empirical data to study of the *institutional and social processes* by which inequality is reproduced and magnified. As the authors say (on p.5): 'We argue that, to understand elite privilege, it is not so much who elites *are* or what elites *have* that is of most interest but the way privilege *works* - that is, the social practises and processes by which advantages and benefits are conferred on those with wealth and influence.' These processes are many and diverse, but the authors seek to show their systemic characteristics.

After considering the micro politics of elite privilege, attention turns to its geographical character, the role of elite schools, the sites of privilege, the nature of philanthropy, and the forms that networks of privilege take.

These themes each get separate chapters, in which quantitative and qualitative information is blended with media stories and data gathered from government documents released under Freedom of Information. The principal focus is on Australia, although reference is made to studies from the United States, Britain and various European countries.

The chapters on elite suburbs and elite schools explore the more obvious manifestations of privilege in Australia. Almost by definition, however, what happens in those places is seldom seen by outsiders. The authors seek to lift the veil, showing that these are the primary sites for building networks of influence, reproducing elite values and expectations. Further insight comes in a chapter on elite philanthropy, showing how its apparent benevolence operates to convert financial capital into social and symbolic capital which is then used to accumulate further wealth. Another important chapter is on 'hiding and justifying privilege', looking at the various processes whereby elites seek to establish and affirm their own legitimacy.

Of course, there's a downside too, as shown in the last few chapters on the psychological, social, economic and civic harms of elite privilege. The inference is that a good society would try to eradicate the damaging means by which privileges are perpetuated. So, how can this be done? The final chapter argues for radical tax reform, including taxing inheritances; for reducing the resourcing gap between exclusive private schools and other schools; for university policies that would redress elite privileges; and for establishing 'challenge panels' formally committed to the pursuit of social justice in public and private organisations.

What about class? The authors call it a 'conceptually confusing category', saying that 'studying elites rather than classes allows us to illustrate better how privilege works' and that this 'better reflects how the public thinks about hierarchy in their societies' (p.30). Indeed, in terms of intellectual influence, there's more Bourdieu than Marx here. In practice, however, concerns with class are ever-present because privilege is a means for class reproduction and legitimation. The book's section on 'elite suburbs as sites for accumulation' shows this by pointing to the resulting cumulation of wealth and advantage. Indeed, privilege and class are close bedfellows - although making change to the former may seem less daunting than the latter. Hence the authors' concluding call to 'convert manifestations of elite privilege from private troubles into public concerns' through robust public debate about elite privilege (p.190). To the authors' credit, their book is a significant contribution to that process and deserves to be widely

read. The other necessary element is the presence of bold political leaders willing to implement reforms like those advocated in the book's last chapter and not back down when faced with deeply entrenched, vested interests.

Now, where did I put that old school tie?

Robert Skidelsky
What's Wrong with Economics?

New Haven and London: Yale University Press, 2021, 223pp.

This book's theme is in familiar territory for readers of this journal. Since its inception, *JAPE* has recurrently emphasised the need to challenge mainstream economics and to develop progressive alternatives. In 2002, the journal published a special theme issue with the same title as this book. Benjamin Ward's book of same title had come out three decades earlier. So, what's new now? Not much, some might say, pointing to the minimal impact of previous decades of criticism. However, this new book's author. who is a distinguished British historian-turned-economist famous for his 3-volume biography of Keynes, is clearly intent on making a difference. He presents a critical view of a discipline that falls woefully short of its own practitioners' claims to scientific status.

Skidelsky identifies and assesses the basic tenets and characteristics of economic orthodoxy, including assumptions about 'wants and means'; economic growth; equilibrium; formal modelling and so-called economic laws. He looks at economic psychology, at the relationship between sociology and economics, the different strands of institutional economics (preferring the 'old institutionalism' to its 'new' variant); and the study of economic power (paying homage to Herb Simon and J.K. Galbraith snr. for pointing out that mainstream economists' focus on 'market power' neglects its more deeply structural dimensions). Skidelsky argues that the fundamental problems of economic orthodoxy are twofold: insufficient generality of premises (a flawed *epistemology*) and 'lack of institutional mapping' (a blinkered *ontology*). His preference is for replacing the mainstream's deductive method and individualist focus with a form of economic inquiry that is i*nductive* in method and *holist* in perspective.

So, what's wrong with economics? Almost everything, it seems, from its unrealistic assumptions to its constricted method and its recurrent failure to anticipate and explain what's happening 'out there' in the real world. Skidelsky's book is notably free of rancour though. He writes as though he is taking the reader by the hand on a scholarly tour. His book deserves to be read by a wide range of concerned citizens as well as by economics students who deserve a less blinkered education. But will it make mainstream economists change their ways? Although previous experience suggests that is unlikely, the appearance of Skidelsky's lucid book is nonetheless timely and welcome.

Claire Parfitt
False Profits of Ethical Capital:
Finance, Labour and the Politics of Risk

Manchester: Manchester University Press, 2024, 194pp.

At face value, ethical investment seems an attractive concept. The book signals this at its start by quoting bankers, businesspeople and politicians who describe it as making the current economic system more resilient, sustainable and equitable. This implies that capitalism is being adapted to recognise and resolve the uncertainties for investors arising from environmental, social and governance (ESG) concerns. Seen in this way, civilising capitalism is not just about steering investment away from companies engaged in mining fossil fuels, producing armaments, or causing other environmental and social harms; rather, it is a systemic transformation that embeds ethical concerns into a 'moral economy'.

The book mobilises political economic analysis to provide a critique of the assumptions and false expectations embedded in such pronouncements. It is organised in three sections, the first of which seeks to understand how ethics are mobilised in different economic arrangements and to show that what is currently on offer is a 'speculative moral economy'. In the second section, the analytical concepts of value and risk are used for probing how ethics can be co-opted into an accumulation strategy. The third part of the book then considers how 'ethics-as-risk support profit making, how they facilitate the subordination of labour and life to capital accumulation, and what political possibilities this opens up' (p.5).

A key analytical proposition is the statement that: ‘As part of capital’s constant drive to expand through capturing different aspects of our lives and being, ethics become the subject of quantification and accumulation’ (p.6). In other words, ESG concerns get to be factored into the calculus of expected profits, as a thoroughly capitalistic adaptation to the changed economic, environmental and political conditions. From this comes the realisation that ethical capital is an inadequate vehicle for social change; and that achieving more genuinely progressive change must contest what so-called ethical capital does in practice.

So, what are the pressure points? The author acknowledges the important role of social movements, such as those pushing for fossil fuel divestment and those trying to expand the definition of ESG risks to ‘include a more human-centred understanding, thereby pushing ESG investing to the brink of collapsing under the weight of its own contradictions’ (p.162). She also emphasises the importance of forging links with trade unions and workplace struggles; and refers to financial campaigning’s potential to expand the scope of bargaining outside the workplace, echoing Martin and Quick’s call for ‘drawing on a broader pool of collective power and action’ (p.162). The book should be particularly helpful in these respects because it offers an analytical framework in which the efficacy of alternative forms of struggle may be assessed.

Fred Block
The Habitation Society

Newcastle-Upon-Tyne: Agenda, 2025, 182pp.

For more than five decades, Fred Block has produced a steady stream of contributions to understanding society, economy and polity, often showing the ongoing relevance of Karl Polanyi’s approach to understanding social change. His new book turns to a more prescriptive consideration of what would now be a feasible and desirable society to aim for. Block calls this a ‘habitation society’ in which good work serves societal needs.

The term ‘habitation’ echoes concerns expressed in Britain in the 17th century when the livelihood of people dependent on their traditional uses of common land were threatened by the enclosure of those lands for more profitable farming. ‘Habitation versus Improvement’ was the ostensible

issue then, with the latter position implying more economic growth through specialisation and trade (themes that Adam Smith would subsequently develop). The enclosures prioritised the private landowners' interests, enabling their pursuit of profit to dominate other societal concerns. Thus, 'Improvement' overwhelmed the wellbeing of those wanting to continue 'Habitation', brushing aside their concerns for economic security, social cohesion and a form of livelihood consistent with what nature could sustain.

But those concerns didn't disappear. Early socialists and other critics of capitalism, such as William Morris, continued to voice them. As Block points out, somewhat similar concerns about the adverse social and environmental consequences of capitalism re-surfaced in the 1970s through debates about a 'post capitalist society'. At that time – although not mentioned by Block – some senior economists wrote books expressing deep disquiet about going further down the road of untrammelled capitalism, such as E.J. Mishan's *The Costs of Economic Growth* (1967) and Tibor Scitovsky's *The Joyless Economy* (1976). Their books lamented the overemphasis on consumerism, the overly congested cities, the relentless degradation of the environment, and the insufficient attention given to leisure and to social cohesion. What constitutes a 'good society' is a matter that can never be fully settled, of course, but any such ideal must surely address concerns like those, whether coming from the political left or from people of more conservative disposition.

Block's specific use of the term *habitation society* encompasses 'all of the activities that are involved in creating, maintaining, and improving the human settlements in which we live'. Its waged elements comprise the service sectors in which most people are nowadays employed, together with work in construction, transportation, public administration, the arts and entertainment. In addition to the paid work, much other essential service provision is unpaid, of course, and much relates to the concept of *social reproduction* that has been elaborated by feminist scholars.

The problem, according to Block, is that 'we are using industrial-era economics to organize an economy that has ceased being industrial'. Intensifying conflict between habitation and improvement is the direct consequence of that mistaken approach. The book's successive chapters reflect on the resulting 'morbid symptoms', the features of 'commodification without the commodities', 'the irony of corporate

dominance', 'what counts as investment?' and 'dysfunctional financing', before turning finally to the challenge of 'democratizing habitation'.

Along the way, Block shows how his advocacy relates to the four most important critiques of economic modernity: the feminist critique, the environmental critique, the indigenous critique, and the moral critique.

Overall, the book sets out a fine analysis and presents a clarion call for a future in which societal wellbeing takes precedence over the interests of capital. Importantly, while it 'goes with the flow' of the already observable shift towards a services economy, it points to the challenge of making it consistent with broader societal concerns about sustainability, wellbeing, equity and democracy. On this reading, the central task is to combine selective use of modern technologies with the best of both conservative and radical ideals about wellbeing. Desirable? Attainable? Read on…

Joe Collins

Rent

Cambridge: Polity Press, 2022, 120 pp.

This book tackles an issue on which much that is said and written adds to perplexity rather than clarity. As its author emphasises at the outset, confusion abounds over what people mean by 'rent', how the academics have analysed it, and what significance can be attached to recent claims about how the economy and society are being radically transformed through 'rentierization' and the rise of 'rentier capitalism'.

In popular parlance, rent typically refers to a payment for the use of a house or flat, although it may be applied to anything, such as a motorbike or power tool, that is hired for a specific time period. As Collins says, 'like any word, the meaning of 'rent' depends upon the context of its use'. However, because rent is also a subject of contention in economic theory, it needs more specific definition. 'Put simply', he says, 'rent either must relate to land or it does not, because 'each leads to a different path for understanding what rent means today' (p.7).

The *land-based* approach to rent has strong claim to being the term's original meaning, going back to Britain in the 12th century. It is also a distinguishing feature of the pioneering political economic contributions

by David Ricardo, Karl Marx, and Henry George, and by political economists who have followed them with their analyses of land and rent.

At odds with this land-based approach is the neoclassical economic analysis of equilibrating markets, based on the treatment of land, labour and capital as 'factors of production' that are continually substitutable. While this internal symmetry in the theory may be conceptually elegant, its effect is to divert attention from the unique characteristics of land. Not surprisingly, economists working within this neoclassical tradition have wound up in a no-man's land.

According to this book, a different type of confusion is discernible in more recent debates about the shift to 'rentier capitalism'. Collins says that, if rentier capitalism is characterised as a 'system of economic production and reproduction in which income is dominated by rents and economic life is dominated by rentiers', the focal point for critical attention becomes 'rentiers seeking to expand their asset portfolios in order increase rents, without actually producing anything.' Seen from this perspective, he says: 'Capitalism is meant to be about getting rich by doing things to make profits. Rentier capitalism is instead about getting rich by having things that create rents and then capturing them' (p.7). Critics of the modern economy who take this position make strange bedfellows with economists like Joseph Stiglitz who develop the neoclassical view to represent these 'rent-seeking' behaviours as 'distorting' the competitive and productive market arrangements that would otherwise prevail.

The method Collins adopts in trying to clarify the different viewpoints is to strip down the reasoning to its fundamentals and then build back up to more consistent and coherent theories of rent. After providing an engaging scene-setting introduction, his second chapter situates rent theory in historical perspective, sketching out the context within which specific contributions were made and reflecting on how they helped change the societies under investigation. The next two chapters consider mainstream economic views and political economic alternatives, showing their strengths and weaknesses and their interaction with real-world conditions. The fifth chapter considers the current situation by looking at how rents are implicated in processes generating economic inequality, global capitalist economic growth and the climate crisis. Specific episodes are examined to spotlight the role of rents in globalization, neoliberalism and financialization. The final chapter considers why and how the study of rent relates to contemporary political economic challenges.

Appearing in the 'What is Political Economy?' series of Polity Press, this is a slim book of less than 100 pages (plus endnotes, bibliography and index). Although short, it is not light because of the complex conceptual issues with which it engages. However, the author's clear approach and his recurrent emphasis on how theory relates to real-world context makes it an engaging journey through important political economic territory.

Gaby Ramia
International Student Policy in Australia: The Welfare Dimension

Sydney: Sydney University Press, 2024, 164pp.

Treating international students as a huge and growing 'market' has become a feature of the business models used by the senior managers of Australian universities during the last three decades, albeit uneven in its incidence. In 2022, 53% of the students at Torrens University were international, with the University of Sydney, at 49%, not far behind. At the other extreme, the corresponding figures for University of New England and University of Notre Dame were 5.6% and 3.2%. The recently announced intention of the Australian government to cap the international student intake is, of course, a highly controversial measure, particularly for the universities with the higher enrolments.

It is pertinent to recall that it was the federal government's cuts in public funding of universities during the 1990s – particularly when John Howard became PM – that turbo-charged the universities' drive for more revenue from international students. Ever since, there has been continuous discussion of the educational effects, appropriateness and sustainability of this business model. This new book by Gaby Ramia seeks to change its focus to the wellbeing of the international students themselves.

Heavy reliance on international students is sometimes described by the university managers as beneficial because, among other things, the students develop a positive attitude to Australia which bears fruit in terms of goodwill and subsequent economic benefits for the host country. Much evidence suggests, to the contrary, that international students' experience here can be problematic, not only because of English language difficulties but because of problems with housing and the lack of adequate support

services at times when they are needed. This book clarifies these concerns and proposes reforms that would engender more satisfactory outcomes. The author argues that: 'at a minimum, international students should have guaranteed access to support services, including access to the Medicare system and full and equivalent public transport concessions all over Australia (p.137). Indeed, these are instances where expanded entitlements would alleviate specific difficulties. Looking at the bigger picture though, Gaby Ramia's well researched book can be recommended to anyone interested in more deeply understanding the stresses that international students have been experiencing in Australian universities.

Iola Mathews

Race Mathews: A Life in Politics

Clayton: Monash University Publishing, 2024, 356pp.

The life of Race Mathews, infused with commitment to progressive ideals and sustained efforts in organising and working through the institutions, has reflected the best traditions of Labor politics in Australia. This book, started by Race himself but completed by his wife after his diagnosis of Alzheimer's, tells the story of this energetic and principled man. It is a fine study in what an individual may achieve through a combination of social awareness, intelligence and persistence.

At various stages in his life, Race has been a politician, academic, author and reformer. He worked as Principal Private Secretary to Gough Whitlam in the lead up to Whitlam's election as prime minister, then as an MP in the Whitlam government, before changing track to the Victorian parliament where he served in ALP governments as Minister for Police and Emergency Services, Minister for the Arts, and Minister for Community Services. He later completed two doctorates, which led on to two books: one looking at the history and nature of the Fabian tradition in labour politics and the other looking at the role that cooperative enterprises can play in creating good jobs and meeting social needs.

Seen from a political economic perspective, it is these latter contributions that are of most ongoing significance. *Australia's First Fabians* studied how a political tradition that originally developed in the UK over a century ago came to put down roots here too. In both countries, it has been a source

of core strength for parties of labour committed to the achieving socialist goals though evidence-based policy and processes of evolutionary reform.

Race Mathews practiced what he preached, becoming a key player in the Fabian movement, probably *the* key figure in the Victorian Fabian society during the last sixty years. As well as being author of many Fabian pamphlets on public policy issues, his advocacy and organising has been crucial.

His contribution to understanding the role that cooperatives can play in the economy and society has been similarly admirable. The cooperative ownership of industrial enterprises, he consistently argued, is superior to the capitalist form because it is conducive to greater income equality, industrial democracy and more productive and congenial workplaces. Race seldom missed an opportunity to point to the longstanding success of the cooperative model at Mondragon in the Basque region of Spain. His book *Jobs of our Own* remains the key Australian text on cooperative enterprises, providing a wide-ranging assessment of their history, principles, practice and potential pitfalls.

These political economic contributions by Race Mathews are only a small part of the bigger personal story told in the book. It is a chronologically structured description of his whole life, from infancy to nearly its end. As a biography, not a political economic tract, it is told in a warm and engaging manner. Hopefully, it will have many readers who find it a source of inspiration, showing what a deeply committed person can achieve in a life full of personal, professional and political twists and turns.

Phillip Toner and Michael Rafferty (eds)

Captured:

How Neoliberalism Transformed the Australian State

Sydney: Sydney University Press, 2024, 426pp.

This is, in effect, a sequel to *Wrong Way*, edited by Damien Cahill and Phillip Toner and published six years ago. Taken together, the two books provide a comprehensive assessment of the impact that neoliberalism has had on public policies in Australia since the 1980s. In this new volume, along with the effect of having had six more years to observe and reflect

on what has been happening, we get a broader array of case studies and further reflections on the significance of the political economic changes.

The case studies are wide ranging. They include the Murray-Darling Basin water market; the National Disability Insurance Scheme (NDIS); care policies and women's economic inequality; the national electricity market; what has happened with superannuation; the apartment quality crisis; curriculum and teaching in Australian vocational education; Transurban's toll roads; HECS and income-contingent loans; and privatisation of Australia ports. All these chapters are written by specialist researchers who analyse what happened, who were the policies' drivers and beneficiaries, and what was the adverse economic and social fall-out.

Other chapters deal with neoliberal influences that have had a more across-the-board influence, such as outsourcing and New Public Management. There are also chapters on contemporary monetary and fiscal policy; on the phenomenal growth in capital gains and wealth; and on neoliberal labour market policy in Australia. The 'fair go' is now long gone, say Greg Jericho and Jim Stanford in the title of their chapter; while Evan Jones probes the characteristics of 'the big country that can't'. 'Topping and tailing' the book, the editors use their scene-setting introduction to tease out the broad significance of it all for public policy, the state and social democracy; and end it with some reflections on lessons arising from these four decades of neoliberalism with Australian characteristics.

The editors' interpretation of the push for neoliberalism as 'a revolutionary agenda for re-ordering the social democratic state' (to quote the blurb), puts the capture of state power at the centre of the story. Of course, there were tensions and contestation all along the way, as the article by Tom Conley in this issue of *JAPE* also illustrates. Moreover, as Michael Pusey argued in *Economic Rationalism in Canberra* (1991), based on his research when the process of 'capture' was getting started, changes already occurring within the bureaucracy made for easier pickings. The broader point that *Captured* strongly emphasises is the failure of the policies to produce the promised a surge of competition, productivity and prosperity. Instead, while wealth soared to unprecedented heights for a tiny minority, most other Australians experienced adverse outcomes.

How this will play out during the years ahead will depend substantially on younger generations struggling with both personal living standards and the existential challenge of ecological unsustainability. This book's critical accounts of neoliberal policy should be useful ammunition for them and,

indeed, for all who want to understand the issues from a historical and analytical perspective.

Josh Bornstein

Working for the Brand:

How Corporations are Destroying Free Speech

Melbourne: Scribe Publications, 2024, 294pp.

In the good old days, workers met at the pub after quitting time to complain about their boss – who wasn't invited, and hence couldn't scrutinize their conversation. Today, they are more likely to post their gripes on social media. But there's a dark threat lurking in that jungle of platforms and algorithms. Employers are increasingly active in policing and constraining any public expression (even spontaneous social media posts) by their hired help, whether about day-to-day workplace grievances or pressing social and global issues. This repression is exposed and confronted in *Working for the Brand*, a timely and alarming book by Josh Bornstein, one of Australia's most accomplished labour and human rights lawyers.

Bornstein documents how corporations are surveilling, censoring, and punishing the speech of their employees, on any conceivable topic, at any time, all in the name of 'brand management'. His book reveals how the tentacles of corporate censorship reach into all areas of workers' lives, even those with no obvious connection to their jobs. The deliberately vague language of standard employment contracts (which typically prohibit anything deemed injurious to the interests of the employing organization) invites selective and punitive repression. This power can be invoked forcefully any time a company (often goaded by online mobs) fears its reputation is at stake. Focused chapters consider specific examples of this repression in especially sensitive realms of society – like universities and journalism. Bornstein demolished the hypocrisy of so-called 'stakeholder' corporations: which profess token commitment to vague goals like inclusion and diversity but throw staff under the bus as quickly as any robber-baron when they decide their brand is at risk.

The narrative is illustrated with anecdotes from Bornstein's rich personal experience advocating for victims of corporate power: whether union struggles (like the dockworkers strike in 1999, or Qantas workers fighting

illegal layoffs) or individualized persecution (such as Antoinette Lattouf's sacking from ABC for re-posting coverage of conditions in Gaza).

Beyond its deep dive into the corporate threat to free speech, *Working for the Brand* is also a rich but accessible primer on the rise of corporate power in the neoliberal era. Chapter Two ('Flexible Control') is itself worth the price of admission, for its compact and comprehensive summary of how corporations came to dominate all areas of economic, cultural, and political life. And its conclusion ('The Battle to Democratise Economic Power') makes the necessary link between defending free speech in the digitized public square and the general need to roll back corporate domination over work, the economy, and governance.

The union movement (and working class struggles more generally) are essential in that struggle. As the author says (on p.274): 'The urgent need to address corporate censorship of speech and to rein in corporate power are democratic imperatives. The decline in worker power mirrors the decline in the power of citizens, because they are inextricably linked'. Democracy and capitalism have always coexisted uncomfortably. Workers had to fight and die to win even the limited democratic rights we have. And those rights stop when workers get to work: most workplaces are dictatorships, not democracies. But corporations' new aggression in restricting basic freedoms of their staff, long after quitting time, is an ominous sign – all the more because it is occurring alongside the rise of right-wing authoritarian governments.

Working for the Brand is a clarion call of what's at stake if the basic rights of workers to speak out, organize, and advocate continue to be whittled away. Bornstein's powerful warning should be heeded by all progressive movements.

Erik Paul

Australia in AUKUS: Rise of a Leviathan State

Singapore: Palgrave Macmillan, 2024, 135pp.

This is the most recent of the books that Erik Paul has written for the 'Pivot' series published by Palgrave. The series is ideally suited to the author's essay style which focuses on contemporary challenges and problems that cry out for critique. Two of his previous books have been

noted in previous issues of this journal: *Australia in the US Empire* (2017) and *Australia in the Expanding Global Crisis* (2020), the three parts of which focused on emancipation and genuine democracy; racism as nationalism and capitalism; and Australia's existential crisis.

In his latest book *Australia in AUKUS,* there are four chapters: geopolitics; geopolitical dialectics; weaponization; and socialism or barbarism. 'Geopolitics' makes a case for taking a historical materialism approach, drawing particularly on the insights of Eric Hobsbawm about capitalism and nationalism. The dialectical element is then developed to show the connections between intrinsic conflicts, ecological crisis and recurrent wars. The chapter on weaponisation puts the spotlight on Australia's increased entanglement as 'a US protectorate state' supporting the US's 'imperialist drive to dominate the world' and points to how its effects include the degrading of democratic institutions. Finally, the book explores the interrelation between capitalism and climate change, seeking to show the continuing relevance of the long-standing political choice between barbarism and socialism.

While the dangerous folly of Australia's participation in AUKUS is a central feature of the book, as its title suggests, it is not the sole focus. AUKUS is treated, in effect, as a local manifestation of a broader critique of capitalism, the capitalist state as an imperialist force, and Australia's role as a junior partner in the process. Exhibiting these features, the book comes across as a Chomsky-like critique with Australian characteristics.

Bent Greve, Amilcar Moreira and Minna van Gerven (eds)
Handbook on the Political Economy of Social Policy

Cheltenham, UK: Edward Elgar, 2024, 328pp.

Social policy has a proud tradition in political economy. The role of the welfare state in mediating class antagonisms and in pursuing social democratic and Keynesian policy agendas make interdisciplinary and critical economic accounts important for understanding what shapes policy in practice.

This welcome volume includes sections on theory, methods, and (more extensively) applications. The approaches it considers are typical of political economy (such as historical institutionalism), policy studies

(ideas) and political science (partisanship, rent seeking). The methods section provides useful approaches for social policy analysis, emphasising history, institutions and place, combined with various forms of systematic comparison.

The selection is also to be commended for the breadth of its application. Two of its features go beyond what was once the scope of comparative social policy in Europe and the USA. First, some of its content explores Latin America and Asia – although the shift is partial and not entirely global, with Australia a notable omission for JAPE readers. Second, its inclusion of fiscal policy, the relationship between global and national policy, care regimes and environmental sustainability, alongside specific policy cases such as pensions and housing, moves it beyond social policy as narrowly defined. The chapters are relatively short and serve as good overviews of their topic.

Overall, the *Handbook* should be a valuable resource for researchers, teachers and students, providing them with a useful overview of the state of the art, bringing together leading research and researchers. For academics teaching senior classes in social policy, political economy or comparative analysis, the *Handbook* offers useful tools for analysis.

Book reviews by Frank Stilwell, Jim Stanford and Ben Spies-Butcher

PROGRESS IN POLITICAL ECONOMY

The *Progress in Political Economy* website has become a staple of critical political economic analysis – both in and beyond the academy.

Its centrepiece blog features contributions on a range of topics, such as recent reflections on transcending intersectional political economy; solidaristic responses to water grabbing; labour law and neoliberalism; and tackling political economy through fiction.

In addition, the site also features a complete, freely available collection of the *Journal of Australian Political Economy*; updates on the annual E.L. 'Ted' Wheelwright Lecture and other forthcoming events; information about the Progress in Political Economy book series published with Manchester University Press; and many other useful resources for political economists.

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The normal **maximum length for articles is 8,000 words**.

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