



THE POLITICS OF AUSTRALIAN TRADE POLICY:
POLITICAL REPRESENTATION AND THE INTERESTS OF CAPITAL

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November, 1984.

Presented in fulfilment of the Degree of Master of Arts.

Awarded 8-5-85

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PREFACE

This dissertation is an analysis of political aspects of Australian trade policy from the beginnings of protectionism after Federation to the present. The thesis breaks with the traditions of political analysis exemplified by pluralism and elitism, which view state policies as the result of either a Panylossian political market of perfect competition, or the interplay of competing elites which shape state policies to their interests. Rather, an explanation of the changes wrought in trade policy over the past eighty years must be sought in analysis of the struggles of classes and class fractions for the representation of their interests at the political and ideological levels of the social formation. The changing characteristics of Australian trade policy are inseparable from the conflict between different fractions of capital, and the particular forms of political and ideological hegemony exercised by capital over labour and other subordinate groups within the economy and society of Australia. The particular forms assumed by Australian trade policy, then, in large measure reflect variations in the balance of forces or the equilibrium of compromise between the interests of class fractions of capital, and between the general class interests of capital and those of labour.

This thesis is in three parts. Part 1 (consisting of Chapter One) argues that the political institutions in societies such as Australia are crucial in securing the long-term and general interests of the capitalist class. It also examines the issue of conflict between fractions of capital, which has been the central determinant of trade policy in Australia, and the relationship of such conflict with the state's principal role in promoting the rule of capital over labour and other subordinate classes and groups. Part II (consisting of Chapters Two and

Three) examines trade policy from Federation to World War II, but with special emphasis on the inter-war period. A distinction is advanced, crucial for the entire thesis, between the interests of capital oriented towards international markets (principally at this time, the rural and mineral export industries), and capital oriented toward the national market (principally, manufacturing industry). This Part traces the rise to dominance of national manufacturing capital within the ruling bloc, examining the changing ways in which its interests were represented, and the response of international capital to this process. Here as subsequently in the thesis, the positions of the Labor and conservative parties with regard to industrialisation are contrasted. Part III (consisting of Chapters Four, Five and Six) examines the post-war period with particular reference to the time after 1960. This period contains many paradoxes in the field of political representation for manufacturing capital. Later in this period, changes occur in the orientation and interests of certain parts of manufacturing capital with respect to the international market. Consequently, the interests of manufacturing capital become more differentiated and less uniform. The concept of international capital is extended to cover an international decentralisation of production processes, to assist in describing these changes. This factor, alongside the struggles of the rural export industries and the minerals sector, and the distinctive policy approaches of different governments, bring about changes in trade policy and the interests which trade policy mainly serves. A Conclusion resumes the trade policies of the Hawke Labor government after its first year. Arguing that these policies, like those of its predecessor, are extremely unfavourable to labour and small capital, immediate directions are suggested for action on trade policy by labour and other subordinate groups.

DECLARATION

I hereby certify that this thesis contains no material which has been accepted for the award of any other degree or diploma in any University and that, to the best of my knowledge and belief, it contains no material previously published or written by another person, except where due reference is made in the text of the thesis. I consent to the thesis being made available for loan and photo-copying.

ACKNOWLEDGEMENT

I should like to thank Mr. P.F. Nursey-Bray, Mr. B. Abbey and Ms. C. Johnson for their assistance at various stages in the preparation of this thesis.

1.

PART I : Theoretical Questions



2.

CHAPTER ONE.

THE STATE AND CAPITAL.

This dissertation analyses the development of Australian Trade Policy as a part of general state policy. The emphasis placed upon the state here is important for two reasons. First, use of the term 'state' is intended to imply a congruence between its actions and the long-term and fundamental interests of the capitalist class. Second, as distinct from the term 'government', the state refers to a broader set of institutions which, although often counterposed to governments as politically nonpartisan, nevertheless perform vital functions to preserve or advance the interests of private capital. The state refers to a set of institutions or apparatuses including the government, the bureaucracy and administration, the police, the military, the judiciary and legislature, which give political domination to the class interests of capital.¹ This view of political power stands in contradiction with the liberal democratic view that the state occupies a position of neutrality vis a vis different class interests. In the analysis of state policies, a choice must be made between these opposing theories of the state. The following discussion of liberal democratic and marxist views of state action is intended to make explicit the basic premises of the analysis of trade policy made in this thesis.

Views of the state as a neutral institution standing above the conflicts and divisions of capitalist society have a long history and have taken a number of different forms. From even the most plutocratic or dictatorial regimes which completely exclude the masses from political decision-making, to democratic governments based on universal suffrage, the political institutions of capitalist formations have putatively represented the interests of the nation as a whole, rather than any class

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interest. This has been so regardless of whether the mode of representation of the national interest has been exclusively elective or self-proclaimed (as with the military in the contemporary military dictatorships). But this is truest of contemporary democratic systems of government through which the political process appears to be the result of the general will, and suffrage a process of general self-determination. This view may be considered by an examination of its two main representative and contemporary forms, democratic - pluralist theory and elitism.

According to the democratic - pluralist analysis of politics in the contemporary democratic societies, power is fragmented and devolved amongst the diverse interests of many pressure groups. It is believed that the fragmentation of the population into pressure groups means that one cannot seriously speak of the division of society into social classes with distinct class interests. Moreover, it is assumed that none of these interests is able to exercise a preponderant or decisive influence over political life, making it impossible seriously to consider that a ruling class dominates the political processes of advanced capitalist societies. The democratic character of political decision making is seen to be ensured by the fragmentation and diversity of the pressure groups' various interests. All groups compete for access to government policy and this process of competition ensures a voice for any and every interest in society. Democratic - pluralist theory assumes that the interests of any and all of the pressure groups are in principle attainable within the existing economic and political system. These interests are seen then as truly competitive rather than antagonistic ones.

The democratic - pluralist system posits the neutrality and impartiality of the government and state towards these competing pressure group interests. Although the government is believed to be neutral

towards these interests, it is not indifferent or unresponsive towards them. On the contrary, the political institutions of democratic societies (universal suffrage, representative institutions, civil rights of free speech and association, equality before the law, and so forth), are seen to allow the competing groups to exert more or less equal pressure upon government for the enactment of policies in their diverse interests.² Neither capital, nor labour, nor any other pressure group is believed to be sufficiently cohesive to achieve decisive advantages over other interests either within or outside the state system.³ The state is seen as having subordinated competing claims of pressure groups to it as a neutral institution standing above the conflict and division of society.

The main position of opposition to democratic - pluralist theory from within liberal-democratic theory is elitism. Elitism shares many assumptions in common with democratic - pluralist theory. Indeed, elitism is in many respects simply a different empirical assessment of the distribution of power within the societies of advanced capitalism. Elite theory holds that contrary to pluralism, power is not fragmented between a plethora of pressure groups but is instead wielded by an elite or elites possessed of the coherence, cohesion and strength needed to secure their claims as superordinate claims over others in the political process. The disagreement between pluralism and elitism then, is in the final instance a disagreement about whether power in capitalist formations is "random and unpatterned" or emanates from a "unified power-subject".⁴ The conclusion of elitist theory is that the state is the instrument of the various elites, wielded by them and in their interests. In breaking to a limited extent with the democratic - pluralist view of the state's neutrality, elitism still maintains that the state is neutral with respect to anything resembling class interests. Elitism comprehends the political process of advanced

capitalist formations as the interplay of elite interests rather than as the contradictory struggle of class interests. Thus, from the point of view of Marxist theory, elitism would be criticised as failing to relate the exercise of political power to the fundamental class contradictions of capitalist formations.

A fundamental premise of Marxist theory is, in contradistinction, that the long-term and fundamental interests of the capitalist class are secured through state action. The fundamental and long-term interest of the capitalist class is in the reproduction of capitalism, and the ability to secure this reproduction defines for capital the position of ruling class within the social formation. However, beyond this general level there is far from unanimity amongst Marxists about the state. One broad position could be characterised as a marxist-instrumentalist theory. In certain respects, this approach involves an appropriation and extension by Marxists of certain assumptions of elite theory. However, although this connection between elitism and marxist-instrumentalism will be pursued further, it should be understood that the two theories are quite different. While elitism only relates the political process to the immediate interests of elites placed favourably in relation to the state, the marxist-instrumentalist approach attempts to relate state action to the basic social contradictions of a capitalist social formation. The key limitation of marxist-instrumentalist state theory is that it attempts to do so by extension of the methodology of elite theory. The earlier work of Ralph Miliband is not itself instrumentalist and is representative of a more sophisticated approach to political analysis than the bulk of marxist-instrumentalist writings. However, many of Miliband's concerns parallel those of marxist-instrumentalism. Miliband argues that the elites of advanced capitalist formations actually cohere into a dominant economic class,

possessed of a high degree of cohesion and solidarity, with common interests and common purposes which far transcend their specific differences and disagreements.⁵

In arguing that it is essentially and predominantly the interests of capital that are secured through state action, Miliband emphasises the importance of personal ties and shared ideology between capital and the state, through which capital influences that state personnel in the direction of its interests, and by the external pressure of capital on the state which pushes state policy in the direction of its interests largely because of the weaker position of labour.⁶ Miliband notes that businesspeople frequently participate in the state apparatus and governments of advanced capitalist societies.⁷ More importantly, the personnel of the state elite and capitalist class share the same or similar social origins, and are linked by ties of influence, status, income and shared ideology.⁸ Although Miliband does not go to the full extremities of instrumentalism, his principal explanation of how the state secures the general interests of capital is through its ties of pressure and influence with the capitalist class, and the personal domination of the state by the bourgeoisie.

The patterns of state action described by marxist-instrumentalist theories emphasise an external moment of pressure and influence running from capital to the state and the personal domination of the state by the bourgeoisie. Such an emphasis on the state as a set of power influenced institutions and the personal domination of the state by the bourgeoisie tends to ignore the class character of the internal institutional form and arrangements of the state itself. The relation between capital and the state is largely regarded as one of externality in this conception: capital has subordinated the state to itself through a combination of pressures and influences and by its personal domination of the state apparatus.⁹ Thus, while there is no question of assimilating elitism and marxist-instrumentalist state theory, the latter's limitations and deficiencies reflect the influence of the former, and instrumentalism may properly be said to conceive of the state in capitalist society, rather

than a theory of the capitalist state.¹⁰

The central vitiating feature of the analysis by pluralists, elitists and instrumentalists of state action is the absence of a conception of the state as an objective structure within a capitalist formation, and their inability to conceive of the exercise of power in terms other than interpersonal relations.¹¹ As Therborn¹² has argued,

The contemporary Western debate between theorists of pluralism and elitism has concentrated on the secondary problem of whether there is an interpersonal relation between the different moments of the exercise of power in society. Are they united by a cohesive elite which takes all the major decisions in important areas? Or is decision making power fragmented among groups with little or no connection with one another? Such a formulation of the issue effectively ignores the fact that interpersonal fragmentation of decision-making does not necessarily imply a random and unpatterned structure of events (...) Pluralist and elitist contributions have thus focussed on only a single possible form of the patterning of power - one, moreover, which is hardly the most important form in complex modern societies.

Thus, for example, while theories of the state in capitalist society will analyse the state and state policy pre-eminently in terms of who 'controls' it (capitalists, elites or bureaucrats), an approach based on a theory of the capitalist state will analyse the state primarily as the political instance of an historically determinate social formation (feudal, capitalist, socialist) and see the issue of interpersonal relationships as secondary in the exercise of political power.¹³ From the perspective of the capitalist state, the state is an institution with a determinate rather than a contingent class character, and while particular policies may be the outcome of apparently 'external' pressure, this is not the basis of the class character of state institutions. The theory of the capitalist state emphasises the "rule of capital" rather than "the personal domination of the bourgeoisie".¹⁴ This means that, unlike antecedent modes of production such as feudalism, in which the economic interests of the landlords could only be secured through excluding the class of serfs and peasants from the body politic, holding them in personal and political subjection, and by the nobility and

aristocracy exercising a personal monopoly of political office, the capitalist state does not require the personal domination of the bourgeoisie, as is assumed by instrumentalists. Rather, because of the capitalist state's relative autonomy from the economy, political participation in the state by the dominated classes becomes possible, provided that this does not challenge private ownership of capital. While the reproduction of feudal relations of production is not compatible with a government of peasants and serfs, the reproduction of capitalist relations of production is quite compatible with the existence of social democratic governments and the absence of personal management of the state by the bourgeoisie.¹⁵

The perspective of a capitalist state posits a patterning of power which is different from that found in a theory of the state in capitalist society. The latter tends to view the state as a passive instrument in the hands of a class or power subject. It tends to assume that the interests of capital on a wide range of policy matters and issues are relatively unproblematic and apparent, and that capital generally secures the policies which it prefers over other alternatives. The perspective of a capitalist state, by contrast, does not see capital as inevitably securing a state of affairs which it most prefers, but rather as securing the long-term interest of capital as a whole in the preservation of the economic and general social relations on which private capital is based. That is, the long-term, fundamental interests of capital are secured through the state at the expense of the fundamental interest of the working class in ending its exploitation and abolishing the capitalist mode of production. This most certainly does not mean that the state will always, automatically and unambiguously repudiate the claims of subordinate classes for an immediate improvement of their situation within capitalism, even though this may be opposed by private capital itself. Rather, the state needs to be seen as a strategic field which

regulates the relationship between classes and other political forces to the long-term advantage of capital. Thus, rather than acting at the direct benefit of capital, the state's role is as far as possible to balance the relationship between classes to the long-term advantage of capital and to provide elements of cohesion to a social formation divided by contradictory class interests. The state's rôle of securing cohesion helps to ensure that the struggle between classes does not develop beyond the point at which the existence of the fundamental relations of the social formation would be threatened.

The principal role of the state apparatuses is to maintain the unity and cohesion of a social formation by concentrating and sanctioning class domination, and in this way reproducing social relations, ie., class relations.¹⁶

The state provides major elements of cohesion to capitalist social formations by attempting to limit the exploited and subordinate classes to forms of organisation and struggle which will not alter the fundamental relations of the formation, while also providing a framework for the organisation and representation of the long term interests of capital, and the presentation of these as the interests of 'society as a whole'. Engels describes the state as

a product of society at a certain stage of development, it is the admission that this society has become entangled in an insoluble contradiction with itself, that it has split into irreconcilable antagonisms which it is powerless to dispel. But in order that these antagonisms and classes with conflicting economic interests might not consume themselves and society in fruitless struggle, it became necessary to have a power seemingly standing above society that would alleviate the conflict, and keep it within the bounds of 'order'; and this power, arisen out of society but placing itself above it, and alienating itself more and more from it, is the state.¹⁷

The state assumes the role of organiser of the dominant class because of the latter's tendency towards disunity. Capital is not a solid, indivisible bloc of common interests, but is divided into fractions of capital with contradictory interests. Consequently, the interests of capital as they arise in economic competition tend to be fragmented and contradictory. This imposes a tendency towards class disunity upon

capital. It furthermore means that without the political organisation of the political rule of the bourgeoisie through the state, the general interest of capital in reproducing the capitalist mode of production would tend to be subordinated to the narrower and more fragmented interests of the various fractions of capital, leading them into "contradictions which make them incapable of governing politically".¹⁸

The state needs to organise the political domination of the capitalist class above and in spite of the divisions of interest between its various fractions. In dispensing this task, the state is aided by its relative autonomy from these fractions. As the representative of the general interests of capital, the state enjoys a certain 'space' or 'distance' from the particular interests into which capital is splintered. This distance between capital and the state allows the state to organise compromises and concessions between the fractions which may be necessary to ensure the general class interest of capital.

The implications of this for unity and division within the capitalist class is the subject of the following section. However, our present concern is mainly with how the state limits and disorganises the struggles of the dominated classes. This is because the containment and limitation of working class struggle is the principal objective of state action, and that moreover, this imperative limits fundamentally the extent and character of conflict between fractions of the power bloc. Gramsci's emphasis on hegemony is an important starting point. Hegemony refers to the form of class rule specific to capitalist formations, in which the ruling class exercises political dominance over subordinate classes not merely by virtue of force but also because it commands total social authority over the dominated classes. Hegemony, then, combines consent with coercion as complementary elements in the exercise of class power. Hegemony exists when the dominant class not merely coerces the subordinate classes but is able also to lead and to win the consent of these classes.

The previous ruling classes were essentially conservative in the sense that they did not tend to construct an organic passage from other classes to their own, i.e., to enlarge their class sphere 'technically' and ideologically: their conception was that of a closed caste. The bourgeois class poses itself as an organism in continuous movement, capable of absorbing the entire society, assimilating it to its own cultural and economic level.¹⁹

Poulantzas has developed and extended Gramsci's seminal approach to hegemony in an important and significant manner. He argues that the capitalist state disorganises the working class by dissolving its class unity in favour of another unity. The working class is disorganised as a class by various state institutions which deploy the 'isolation effect' of individualising and atomising the members of that class. The basis of these 'isolation effects' is found in the private and isolated character of the labour process in commodity production²⁰ allowing state institutions to interpellate wage labourers not as members of the working class by virtue of their determinate place in the economic relations of production, but as juridical and political subjects. The capitalist state exhibits two distinctive and characteristic features based on the formal separation of economy and polity under capitalism. First, the capitalist state does not determine its subjects as agents of production, whereas previous types of state have institutionalised class domination in the form of castes and estates. By contrast, the subjects of the capitalist state are formally free and equal individuals and citizens regardless of their class membership. The aggregate of citizens constitutes 'the people'. Second, the capitalist state does not enforce the exclusion of the dominated classes from the institutional framework of the state. Thus the legitimacy of the capitalist state is not founded on the divine will represented by the sovereign monarch of feudal states, but on the popular sovereignty of 'the people'. 'The people' is comprised of formally free and equal individuals - citizens, expressing the 'general will' through universal suffrage. Modern law is normative and interpellates all subjects as free and equal before it, regardless of

social class. By contrast, the feudal system of rules directly enforced class privileges. Thus unlike previous types of state which secured class domination through excluding the dominated and exploited classes from the body politic, the capitalist state puts itself forward as the representative of the 'society' or 'the nation' as a whole.²¹ As a 'popular class state' the capitalist state both individualises and unifies. The state's apparent ambivalence towards classes disorganises the working class by producing atomised, undifferentiated individuals and citizens, thereby dissolving class relations. In turn, the state unifies these individuals and citizens by representing the popular will of 'the nation' or of 'the people'.

With regard to the dominated classes, the function of the capitalist state is to prevent their political organisation which would overcome their economic isolation: it does this by maintaining them in this isolation which is partly its own effect. The state assumes this function in a very particular form which allows a radical distinction to be drawn between this state and other states, such as feudal or slave states. These latter limit the political organisation of the dominated classes by institutionally fixing the classes of slaves or serfs in their very structures by means of public statutes, that is to say, by institutionalising political class subordination in the form of estates or castes. On the other hand, by virtue of its isolating effect on the socio-economic relations and also by taking advantage of this effect, the political disorganisation of the dominated classes, by presenting itself as the unity of the people - nation, composed of political - persons/private - individuals. The capitalist state thus fulfils its function both by concealing their own class character from the dominated classes and also by specifically excluding them from the state institutions, insofar as they are the dominated classes.²²

The state thus helps to mask the antagonistic basis of relations between classes in capitalist formations, then to fragment the subordinate classes into abstract and formally free and equal individuals and citizens, and finally to effect a displacement of class antagonism through a unity of the entire population constituted out of the categories of national-popular ideology: the community, the national interest, the consensus, the general interest, the popular will, and so forth.²³ In this and other respects, the capitalist state fulfils an important part of its function of realising the class domination of capital.

In representing the general political interests of the dominant class, the state enjoys a relative autonomy from the various fractions of capital. Such relative autonomy allows the state to achieve such compromises between different fractions of capital and between capital and labour, as may be necessary to preserve the political domination of capital. These compromises may give economic concessions to the dominated classes, possibly even against the interests of some fractions of capital, but must not adversely affect the political power of capital.²⁴ As Gramsci²⁵ wrote,

Undoubtedly the fact of hegemony presupposes that account be taken of the interests and tendencies of the groups over which hegemony is to be exercised, and that a certain compromise equilibrium should be formed - in other words, that the leading group should make sacrifices of an economic-corporate kind. But there is also no doubt that such sacrifices and such a compromise cannot touch the essential; for though hegemony is ethical-political, it must also be economic, must necessarily be based on the decisive function exercised by the leading group in the decisive nucleus of economic activity.

This means that the hegemony of the dominant class is quite compatible with the existence of corporate forms of organisation of the dominated classes, to a degree unthinkable within antecedent modes of production such as feudalism and slavery. Indeed, the capitalist state may in certain circumstances promote such forms of organisation of the dominated classes which, while providing the means for the working class to secure some of its most immediate interests against the interests of particular fractions of capital or particular capitalists, nevertheless tend to reconcile the dominated classes to a corporative and subordinate position within capitalism. The dominated classes may be said to have been disorganised, or more precisely, their organisation has been circumscribed and limited to forms incapable of challenging the political hegemony of the dominant class or the ongoing reproduction of the fundamental relations of the social formation. In particular, the forms of representation of the dominated classes' interests within the state (representation as a political individual and citizen, as a monad of the

national body politic, and so forth) discourage the separate organisation and representation of the dominated classes as a political force against the state and the fundamental relations of the formation. This is truest precisely of rights of parliamentary representation, which is certainly not to argue that parliamentary democracy and its attendant benefits are illusory or unimportant.²⁶

In the passage which follows, Perry Anderson²⁷ argues that representative democracy is itself the main mechanism by which the hegemony of capital is preserved, and provides a summary of many of the above points:

the general form of the representative state - bourgeois democracy - is itself the principal ideological lynchpin of Western capitalism, whose very existence deprives the working class of the idea of socialism as a different type of State, and the means of communication and other mechanisms of cultural control thereafter clinch this central ideological 'effect'. Capitalist relations of production allocate all men and women into different social classes, defined by their differential access to the means of production. These class divisions are the underlying reality of the wage contract between juridically free and equal persons that is the hallmark of the mode of production. The political and economic orders are thereby formally separated under capitalism. The bourgeois State thus by definition 'represents' the totality of the population, abstracted from its distribution into social classes, as individual and equal citizens. In other words, it presents to men and women their unequal positions in civil society as if they were equal in the State. Parliament, elected every four or five years as the sovereign expression of popular will, reflects the fictive unity of the nation back to the masses as if it were their own self-government. The economic divisions within the 'citizenry' are masked by the juridical parity between exploiters and exploited, and with them the complete separation and non-participation of the masses in the work of parliament. This separation is then constantly presented and represented to the masses as the ultimate incarnation of liberty: 'democracy' as the terminal point of history. The existence of the parliamentary State thus constitutes the formal framework of all other ideological mechanisms of the ruling class. It provides the general code in which every specific message elsewhere is transmitted. The code is all the more powerful because the juridical rights of citizenship are not a mere mirage: on the contrary, the civic freedoms and suffrages of bourgeois democracy are a tangible reality, whose completion was historically in part the work of the labour movement itself, and whose loss would be a momentous defeat for the working class.

Once again, this is not to argue that the capitalist class ineluctably secures the policies or results which it most prefers.

Indeed, since the state is not the passive instrument of a class or power-subject but rather a set of institutions and a strategic field regulating and balancing the relationship between class forces and other political forces, and since also there is likely to be ambiguity and contradiction in deciding precisely what are the interests of capital in various concrete situations in which the fundamental relations of the social formation are not threatened, state policy is quite unlikely to yield results which are those preferred by private capital over other alternatives. For example, private capital has often had to live with social democratic governments and the discomfort of at least some sections of capital is usually evident. What is significant, however, is not so much this discomfort itself as the care taken by most social democratic governments to preserve (and often to improve) the overall health of the capitalist economy, rather than to advance any serious challenge to the political power of private capital. For the model of competition between conservative and social democratic parties for office in advanced capitalist formations is one which, as Andrew Gamble²⁸ has stressed, strives for an optimum articulation of the "politics of support" (a parliamentary majority under conditions of universal suffrage) with the "politics of power" (constraints imposed on government action and policy by private capital). The latter circumscribes the practice of the politics of support to limits which are at very least compatible with the interests of private capital. Thus, without denying the differences between the policies of conservative and social democratic governments with respect to the dominated classes, both remain within the reproduction of capitalism. In particular, social democratic parties will practice a politics of support from within national popular ideology, in accordance with Marx's description of the role of social democracy

as a means not of doing away with two extremes, capital and wage labour, but as weakening their antagonism and transforming it into harmony.²⁹

Unity and Division Within the Capitalist Class.

Thus far the discussion has isolated the limitation of the forms of struggle and organisation of the dominated classes as a decisive moment in the exercise of hegemony and power by the dominant class. The other decisive moment of hegemony is the organisation of private capital qua class through the state. The state must perform this organisational role because the capitalist class is not a fissureless bloc of common or undifferentiated interests. Rather, the class interests of capital are fragmented and made contradictory by the division of labour running through the class of capital and by the effects of economic competition between capitals. In the first instance capital is differentiated into industrial, banking and commercial fractions.³⁰ Depending on the concrete social formation, other fractions which may be present include monopoly capital and non-monopoly capital, international and national capital, and the fraction of large landowners.³¹ In view of these divisions, the political unity of capital qua class cannot arise in a form separate from its relation with the state. Capital cannot achieve a class-wide unity and political organisation independent of the state or through its political parties alone. Thus, it would be incorrect to view capital as a united class subject which subjugates the state through a combination of pressures and influences. On the contrary, the state must be seen as having an organisational rather than instrumental efficacy for capital.³² As Gramsci³³ argued,

The bourgeois class is not a unified entity outside the State. As a result of the working of free competition, new groups of capitalist producers are constantly forming to fulfil the regime's economic capacity ... The State's function is to find a juridical settlement to internal class disputes, to clashes between opposed interests; thereby it unifies different groupings and gives the class a solid and united external appearance.

Thus the state must organise and represent a contradictory alliance of class fractions, or a power bloc, through which several classes and class fractions participate in political domination.³⁴ However, this

does not mean that there is a 'fair' and 'equal' sharing out of political power amongst the various fractions of the power bloc. Rather, state policy tends to be shaped by the interests of the hegemonic fraction of the power bloc, the fraction which is dominant within the power bloc and which is most able to represent its own interests as the general interests of 'society', the 'nation' and so forth, and thus also most able to negotiate compromises with the dominated classes in the general interests of the power bloc.³⁵

On a terrain of political domination occupied by several classes and class fractions and divided by internal contradictions, the capitalist state, while predominantly representing the interests of the hegemonic class or fraction (itself variable), enjoys a relative autonomy with respect to that class and fraction as well as to the other classes and fractions of the power bloc. One reason for this is that its task is to ensure the general political interest of the power bloc as a whole, organising the 'unstable equilibrium of compromise' (Gramsci) among its components under the leadership of the hegemonic class or fraction; the other reason is that it organises this hegemony with respect to the social formation as a whole, thus also with respect to the dominated classes, according to the specific forms that their struggles assume under capitalism.³⁶

Changes in the composition of the power bloc and allied classes, and changes in the class fraction exercising hegemony over the power bloc account for the various forms of the capitalist state.³⁷ Moreover, contradictions between fractions of the power bloc reproduce lines of division and fissure within the state itself. Poulantzas argues that

Each state branch or apparatus and each of their respective sections and levels...frequently constitutes the power-base and favoured representative of a particular fraction of the bloc, or of a conflictual alliance of several fractions opposed to certain others. In short, it is the specific concentration-crystallisation of a given interest or alliance of particular interests. The executive and parliament, the army, the judiciary, various ministries, regional, municipal and central apparatuses, the ideological apparatuses - all of these, which are themselves divided into distinct circuits, networks and vantage-points, are often pre-eminent representatives of the diverging interests of one or several fractions of the power bloc.³⁸

The particular form of state policy is the outcome of class contradictions reproduced and represented within the state apparatuses themselves. As has been seen, the process of organising the power bloc

under the cohesion of the hegemonic fraction is an integral part of the state's role in helping to reproduce the capitalist mode of production as a whole. The cohesion given to the power bloc by the hegemonic fraction is based ultimately on its ability to secure for the power bloc its general interest through some balance of forces and interests with the dominated classes. Hence, while fractions do from time to time pursue policies which would be detrimental to the power bloc as a whole, a kind of discipline usually returns to the power bloc after a period if any potential danger arises from the dominated classes.

Marx's own concern with the difficulties and dynamics of the political organisation of capital is fully apparent in his political writings on France, particularly The Eighteenth Brumaire of Louis Bonaparte.³⁹ Only some of its arguments can be drawn out here. However, what is most relevant is its concern with why the struggles between different political forces assumed the form of struggles between and about different forms of state, leading eventually to the 'Bonapartist' or 'Caesarist' solution. In describing the struggle of different political forces, Marx does not refer to whole classes, but rather, in the case of the capitalist class at least, to its various fractions. The Orleanist Monarchy (1830-1848) had given a hegemonic position within the power bloc to the 'financial aristocracy' in alliance with the large industrialists, while under the Restoration Monarchy (1815-1830) the large landowners had been hegemonic, had 'ruled'. During the Republic (1848-1851) they ruled jointly as the Party of Order.

The nameless reign of the republic was the only one in which both factions could maintain with equal power the common class interest without giving up their mutual rivalry. If the bourgeois republic could not be anything but the perfected and clearly expressed rule of the whole bourgeois class, could it be anything but the rule of the Legitimists supplemented by the Orleanists, the synthesis of the restoration and the July Monarchy?...They did not comprehend that if each of their factions, regarded separately, by itself, was royalist, the product of their chemical combination had necessarily to be republican.⁴⁰

The succession of different regimes within the Republic (Constituent National Assembly, Parliamentary Republic, Social Republic, and so forth), represent the struggle of the various fractions of capital for hegemony over other fractions of the power bloc, in a temporary alliance with one of the subordinate classes. As the struggle develops between various class interests (landed property, capital, the proletariat, petty bourgeoisie and peasantry) alongside struggles within the power bloc, each fraction is confronted by mounting difficulties in its attempt to exercise hegemony over the other fractions and the social formation as a whole. In particular, there is a narrowing of the social basis for an alliance with one or more of the subordinate classes, which would stabilise both the hegemony of a particular fraction and of the whole power bloc. Finally, as the possibilities are extinguished for any one of the fractions to exercise hegemony within the framework of the Republic, the ground is prepared for a Bonapartist or Caesarist solution. There is a crisis of representation, a "conflict between 'represented and representatives'",⁴¹ between the power bloc and the Party of Order. The power bloc has failed to resolve either its internal conflicts of interest and problems of disunity or to exercise hegemony over the social formation by means of its political parties. The power bloc thus resiles from the direct exercise of political power and abandons "its general class interests, that is, its political interests to the narrowest and most sordid private interests".⁴² Hence, the bourgeoisie

proved that the struggle to maintain its public interests, its own class interest, its political power, only troubled and upset it as it was a disturbance of private business.⁴³

It is only through the mediated form of the Bonapartist state that the power bloc can secure order, "tranquility", based on support for the regime from the most numerous class in France, the small-holding peasantry.

This serves to indicate the importance for Marx (and for those like Gramsci and Poulantzas whose works take as their point of departure the concerns of The Eighteenth Brumaire) of problems in the organisation and representation of the hegemony of a fraction within the power bloc. This is not to argue that such conflict between fractions of capital is as fundamental as the struggle between the principal classes. On the other hand, this example does indicate the extent to which fractional conflict may be imbricated with the struggle between contradictory class interests. Indeed, Poulantzas⁴⁴ has argued that

the contradictions between the various fractions of the bourgeoisie themselves always express, in the last analysis, different tactics and modalities for the exploitation and domination of the popular masses.

Thus, although fractional conflict is secondary as compared with capital's struggle for hegemony over the dominated classes, fractional conflict nevertheless affects the way in which this hegemony is exercised and by whom, and thus also affects the nature and trajectory of capitalist development within the social formation.⁴⁵ The nature and likely effects of fractional struggle on the social formation as a whole, in the case particularly of democratic regimes such as Australia, is in need of closer attention.

Poulantzas has emphasised that fractional conflict is, inter alia, an element which overdetermines struggles between the power bloc and the dominated classes. Indeed, fractional conflict may even become the principal contradiction of the conjuncture, particularly in circumstances presaging the transition to an exceptional regime such as fascism or military dictatorship.⁴⁶ From the point of view of struggle between fractions of capital, the parliamentary - democratic state has the advantage of flexibility. The parliamentary - democratic state provides greater opportunity for the negotiation and renegotiation of hegemony and for compromises to be reached with the dominated classes than is ever possible within the dictatorships. Moreover, the parliamentary -

democratic state can allow the alteration of the balance of forces within the power bloc without however engendering struggles massively to alter the state apparatus and institutions.⁴⁷ The parliamentary-democratic state possesses

an organisational framework for the organic circulation of hegemony among different fractions of the power bloc by way of their political representatives, or even a certain regulated separation of powers between dominant classes and fractions...⁴⁸

This may be contrasted with the contemporary military dictatorships, which arose

to remedy a characteristic crisis of hegemony within the power bloc, and in this bloc's relationship with the popular masses.⁴⁹

The military dictatorships generally represent a shift in the balance of forces towards 'the oligarchy' (comprador capital and the large landowners). To secure the hegemony of this fraction, far-reaching changes to the state apparatuses must occur, marking a decisive break with the parliamentary - democratic form of state: the suffrage is eliminated alongside the elimination of the political parties representing the interests of labour and of other fractions of the power bloc, there is a major shift towards repression and the armed forces become representatives of the hegemonic fraction, and so forth.⁵⁰ This means that first, any shift in hegemony towards another fraction of the power bloc is possible only through a serious upheaval in existing state institutions (which will of course be resisted by the state), and second, that contradictions between the various fractions of capital tend to take on a highly acute and antagonistic form, while this struggle of fractions against the regime will be imbricated with the struggles of the dominated classes for more far-reaching democratisation and social transformation. The exceptional state is both rigid and brittle: "The slightest genuine 'opening' risks the collapse of the whole edifice".⁵¹

In the parliamentary - democracies however, an institutional framework exists for the ventilation and more flexible balancing of these contradictions, with two main consequences. First, fractional conflict is by itself quite unlikely to lead to an open breach in the power bloc and the transition to another form of state. With the flexibility provided by democratic institutions, fractional conflict is unlikely to reach such an acute impasse as in the military dictatorships. Second, although fractional interests may certainly be imbricated with the concerns of the dominated classes (and this is certainly the case with regard to Australian Trade Policy) fractional conflict is much less likely to be in any way involved with mass mobilisation by the dominated classes for fundamental political transformation. This is even more the case since electoral competition between the political parties of parliamentary democracies assumes the form of attempts to articulate the politics of support within the politics of power, that is, broadly speaking, the presentation of the interests of the power bloc as the national interest through the operation of representative political institutions and national popular ideology.⁵² This is not to argue that fractional conflict is unimportant in parliamentary democracies such as Australia, but rather that democratic state institutions afford more flexible and stable means of balancing the interests of different fractions of the power bloc and for the elaboration of a general common policy for the exercise of hegemony over the dominated classes.

The Concept of Representation.

There is a recurrent concern in this thesis with the representation of class and fractional interests. Indeed, representation is the leit motif of this analysis of Australian trade policy. It is therefore necessary to indicate where this analysis stands in relation to the main positions within Marxist political theory which are critical of the

concept of representation. The first such position to be considered is that of state derivation, to be followed by consideration of the position associated with Barry Hindess and Paul Hirst.

'State Derivation' is a theoretical approach to the analysis of the state which takes its name from the attempt to 'derive' the form and functions of the capitalist state from specific features of the capitalist economy. Whatever are their differences, all of the contributions to the state derivation debate have been at least implicitly addressed to the question: what features of the capitalist economy imply the necessity for the existence of special state institutions, which are nevertheless separate and distinct from the form of existence of private capital? Within state derivation, there have arisen three distinct positions which constitute somewhat different replies to this question.

The first approach concentrates on the state as an institution which is not circumscribed by the exigencies of competition and profitability and which is thus able to provide private capital with the means for its social reproduction which it is unable to secure itself.⁵³ The second approach concentrates on the sphere of commodity circulation and exchange, seeing that the form and major functions of the state consist in its provision of a legal and monetary framework for the reproduction of capitalism. Law provides protection of capital against the claims of labour while protecting labour against capital's tendency to overexploit the working class. By providing a monetary framework, the state provides a recognised universal equivalent and medium of exchange of commodities. These state functions provide a framework within which the reproduction of capitalism will occur, while in form the state reflects the formal freedom and equality of all commodity owners within the sphere of circulation, regardless of the fact that some possess capital while others possess only their capacity to labour.⁵⁴ The third approach⁵⁵

is concentrated on the derivation of the state's form from the relations of production of capitalism, which are based on the labourer's separation from the means of production. Within capitalism the political power of the ruling class is not exercised at the immediate point of production, but rather is wielded by an institution separated from the individual units of production, the state. This 'necessary autonomy' of the state installs the formal equality of all citizens whose political status is not determined by their relationship to the means of production, or their membership of a class. As Holloway and Picciotto write, "seen through the prism of the state, the capital relation is concealed, class struggle is defused, classes are atomised into a mass of individual citizens".⁵⁶ Behind the appearance of neutrality, the state dispenses functions aimed at securing and consolidating the social hegemony of capital which may contradict and undermine the state's apparently neutral form.⁵⁷

The most serious problem in state derivationist analyses of the relationship between the state and capital is that they ignore the issue of the representation and organisation of the class interests of capital by the state. For example, how and by what process does the state select policies which adequately embody the general interest of capital from amongst the diverse, changing and contradictory array of competing sectional interests within capital? This neglect on the part of derivationists is not mere happenstance, for it is precisely on this point that most derivationists have explicitly based the distinctiveness of their approach and their major criticisms of other authors. Influential articles by Simon Clarke⁵⁸ and Holloway and Picciotto⁵⁹ have criticised Poulantzas for 'politicism', that is, an overemphasis on the autonomy of the state from the process of accumulation. Rather than indicating a deficiency in Poulantzas' work, these criticisms help us to identify the serious lack of concern within state derivationist theory of

the mechanisms of interest representation within the state. This link in state derivationist theory between its criticism of 'politicism' and its lack of concern with the representation of class interests is indicated in Clarke's article criticising recent 'politicist' work on the state in South Africa. He writes:

The state is simply a specific institution that has abrogated to itself certain powers and that is inserted in a particular society. As such the state is subordinated to the domination of capital that characterises that society, a domination that does not have to be reproduced anew at the level of the state since it already exists. Thus the state is subordinate to capital because it is inserted in social relations that are themselves defined by the dominance of capital. Thus political relations do not reproduce economic relations, rather they complement them as different forms of the same fundamental social relations.⁶⁰

Although Clarke later admits that the system of representation may perform a role in the formation of state policies, this role is very much subordinate to the ability of 'capital in general' to impose itself on the state without the representation of capitalist interests or struggles between fractions of capital.⁶¹

For derivationists, the state represents the interests of capital in general. In broad terms, this means as Clarke suggests, that the limits of state action are constituted by 'the capital relation'. The state's relationship to sectional interests within capital is to assert the interests of capital in general over the interests of individual capitals, for rather than the existence of different fractions, the main source of disunity within capital is seen as being its division into individual, competing units of capital.⁶² This means that within state derivation a system of the representation of capitalist interests by the state is of little overall significance for the organisation of class rule. It is therefore unsurprising that state derivationist analyses say so little about the positive role of political parties or various branches of the state apparatus in representing the competing claims of different fractions of capital on state policy, or the concrete modalities through which the state organises the hegemony of capital over

labour. Such a position must generally assume, against all contrary evidence, that political policies are a relatively automatic reflex of economic necessity and interests.⁶³ However, it must be recognised that the economy is not some machine which omnipresently produces its own conditions of existence in politics and ideology. These are instead conditions which are secured, more or less adequately from the point of view of capital, in an historically determinate form, through the action of classes, class fractions, and other political forces to secure their interests at the political and ideological levels. In short, what is still needed is a theory of the political representation of class interests. It is this which Marxist political analysis must start from in order to provide knowledge of the political processes of capitalist formations.

While the form of analysis adopted in this thesis has been criticised by economistic writers associated with state derivation as 'politicism', it has also been criticised in the writings of Hindess and Hirst for economic reductionism or essentialism. It is the problematic of their arguments with which we are concerned rather than their various critiques of other authors (which are often much more persuasive). Quite briefly, Hindess and Hirst criticise the concepts of relative autonomy and representation as simply involving a complicated form of economism, an economic reductionism with qualifications. What is represented in the political is then a class interest determined by the economy in a more or less complicated form. This remains a 'reflection theory' of the relationship between the economy and the political and ideological superstructures which denies the effectivity of the means of representation (parties, organisations, and so forth). The means of representation fundamentally transform the content of what is represented in the political:

It is not too much to argue that once any autonomy is conceded to these means of representation, it follows necessarily that the means of representation determine the represented. This obliterates the classic problem of 'representation'.⁶⁴

Interests are not represented (i.e., transposed from the economic to the political) but are actually constituted at the political level:

Classes do not have given 'interests', apparent independently of definite parties, ideologies, etc., and against which these parties, ideologies, etc., can be measured. What the means of representation 'represent' does not exist outside the process of representation. The 'represented' carries no sign, no means of recognition, other than that constituted by its means of representation. The issues, the ideologies the classes specified within the political arena are constituted there - one cannot read back beyond it to some essential arena of class struggle beyond politics. This is what is meant by non-correspondence.⁶⁵

We are thus presented with a choice between relative autonomy of the political (a complex reflection of the economy) and the real autonomy of politics and ideology:

Either we effectively reduce political and ideological phenomena to class interests determined elsewhere (basically in the economy) - ie. an economic reductionism coupled with a vague recognition that things are actually more complicated and a failure to get to grips with that complication. Or we must face up to the real autonomy of political and ideological phenomena and their irreducibility to manifestations of interests determined by the structure of the economy.⁶⁶

Thus it can be seen that while state derivationists are able to posit a definite relationship between the state and capital on the basis of an economic reductionism and an eliding of the actual representation of class interests, Hindess and Hirst can see no definite or determinate relationship between the state and capital which is not a reduction of one to the other.⁶⁷

Regardless of the strictures of Hindess and Hirst, a relation of representation is not necessarily an expressive or reductionist one, nor one which ineluctably denies the efficacy of the means of representation. A position based on the concept of representation does deny what is ultimately the view of Hindess and Hirst, that there is an absolute autonomy of the political and ideological from the economic.

However, in arguing for example, that the state's form and functions are broadly determined by the economic mode of production, our position also assigns to politics and ideology a relatively autonomous position within the social formation. Thus, the determinacy of the mode of production over the political and ideological levels of the social formation refers to a

setting of limits, the establishment of parameters, the defining of the space of operations, the concrete conditions of existence, the 'givenness' of social practices, rather than in terms of the absolute predictability of particular outcomes...⁶⁸

Rather than being able simply to 'read off' the form and character of the superstructures from the structure of the economy, politics and ideology are distinct, non-homogenous regions or levels of the social formation.⁶⁹ Moreover, while Hindess and Hirst perpetrate a massive conflation of the determinacy of the economic with conceptions which hold to the domination of the economy,⁷⁰ our position entails that the most important or dominant level of social relations in any given situation may not be economic at all, but political and ideological.⁷¹ While the economic mode of production does set limits, for example, on the possible forms of the state and may make some forms more preponderant than others, this is within a broad framework in which class and other struggles occur and dominate a succession of conjunctures, rather than according to any direct or mechanical pattern of determination by the economic. Thus, the development of Australian trade policy should not be analysed as the teleological unfolding of the requirements of the economy, but will rather be analysed in terms of the struggle by fractions of capital particularly for the representation of their interests as concrete policies. This is the approach adopted in the analysis of the development of Australian trade policy in the following chapters.

FOOTNOTES

1. This definition of the state raises a dispute which provided a major focus of the debate between Miliband and Poulantzas. Miliband's concept of the state as comprising the above-mentioned set of institutions attracted criticism from Poulantzas that it ignored the system of ideological state apparatuses (the Church, political parties, corporate professional associations, schools, the mass media and the family). Poulantzas follows Althusser in arguing that quite regardless of their often private character, such institutions form part of the state apparatus because they too contribute through ideology to maintaining the dominance of the capitalist class and the cohesion of the social formation. At one extremity Miliband is seen as adopting a purely institutional view of the state, while Poulantzas, regarding the state as having the "general institutional function of constituting the factor of cohesion of a social formation", extends this, as Laclau suggests, into a concept of the state as a function in which everything that aids the cohesive properties of the existing order becomes a fortiori a part of the state. What is lost through this approach of Poulantzas to the state is a view of the state as an instance of a social formation, a strategic field for the representation of class interests and the interests of class fractions. To approach the state in this manner would entail a concept of the state as an institution (without, however, simply replicating the faults of Miliband's work discussed below) providing important elements of cohesion to the social formation which help to maintain the existing order (without, however, adopting a view of the state as a function in which all elements of cohesion within the social formation are assimilated to the state). This is the approach to the state adopted in this thesis.

The Miliband - Poulantzas debate comprises the following:
 Nicos Poulantzas, 'The Problem of the Capitalist State' and Miliband, 'Reply to Poulantzas' in R. Blackburn (ed.), Ideology in Social Science, Fontana, London, 1972, pp. 238-262. Subsequently, the debate was resumed by Miliband, 'Poulantzas and the Capitalist State', New Left Review, no. 82, 1973, and Poulantzas, 'The Capitalist State: A Reply to Miliband and Laclau', New Left Review, No. 95, January - February 1976. See also Ernesto Laclau, 'The Specificity of the Political: The Poulantzas-Miliband Debate', Economy and Society, Vol. 4, no. 1, 1975, (this article reappeared in Ernesto Laclau, Politics and Ideology in Marxist Theory, New Left Books, London, 1977), and Louis Althusser, 'Ideology and Ideological State Apparatuses', in Lenin and Philosophy and Other Essays, New Left Books, London, 1971.

2. Ralph Miliband, The State in Capitalist Society, Quartet Books, London, 1973, p. 4 ff.
3. Ibid., p. 131.
4. Goran Therborn, What Does the Ruling Class Do When it Rules?, New Left Books, London, 1978, p. 135.
5. Miliband, op. cit., p. 45.
6. Ibid., pp. 139-148.
7. Ibid., pp. 51-4.

8. Ibid., pp. 55-62, 107-130.
9. Nicos Poulantzas, State, Power, Socialism, New Left Books, London, 1978, pp. 131-2, and 'The Capitalist State: A Reply to Miliband and Laclau', op. cit., p. 74.
10. Claus Offe, 'Structural Problems of the Capitalist State; Class Rule and the Political System. On the Selectiveness of Political Institutions', K. Von Beyme (ed.), German Political Studies, Vol. 1, 1974, p. 31.
11. This issue also was a major focus of the debate between Miliband and Poulantzas.
12. Op. cit., p. 135.
13. Erik Olin Wright, Class, Crisis and the State, New Left Books, London, 1978, p. 195.
14. Goran Therborn, 'The Rule of Capital and the Rise of Democracy', New Left Review, No. 103, May-June 1977, p. 30.
15. Ibid.
16. Poulantzas, Classes in Contemporary Capitalism, New Left Books, London, 1975, p. 24-5.
17. Frederick Engels, Origins of the Family, Private Property and the State, in Karl Marx and Frederick Engels Selected Works, (hereafter MESW), Progress Publishers, Moscow, 1970, p. 576.
18. Poulantzas, Political Power and Social Classes, New Left Books and Sheed and Ward, London, 1973, p. 298.
19. Antonio Gramsci, Selections From the Prison Notebooks, Lawrence and Wishart, London, p. 60.
20. Political Power and Social Classes, op cit, p. 129 and State, Power, Socialism, op. cit., pp. 64-5.
21. Political Power and Social Classes, op. cit., pp. 123, 188-9, 276-9.
22. Ibid., pp. 188-9.
23. See the discussion of this in Stuart Hall, 'Culture, the Media and the "Ideological Effect"', in James Curran, Michael Gurevitch and Janet Woollacott (eds.), Mass Communication and Society, Edward Arnold, London, 1977, particularly pp. 336-9.
24. Poulantzas, Political Power and Social Classes, op. cit., pp. 190-2.
25. Op. cit., p. 161. Elsewhere Gramsci also writes:

It is true that the State is seen as the organ of one particular group, destined to create favourable conditions for the latter's maximum expansion. But the development and expansion of the particular group are conceived of, and presented, as being the motor force of a universal expansion, of a development of all the "national" energies. In other words, the dominant group is coordinated concretely with the

general interests of the subordinate groups, and the life of the State is conceived of as a continuous process of unstable equilibria (on the juridical plane) between the interests of the fundamental and those of the subordinate groups - equilibria in which the interests of the dominant group prevail, but only up to a certain point, i.e. stopping short of narrowly corporate economic interest. *Ibid.*, p. 182.

26. The above provides important indications about democratic-pluralist theory. First, pluralism is definitely not mere illusion or apologia for bourgeois state power. Pluralism constitutes a logical extrapolation of quite concrete and real representative and democratic aspects of the bourgeois state; it is an ideology whose basis is the corporeal, material institutions of bourgeois democracy rather than fanciful illusion. Second, however, pluralism is premised so as to exclude the possibility being argued for here, that democratic institutions and a corporative position for the working class within capitalist formations are compatible with (and may indeed augment) the rule of capital over society.
27. 'The Antinomies of Antonio Gramsci', New Left Review, No. 100, November 1976 - January 1977, p. 28.
28. The Conservative Nation, Routledge and Kegan Paul, London, 1974, pp. 3-11.
29. The Eighteenth Brumaire of Louis Bonaparte, in MESW, op. cit., p. 119.
30. For an excellent analysis of these forms of capital see Grahame Thompson, 'The Relationship Between the Financial and Industrial Sectors in the United Kingdom Economy', Economy and Society, Vol. 6, no. 3, August 1977.
31. Poulantzas, Political Power and Social Classes, op. cit., pp. 229-234 and State, Power, Socialism, op. cit., p. 133.
32. See *ibid*, pp. 126-132, Political Power and Social Classes, op. cit., p. 300, and 'The Capitalist State'. op. cit., p. 74.
33. Quoted in Christine Buci-Glucksmann, Gramsci and the State, Lawrence and Wishart, London, 1980, p. 131.
34. Poulantzas, Political Power and Social Classes, op. cit., p. 229 ff; Classes in Contemporary Capitalism, op. cit., pp. 93, 98; State, Power, Socialism, op. cit., p. 127 ff.
35. Poulantzas, Political Power and Social Classes, op. cit., pp. 39-40.
36. Poulantzas, Classes in Contemporary Capitalism, op. cit., p. 98.
37. Poulantzas, Political Power and Social Classes, op. cit., 151, 234-5.
38. State, Power, Socialism, op. cit., p. 133; Classes in Contemporary Capitalism, op. cit., pp. 98, 163-4; The Crisis of the Dictatorships, New Left Books, London, 1976, pp. 81-2, 92; 'The Capitalist State', op. cit., pp. 74-6.
39. Op. cit. See also the important discussions of Marx's political writings on France by Stuart Hall, 'The "political" and the

- "economic" in Marx's Theory of Classes', in Alan Hunt (ed.), Class and Class Structure, Lawrence and Wishart, London, 1977, pp. 36-54, and 'Re-thinking the "Base-and-Superstructure" Metaphor' in Jon Bloomfield (ed.), Class, Hegemony and Party, Lawrence and Wishart, London, 1977, pp. 55-60; David Fernbach, 'Introduction' to Karl Marx, Surveys From Exile, Penguin, London, 1973, pp. 9-18.
40. Marx, The Class Struggles in France 1848 to 1850, Progress Publishers, Moscow, 1972, pp. 81-2.
 41. Gramsci, op. cit., p. 10.
 42. Marx, The Eighteenth Brumaire of Louis Bonaparte, op. cit., 159.
 43. Ibid., 152.
 44. The Crisis of the Dictatorships, op. cit., p. 82.
 45. This point is emphasised by contributions to the debate on fractions of capital in South Africa, a debate with considerable relevance to the issue of Australian trade policy. See inter alia, Robert Davies, David Kaplan, Mike Morris and Dan O'Meara, 'Class Struggle and the Periodisation of the State in South Africa', Review of African Political Economy, No. 7, September-December 1976; D.E. Kaplan, 'The Politics of Industrial Protection in South Africa, 1910-1939' and Robert Davies, 'Mining Capital, The State and Unskilled White Workers in South Africa, 1901-1913', both in Journal of Southern African Studies, Vol. 3, No. 1, October 1976; Robert Davies, Capital, State and White Labour in South Africa, 1900-1960, Harvester Press, Sussex, 1979.
 46. See Poulantzas, Fascism and Dictatorship, New Left Books, London, 1974 and The Crisis of the Dictatorships, op. cit.
 47. Ibid., p. 91.
 48. Ibid.
 49. Ibid., p. 92.
 50. Ibid.
 51. Ibid., p. 93.
 52. See Bob Jessop's discussion in 'Capitalism and Democracy: The Best Possible Political Shell?' in G. Littlejohn, B. Smart, J. Wakeford and N. Yuval-Davis, (eds.) Power and the State, Croom Helm, London, 1978, pp 26-33.
 53. See Elmar Altvater, 'Notes on Some Problems of State Interventionism', Kapitalistate, Nos. 1 and 2, 1973, and Wolfgang Müller and Christel Neusüss, 'The Illusion of State Socialism and the Contradiction Between Wage Labour and Capital', Telos, No. 5, Fall 1975.
 54. See Margaret Wirth, 'Towards a Critique of the Theory of State Monopoly Capitalism', Economy and Society, Vol. 6, No. 3, August 1977; Bernhard Blanke, Ulrich Jurgens and Hans Katendiek, 'On the Current Marxist Discussion on the Analysis of Form and Function of the Bourgeois State', and the discussion of Sybille von Flatow and

- Freerk Huisken in Helmut Reichelt, 'Some Comments on Flatow and Huisken's Essay "On the Problem of the Derivation of the Bourgeois State"', both in John Holloway and Sol Picciotto (eds.), The State and Capital: A Marxist Debate, Edward Arnold, London, 1978.
55. See Joachim Hirsch, 'The State Apparatus and Social Reproduction: Elements of a Theory of the Bourgeois State', in Holloway and Picciotto (eds.), The State and Capital, op. cit.; Heidi Gerstenberger, 'Theory of the State: Special Features of the Discussion in the FRG', K. Von Beyme (ed.), German Political Systems, Vol. 2, Sage, London, 1976, pp. 85-7; 'Class Conflict, Competition and State Functions' in Holloway and Picciotto (eds.), The State and Capital, op. cit.; John Holloway and Sol Picciotto, 'A Note on the Theory of the State', Bulletin of the Conference of Socialist Economists, no. 14, June 1976; 'Capital, Crisis and the State', Capital and Class, no. 2, Summer 1977; 'Introduction: Towards a Materialist Theory of the State', in Holloway and Picciotto (eds.), The State and Capital, op. cit.
 56. 'Capital, Crisis and the State', op. cit., p. 80.
 57. Ibid, 85-97; Hirsch, op. cit., pp. 81-97.
 58. 'Marxism, Sociology and Poulantzas' Theory of the State', Capital and Class, no 2, Summer 1977; 'Capital, Fractions of Capital and the State: "Neo-Marxist" Analyses of the South African State', Capital and Class, no. 5, Summer 1978, pp. 32, 42ff.
 59. 'Capital, Crisis and the State', op. cit., pp. 82-3; 'Introduction: Towards a Materialist Theory of the State', op. cit., pp. 3-10.
 60. 'Capital, Fractions of Capital and the State', op. cit., p. 64.
 61. See Clarke's general discussion of this, *ibid.*, pp. 63-6. See also the reply by John Solomons, 'The Marxist Theory of the State and the Problem of Fractions: Some Theoretical and Methodological Remarks', Capital and Class, no. 7, Spring 1979.
 62. Holloway and Picciotto, 'A Note on the Theory of the State', op. cit., p. 2.
 63. The only exception to this general rule about state derivation is the work of Hirsch, which does take some account of the role of interest representation. It is however, a rather partial exception.
 64. Hirst, 'Althusser and the Theory of Ideology', Economy and Society, Vol. 5, No. 4, November 1976, p. 395.
 65. Hirst, 'Economic Classes and Politics', in Hunt (ed.), op. cit., p. 131.
 66. Hindess, 'The Concept of Class in Marxist Theory and Marxist Politics' in Bloomfield (ed.), op. cit., p. 104.
 67. To be sure, however, their method is redolent with the reductio ad absurdum in which all concepts of determination are assimilated to one another as a singular, universal reductionism, regardless of the protocols of their own critique of rationalist forms of discourse. Moreover, it is questionable as to whether Hindess and Hirst's own alternative analysis of the 'forms of economy' and their political

and ideological 'conditions of existence' offers anything more than a taxonomic and gestural displacement of the problems associated with the concept of relative autonomy in so far as their work remains within a Marxist problematic, and goes beyond these problems only to the extent that Marxism is replaced by a form of institutionalism. See Hindess and Hirst, Mode of Production and Social Formation, Macmillan, London, 1977, and Cutler, Hindess, Hirst and Hussain, Marx's 'Capital' and Capitalism Today, Volume One, Routledge and Kegan Paul, London, 1977.

68. Stuart Hall, 'The Problem of Ideology - Marxism without Guarantees', in Betty Matthews (ed.), Marx: A Hundred Years On, Lawrence and Wishart, London, 1983, p. 84.
69. See Louis Althusser, For Marx, Penguin University Books, London, 1969, Chapters 3 and 6, and Essays in Self-Criticism, New Left Books, London, 1976, pp. 175-87.
70. Michael Ball, Doreen Massey and John Taylor, 'Review Article', Capital and Class, No. 7, Spring 1979, pp. 106-8.
71. The distinction between dominance and determination is given in Althusser, For Marx, op. cit., and Essays in Self-Criticism, op. cit.

PART II: Protectionism From Federation to World War II

CHAPTER TWO.FROM THE BEGINNINGS OF PROTECTIONISM TO THE BRUCE-PAGE REGIME.

In the period from Federation to World War II major transformations occurred in the political and economic structures of Australian capitalism. Federation may be seen as beginning the struggle which gave rise to the political and economic dominance of a fraction of the capitalist class based in manufacturing, by the mid 1930s, and the consolidation of this dominance during World War II and the immediate post-war period. It is with the struggle of this period that the two chapters of Part II of this thesis are concerned. The present chapter focuses on the period from Federation to the fall of the Bruce-Page regime in 1929. The chapter examines the early origins of protectionism in Australia and the hegemonic position of 'international capital' in the early years of the twentieth century, followed by an analysis of the role of protectionism in promoting a dramatic qualitative and quantitative development of manufacturing industry during the 1920s. Thereafter, the analysis is concentrated on the political struggle between 'national' and 'international' capital and its relationship to government policy under the Hughes regime (1917-1923) and the Bruce-Page Coalition Government (1923-1929). But before this can be done, it remains to specify the form and role of imperialism with respect to trade policy in Australia during this period.

The Theory of Imperialism

The politics of industrial protection in Australia cannot be analysed adequately in isolation from the dependent character of Australian capitalism within the international system of capitalist nation states. The theory of imperialism is the cornerstone of this investigation.

Lenin defines imperialism as a stage in the development of capitalism, rather than a policy.¹ Imperialism is the export of capital rather than the export of commodities,² corresponding to the transition of capitalism from the competitive to the monopoly stage of development.³ The advent of monopoly capitalism involves the concentration of ownership of industrial capital,⁴ the centralisation of banking capital⁵ and their merging into 'finance capital'.⁶ Thus Lenin defines the five basic features of imperialism as follows.⁷

(1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life; (2) the merging of bank capital with industrial capital, and the creation, on the basis of this "finance capital", of a financial oligarchy; (3) the export of capital as distinguished from the export of commodities acquires exceptional importance; (4) the formation of international monopolist capitalist associations which share the world among themselves, and (5) the territorial division of the whole world among the biggest capitalist powers is completed.

This definition, particularly regarding the form of merger between banking and industrial capital and the export of capital, requires somewhat closer attention.

Since imperialism corresponds to the monopoly stage in the development of capitalism, then imperialism, no less than capital itself, must be considered a social relation and the export of capital must likewise be considered primarily as the export of particular capitalist social relations. The form of the export of capital varies with successive phases in the development of imperialism. These phases are marked by changes in the economically dominant fraction of metropolitan capital, and correspondingly, by "transformations of production relations and labour processes on a world scale".⁸

The imperialism of Lenin's day and the form of British imperialism within Australia in the period covered in Chapters Two and Three correspond to an initial phase in imperialist development. The key feature of this initial phase is the pre-eminent importance of

money-capital, regarding both the form of monopoly capital and relations of production, and the export of capital. Concerning the export of capital in this phase, the internationalisation of money-capital predominates and foreign investment consequently takes the form of portfolio investment.⁹ Moreover, the dominance of money-capital over productive, industrial capital in this initial phase in the development of imperialism and metropolitan finance capital, brought with it important changes in the form of relations of production. Under competitive capitalism the powers of legal ownership of the firm, economic ownership (the power to deploy means of production and profits to a given end) and possession (the power to control and direct particular labour processes), were both concentrated in the hands of the capitalist entrepreneur. However, monopoly capitalism initially replaces the entrepreneur with the joint-stock company, fragmenting these powers between owners and managers particularly. Given the dominance of money-capital in the initial phase, the holding and credit system passes effective economic ownership to a small group comprising the largest money capitalists, while formal legal ownership is retained by a larger mass of relatively powerless shareholders. The power actually to determine the deployment of means of production and profits falls either to financial institutions providing credit or to the largest shareholders. More importantly, although economic ownership falls to small groups of money capitalists, the control of particular labour processes resides with the managers of each enterprise, since the different units of production remain unintegrated, even though they are under the same economic ownership.¹⁰ The consequent separation of particularly the legal ownership of capital "from the application of capital to production"¹¹ leads to the "growth of a .. stratum of rentiers, i.e., people who live by 'clipping coupons'"¹² and at several degrees removed from economic production.

A specific international division of labour between the capital exporting metropolises and the capital importing periphery corresponds to this initial phase in the development of imperialism. In this phase of the export of capital, the metropolis sought control of raw materials extracted from the peripheral rural and mineral export industries, and a market for its finished manufactures. Thus Poulantzas writes that

the principal dividing line between the metropolitan countries and the dominated and dependent ones was still essentially that between industry and agriculture, or between town and country.¹³

This division of labour between Britain and Australia was cemented by heavy investments of British money-capital in the pastoral and mining industries, by the pastoral bias of the British and Australian banks in favour of the provision of credit to the rural export industries and against manufacturing, and somewhat later by huge loans from the London banks to the Commonwealth and state governments for rural development.¹⁴

Australia's position as a dominated formation within this imperialist division of labour led to a major cleavage within capital. International capital, comprising British foreign capital, rural export capital, banking capital and some mining interests, serviced the imperialist division of labour. However, the interests of national capital were opposed to this division of labour in seeking a much fuller development of the national market and internal accumulation. The distinction between international and national capital then, is not one primarily between foreign and autochthonic capital respectively. That is to say, while modifications of the relations of ownership and control are of unquestionable importance in understanding the changing concatenation of metropolitan with peripheral formations in imperialism, the primary distinction to be made is between internally and externally oriented sections of the peripheral economy, either of which might contain a combination of foreign and autochthonic ownership.¹⁵ The difference

between national and international capital is one between nationally and internationally oriented sections of the economy respectively. (In Part III it will be seen that the orientation of capital towards international markets may take forms other than straightforward export activity. In the period dealt with in Part III, it is evident that international capital includes capital which is internationally oriented, more from the viewpoint of an internationalisation of production, a decentralisation of production between countries, than simply export activity. This is not, however, relevant to the period covered in Part II). The distinction between national and international capital was reinforced by its coincidence with the division of capital into its basic fractions (banking, commercial and productive capital), and with particular sectoral interests within productive capital (mining, agricultural, pastoral and manufacturing capital). On the side of international capital in the imperialist division of labour were rural export capital (consisting mainly of pastoral capital, particularly the wool growers), importing and exporting commercial capital and the British and Australian banks. On the side of national capital were manufacturing capital and agricultural capital based largely on the home market. During this period, a significant component of indigenous mining capital was an active part of national capital. Manufacturing capital was the leading and most active component of national capital.

In addition, Australia's dependent position within the imperialist division of labour reinforced the division between international and national capital with the distinction between monopoly and small capital. Imperialism promotes the uneven development of capitalism within the social formations which it dominates. Poulantzas writes that each formation within the imperialist division of labour

reflects the chain as a whole in the specificity of its own social formation. This specificity is a function of the forms that the dominance of the capitalist mode of production at the international level assumes over the other modes and forms of production that exist within a social formation.¹⁶

Thus elements of local international capital were powerfully reinforced by their links with foreign monopoly capital. The banks centralised money-capital in a highly monopolistic fashion and through their bias in the provision of long term credit towards pastoral activities, greatly facilitated the development of the rural export sector and its orientation towards the international division of labour required by British imperialism. By contrast, the national fraction of capital, starved of credit, generally coincided with small capital. This is so of agriculture based on the home market and of most manufacturing throughout the period. The exceptions to this general atrophy of national manufacturing capital were the metal industries formed by the mining conglomerate Broken Hill Proprietary, and early foreign direct investment in the automobile industry behind the tariff wall.¹⁷ B.H.P. began manufacturing as a large company, having already partaken of the mining sector's early transition to monopoly capital. Thus when B.H.P. shifted operations into manufacturing as well as mining, it could successfully raise finance for manufacturing from share and debenture issues, with the Commonwealth Bank underwriting the initial issues.¹⁸ By 1935, B.H.P. had eliminated its only indigenous competitor, Australian Iron and Steel, which had been managed by Cecil Hoskins. During the 1930s, B.H.P. was a major beneficiary of tariff protection and this enhanced its monopoly.¹⁹

The contradiction between national and international capital was based in the uneven development of the fractions of capital within the Australian formation. National capital was generally cost inefficient by international standards, since it was small capital of comparatively low productivity. Consequently, national capital produced commodities of a higher value than the internationally competitive level. The international level of price competition was established by monopoly capital, which through higher levels of productivity, produced

commodities at lower cost. Thus, in the internationally competitive rural export industries, productivity was very high.

Thus national capital's interests lay in achieving protection against the ravages of import competition in the home market. Industrial protection would insulate national capital from many competitive pressures and maintain its high internal cost structure. The interests of capital aligned with British imperialism and of rural export capital in particular, lay in minimising these costs. A protectionist policy would require rural export capital and mining capital to purchase capital goods, consumer goods and labour power above their values, from within the high cost structure of the home market, while receiving income at a lower rate, world prices on the world market. Bienefeld and Innes have written with considerable insight on the conflict between national and international capital in South Africa. They argue that the object of international capital

is to extract such commodities as cheaply as possible which means minimising the value of the commodities which must be provided to effect this extraction. Furthermore the interest of such capital extends only to the extraction of such internationally saleable commodities and any apparent interest in the internal markets of such economies must be based on the ultimate availability of internationally tradeable commodities.²⁰

To international capital therefore, policies such as tariff protection which promote a structure of production and demand based on the national market "represent a cost with no benefits".²¹

A protectionist policy would transfer income from the rural export sector to the protected manufacturing sector. These interests led national capital, particularly manufacturing, to demand a policy of tariff protection, while the interests of fractions with an alignment towards British imperialism, particularly rural export capital, demanded a policy of free trade.

This thesis maintains that internal factors are primary in determining the role played by imperialism within a formation such as

Australia. Imperialism is realised within Australia as an economic, political and ideological force only to the extent that it is internalised within the structure of the Australian formation. And as the form of imperialism is reproduced as a social force within a formation, so too are its contradictions. In maintaining the primacy of internal factors in our account of the politics of tariff protection, we find that imperialism, far from merely being an external force of national oppression, actually functions in part through its effects of uneven development on the various fractions of capital within the formation,²² and concomitantly, through alliance with some of these fractions and struggle against others. This is the guiding thread of our analysis of the role of imperialism throughout this account of the politics of industrial protection.

Protection from Federation to 1920

The division of pre-Federation Australia into separate colonies had favoured representation of the interests of international capital. Prior to Federation and for sometime after, the dominant fraction of the Australian capitalist class was based in pastoral and other rural activities, and mining.²³ Under the dominance of this fraction were aligned subordinate fractions, based on banking and commerce. These fractions were based in the different colonies, whose level and character of capitalist development was largely "determined by the relationship between those colonies and British imperialism".²⁴ Not only was Australian rural capital dependent upon Britain as an export market, but also British capital had an interest in maintaining an international division of labour in which Australia was a supplier of non-manufactured raw materials and Britain was producer and exporter of finished manufactured commodities. At this time, this international division of labour was reinforced within Australia by the British and Australian

banks, which exhibited a pronounced bias in the provision of credit in favour of rural production and against manufacturing.²⁵ The general structure of international capital in Australia enabled it to garner broad support for its political hegemony until the early years of the twentieth century. This was because unlike many other forms of international capital, much Australian rural export capital was labour intensive and based on a relatively small unit structure of production, resulting in a comparatively high level of dispersal of benefits from its international activities. That is to say, the ownership of much rural export capital was in the hands of a small or petty bourgeoisie, which formed a class in broad support for the claims of British imperialism over the Australian national economy.

The struggle between free trade and protectionism began in earnest with the Federation of the Australian colonies in 1901. With Federation came the establishment of a unified Australian nation-state with freedom of trade and industry, as opposed to the provincial separatism typical of the white settler colonies of the British Empire, or the enfiefment or Absolution of much of Europe. As Therborn²⁶ has argued,

the concrete economic and political dynamic of the rise of capitalism does involve the struggle for and development of a new divided unity. This appears as the nation state, freed of the barriers and boundaries of dynastic legitimacy, feudal enfiefment and provincial tradition. The establishment of national sovereignty and unity resulted from struggles against royal absolutism, foreign dynasties and provincial separatism. These were the stakes of the Dutch wars against Spain in the sixteenth and seventeenth centuries; the seventeenth century English revolution and civil war; the US Declaration of Independence; the French Revolution of 1789; the 1830 August revolution in Belgium; the unification of Switzerland, Italy, Germany, and of the Canadian, Australian and New Zealand colonies; the Meiji Restoration in Japan; the establishment of the constitutional Eider state in Denmark; the emancipation of Norway and Finland; and even the constitutional struggles within the Habsburg empire.

Australian national unification transformed previously parochial conflicts, such as those between nascent manufacturing and established pastoral interests which can be seen as far back as the mid-nineteenth

century in New South Wales and Victoria,²⁷ into national conflicts, the more so since an expanded and relatively unfettered national market offered stronger possibilities for the expansion of industrial production. As Therborn²⁸ has stated,

Freedom of trade and industry created a network of divisive competitive relationships which ran through the new ruling class of unified and sovereign states.

Therborn²⁹ has noted that it was the advent of the nation state which provided the basis for the evolution of representative government of the bourgeoisie alone, into representative democracy and full adult suffrage. The reason for this historical association is at least in part that capitalism replaced the hierarchical polity of feudalism with the market and its welter of competitive relationships. This led to the need for institutions in which the bourgeoisie could be politically represented. As representation was at this stage restricted to the ruling class, the role of political parties was not a highly developed one. Subsequently, pressure arose for extension of the franchise from both subordinate sections of capital and from the dominated classes.

In Australia, the advent of universal suffrage by 1904 followed immediately in the wake of national unification. Australia is quite unique in being one of only three contemporary O.E.C.D. countries in which representative democracy arose peacefully, through an internal evolution. The major paths to representative democracy were defeat by the Allies in World War II, or for democratic institutions to arise either as a means of engendering popular mobilisation of the kind required for a national war effort, or as the effect of popular mobilisations for the national effort.³⁰ As an 'internal development democracy', Australia's trajectory towards democracy was virtually unique. This process involved the labour movement, but this was not itself sufficient to give universal suffrage. A further element was the small or petty bourgeois landowning class. The weight of these small

landowners and their independence from anything like a large landowning aristocracy favoured the advent of universal suffrage. So too, however, did the above-mentioned divisions within the power bloc.³¹ These divisions within the power bloc did not simply open up a space within which the working class and the agrarian petty bourgeoisie could press their claims for political representation. The divisions also encouraged the various fractions of capital to accept universal suffrage in seeking support from within the subordinate classes for their particular fractional interests.

Extension of the franchise and national unification might favour the development of national capital. Federation brought with it the possibility of protection of the national market while universal suffrage would require government policy to take greater account of at least the immediate interests of the dominated classes. Indeed, national unification, universal suffrage and the advent of government through political parties did open up a space in enabling political forces to enact policies which represented the interests of a fraction of capital with only a relatively slender social and economic basis within the social formation, but with potential for fuller development. In spite of the considerable basis of support for the interests of international capital amongst the landowning petty bourgeoisie, the reorganisation of these interests at the national level presented problems. In such a conjuncture, state policy could perhaps more readily favour, and provide conditions for the expansion of, a subordinate fraction of capital. Lonie³² has described manufacturing as one of the most important forces working towards federation "and the one which most certainly gained from that political rearrangement". National unification and universal suffrage opened up the possibility of protectionist policies favouring national capital, a subordinate fraction of the power bloc. Particularly in view of the weakness of national capital, these policies

also involved attempts to extend support for protection and industrialisation into the working class, ie., to construct an alliance between the working class and national capital on the basis of a representation of the 'national-popular' interest organised around the fractional interests of the latter.

As Therborn³³ has stated

National Unification and liberation have everywhere been seen by the bourgeoisie as a strategic necessity for the development and protection of trade and industry and the breaking of feudal dynastic power. And for these aims it has often found it invaluable to enlist popular support.

The advent of federal arbitration soon after Federation also encouraged protection. Arbitration and an institutionalised form of wage determination made for comparatively higher wage levels, which increased the need for protection as a means of providing profits against import competition.

Before and then shortly after Federation, tariffs were applied largely for revenue purposes rather than to protect domestic industries from import competition. However, in 1906 a protectionist government came to office composed of an alliance between Deakin's Liberal Protection Party and the Labor Party. Deakin's Liberal Protection Party had been able to gain office through an alliance with the Labor Party and by adopting a programme of liberal reform of the conditions of the working class through the policy of 'New Protection'. The Deakin government represents a unique episode for, as will be seen, the protectionist interests of manufacturing capital in the period to World War II led it intermittently to establish a separate manufacturers' party and to give broad support to a Labor government or, more often, to attempt to represent their interests through "landowners' parties", ie., parties which tended predominantly to represent the interests of international capital. The Deakin government is the only instance of the gaining of office by an avowed manufacturers' party. The government

declared the Lyne Tariff in 1908, the first tariff deliberately intended to protect domestic industry, rather than simply to increase government revenue. The New Protection episode is of even greater significance. The New Protection offered protection to manufacturing capital on condition that manufacturing industry extended minimum wage and industrial standards to its workforce. Protection would be linked to provisions of the Conciliation and Arbitration Act concerning conditions of work and wages. If such conditions were not met by the industry, its protection would be nullified by the imposition of a tax. As Deakin stated, "The old protection contented itself with making good wages possible. The new protection seeks to make them actual".³⁴ The New Protection can be seen as an attempt to reconstruct and reorganise the representation of the national popular interest around the fractional interests of national manufacturing capital. The New Protection would require industries receiving tariff protection to agree to minimum wage and industrial standards. The New Protection was thus intended to be a social contract which offered protection to national capital and minimum wage and industrial standards to labour. Under conditions of the New Protection, industrialisation could be seen as a 'national task' in which both manufacturing capital and labour could collaborate, or so it seemed. Deakin had declared, "No nation ever claimed national greatness which relied on primary industry alone".³⁵ But the New Protection episode ended in 1907 when its requirements were declared unconstitutional in circumscribing the competence of the states in industrial affairs. A part of the opposition to the New Protection came from manufacturers themselves, who, while supporting their own right to protection, opposed even the limited protection of labour afforded by the linking of wages, arbitration powers and tariff levels proposed by Deakin, particularly in view of the Labor Party's rising electoral fortunes.³⁶ Many manufacturers opposed the New Protection for its

immediate costs, and for its dirigisme, particularly since in conditions of universal suffrage, it seemed that the Labor Party could not for long be kept from governing in its own right. The Liberal Protection Party was itself divided about whether to continue work with the Labor Party. These exigencies emerged at the political level in 1908, with the fall of the Liberal Protection Party - Labor Party alliance. The threat of Labor's rising electoral fortunes led to the 'Fusion' in 1909 of the Liberal Protection Party and the Free Trade Party. Together they were shortly to become the Liberal Party. The rise of Labor forced the Protectionists and Free Traders to find common ground.³⁷ But such a parliamentary entente could of course not conjure away the contradiction between protection and free trade, and Lonie³⁸ has noted that in 1909 the Victorian Chamber of Manufacturers established a protectionist Commonwealth Liberal Party to provide support for Deakin and protectionism within the 'Fusion'.

The Interstate Commission was established in December 1912 by the Fisher Labor government and represented a continuation of many New Protection policies. It was both a judicial authority and an advisory body to the government on trade, commerce and industrial development. As a judicial authority the Interstate Commission had extensive powers to call witnesses, impose fines for non-compliance with its industrial regulations and pricing standards, and to award damages. As an advisory body, it could inquire into all aspects of the economy. Between September 1913 and August 1915 the Interstate Commission produced seventy reports on tariff protection and frequently reported on the desirability of new industries.³⁹ Like the ill-fated New Protection, the Commission's judicial powers were found unconstitutional in 1915 and the Commission was thus confined to advising government. As a consequence of this and the effects of World War I, the Commission lapsed in 1920.

Manufacturing development was accelerated by the effects of World War I. However, whereas the Second World War hastened the development of manufacturing by production for the war itself, during the First World War Australia did not have a sufficiently developed industrial base, and with the difficulties of transportation, was too far from the battlefields of Europe to produce armaments and war materials. Rather, the war created shortages of imports from Australia's main supplier, England. As a result, Australia was supplied with many imports from both of England's main competitors, the United States and Japan. In addition, however, Australian manufacturing capital met much of the new demand created by the reduction of imports.⁴⁰ This was particularly the case for industries which had begun, however nominally, before the outbreak of war.⁴¹

The war had revealed Australian vulnerability to shortages of imported manufactures. The consequent weakness of Australia's capacity for national defense added greater weight to the cause of industrial protection. Further, the war created interests for the maintenance and expansion of existing manufacturing industries, and experience of natural, war time protection boldly indicated the possibilities for investment and accumulation under a protectionist policy. Together, these developments led to the formation of the Commonwealth Board of Trade and the Bureau of Commerce and Industry in 1918, to the Massey Greene tariff amendments of 1920, and to the formation of the Tariff Board in 1921. Previous tariffs had indeed protected existing industries, but it was only after the war with the 1920 tariff amendments, that the functions of tariff protection were seen as the expansion and development of manufacturing.⁴² As the Treasurer, Walter Massey Greene remarked while introducing the 1920 tariff amendments,

I believe that it will protect industries born during the war, will encourage others that are desirable, and will diversify and extend existing industries.⁴³

These last mentioned measures formed part of the protectionist surge in government trade policy under the Hughes Nationalist regime in the period immediately following World War I, the political aspects of which will be examined below. It should be recalled that international capital would oppose protection for its effects on costs: tariffs would directly increase the cost of international capital's inputs and tend also to increase the price of labour power bought from within the high cost structure of the home market, while receiving lower (world market) prices for their exports. In addition, industrial expansion would attract labour away from the countryside with the consequence of, once again, increasing the cost of labour power in the rural areas. International capital's opposition would be augmented by the position and stance of metropolitan and imperialist capital within the peripheral formation. What is of most significance here however, is that the post-war surge of protectionism coincided with a further decline of British capital vis a vis its main competitors, which led Britain increasingly to withdraw from world markets and to seek recuperation of these losses from within the markets of the Empire. British imperialism sought to draw a tighter and stronger net over the direction of economic production within Australia alongside a surge of protectionism and accelerated development of national capital. In 1913, 47 percent of British overseas investment was within the Empire. By 1930, the Empire accounted for 59 percent of British overseas investment.⁴⁴ In this way, British capital sought guaranteed supplies of raw materials (including food) and export markets for its finished manufactured commodities within which these commodities would be treated preferentially. In addition, British capital sought new sectors of investment. It found them, principally in money loans from the 'City of London' to Commonwealth and State governments for rural development, and to a lesser extent, in the establishment of Australian subsidiaries of British manufacturing industry. Rather than investment

in British manufacturing industry, British money capital was attracted to the provision of loans for Australian governments by a high interest rate guaranteed by those governments and by generally stable political conditions.⁴⁵

British loans were deployed by the Commonwealth and state governments on a massive scale to create the infrastructure, especially irrigation, electricity, roads and railways, necessary for rural development. The New South Wales and Victorian state governments were particularly heavy borrowers in pursuit of this goal.⁴⁶ Conservative state governments thus pursued policies in the interests of international capital and British imperialism in a way that was similar to the pre-Federation colonies. This reinforced the international division of labour between Britain and Australia, in which Australia exported primary products to, and imported finished manufactures from, Britain.

This policy coincided with British capital's need to export large amounts of its reserve army of unemployed industrial labour to other parts of the Empire. This was codified in the Empire Settlement Act of 1922. A 1925 Act proposed rural settlement of 450 thousand British immigrants.⁴⁷ Through this reinforcement of an international division of labour between Britain and Australia, it was presupposed that the demand for British manufactured imports would be increased, that Australian primary production would be augmented, and, through exploitation of Australia's comparative advantage in the production of primary commodities, British loans could be paid off.⁴⁸ Indeed, the Nationalist Prime Minister, S.M. Bruce, declared in 1926 that Australian natural resources, "if brought to full development would probably solve most of the economic problems that face the world today".⁴⁹ As a result of these policies, according to Cochrane,⁵⁰ the national debt from borrowing by the Commonwealth and state governments to the City of London rose from £839 million in 1921 to a staggering £1,099 million in

1928. For this period Australia was clearly the largest borrower from Britain using government securities, more than double the combined total for Africa and the Middle East, which was the second largest borrowing group.⁵¹

Rural settlement failed lamentably. Possibilities for profitable expansion of the wool industry had largely been depleted, there was a growing rate of replacement of rural labour by constant capital, particularly in wheat, and a lack of sufficient planning of developments, particularly in railways.⁵² Together these factors signalled a reduction in the capacity of international capital to disperse benefits from its international trade as widely as it had previously done. Much less would international capital be able to disperse these benefits more widely, as was assumed in these policies. Thus, few migrants were settled in the countryside, and eventually only Victoria and Western Australia seriously attempted to continue the scheme. Many immigrants joined the general exodus of 100 thousand labourers from the countryside to the cities, which saw a decline in rural population from 42.2 percent of the population in 1911 to 36 percent in 1933.⁵³ In view of this situation, the fractional interests of international capital did not readily find representation as the national popular interest. On the contrary, it was the fraction of national capital, promising fuller development of the national market and industrial growth, whose interests could form the dominating and organising principle of the national popular interest. One may by analogy recall one of Gramsci's unpublished fragments on 'Americanism' in which it is argued that the concentration of Italian capital and the landowners on production for export alongside the restriction of the home market for workers and peasants produces a situation which is "nationalist" but not "national popular".⁵⁴

Protection and Industrialisation in the 1920s

In the 1920s the manufacturing sector underwent unprecedented accumulation and development. N.G. Butlin's series on sectoral shares in gross private capital formation⁵⁵ suggests that much manufacturing development occurred at the expense of the pastoral and agricultural sector.

	Pastoral and Agricultural %	Manufacturing %
1881-1890	36.6	7.9
1891-1900	36.5	9.5
1901-1910	20.3	14.6
1911-1920	20.8	19.6
1920-1921	20.1	29.3
1921-1922	16.9	23.1
1922-1923	15.3	20.9
1923-1924	16.0	20.6
1924-1925	15.7	20.5
1925-1926	15.9	18.5
1926-1927	15.9	17.3
1927-1928	14.3	15.6
1928-1929	13.9	14.2
1929-1930	18.6	13.8
Average for Decade		
1920-1930	16.2	19.3

As this series shows, the 'twenties was a decade of remarkable accumulation and expanded reproduction in the manufacturing sector, especially between 1920 and 1926. The value of plant and machinery rose from £58.4 million in 1919/20 to £125.6 million in 1929/30. Between 1920 and 1926, the annual rate of turnover in the value of fixed capital was never below 10.4 percent on buildings and 10.3 percent on plant and machinery.⁵⁶ The ratio of machinery per worker correspondingly rose from £167 in 1919/20 to £260 in 1926/27, the zenith of manufacturing employment. As manufacturing shed labour from this time, this ratio had risen to £309 per worker by 1929/30. In addition, horse power per worker increased from 1.22 in 1919/20 to 1.63 in 1926/27 and 1.98 in 1929/30.⁵⁷

Further, this dramatic increase in the ratio of labour to machinery must indicate a greater proportion of new machinery, signified by the wider use of electrical as opposed to mechanical power. The application

of these techniques of production was most advanced in American owned subsidiaries of automobile producers such as General Motors and Ford, and its Australian counterpart, Holdens.⁵⁸ In addition, the development of standardised manufactured commodities signalled a greater integration and interdependence between firms.⁵⁹ Most indicative of all perhaps was the rapid increase in manufacturing employment from 368,500 (or 22.3% of the workforce) in 1919/20 to 459,800 in 1926/27. This amounted to a rise of 91,000 or over one quarter in seven years, or approximately 13,000 per annum.⁶⁰ During this time gross value added by manufacturing increased by 66 percent, while production doubled between 1920 and 1930.⁶¹

How then was this rapid capitalist development financed? Forster argues that reinvested profits provided the main source of longterm finance for manufacturing.⁶² The involvement of local banks in provision of credit was almost minimal, and the state's role in providing infrastructure was also small. British and American manufacturers which set up plants in Australia, having been attracted to the production of consumer durables for a market protected against competition from imports, provided about one seventh of expansion in manufacturing development.⁶³ Largely because of this, some manufacturers were able to raise credit, directly and privately, from the London capital market.⁶⁴ In all, concluded Forster, it is unlikely that foreign investment in manufacturing was above £25 or 30 million out of a total net capital investment of £262 millions between 1920 and 1930. The British component of this was approximately four or five times the American component.⁶⁵ It therefore appears reasonable to regard tariff protection as being of pre-eminent importance in assisting the expansion of manufacturing capital in the 1920s. This view is supported by Schedvin's analysis of tendencies in import replacement in the major Australian manufacturing industries.

Percentages of domestic output to total market supply

	<u>1907</u>	<u>1913</u>	<u>1919-20</u>	<u>1924-25</u>	<u>1928-29</u>
Industrial metals and machines	39.7	43.8	59.1	58.3	60.7
Textiles	4.9	7.8	20.1	24.2	36.5
Clothing	63.7	69.4	84.1	80.5	84.7
Paper	17.6	18.7	33.0	36.6	38.1
Chemicals	38.7	32.3	48.0	52.2	53.1
Weighted average	35.3	41.4	53.5	52.2	57.266

However, it would be incorrect to follow the many economic historians, Forster among them, who regard this industrial expansion as mainly a process of quantitative expansion and merely technical change. Without denying this aspect of the process, it should rather be understood as a qualitative and social change which made the technical expansion of industry possible. Indeed, this change was nothing less than a profound alteration of capitalist relations of production within the Australian formation, consequent upon the transition from 'manufacture' to 'machinofacture'. There are only very low levels of mechanisation under manufacture and the division of labour and forms of co-operation within the labour process are relatively simple. Because of this, the labour process retains a largely individual character, depending as it does mainly on the manual skill and operations of the various 'detail labourers'. The regulating principle of production remains the manual labourer. Thus, while the worker is undoubtedly exploited economically, he or she retains considerable control within the labour process of the pace of work, and so forth. Consequently, it is said that the worker is only formally subsumed under capital. In contrast, the historical role of machinofacture in bringing large scale machinery into the productive process, is to deepen and extend the control of capital over labour and the labour process. In place of the individual labourers, machinery subordinates the worker to a pace of work

and to the forms of co-operation and division of labour determined by capital. The technical division of labour is intensified and the co-operation required to produce commodities is complex co-operation. Labour is transformed from an individual into a collective process. In short, machinofacture achieves the real subsumption of labour to capital, while establishing collective forms of labour and encouraging heightened organisation and collectivity within the working class.⁶⁷

The Hughes Government and the Surge of Protectionism, 1917-1923

The tariff was, then, at the centre of basic and far-reaching changes in the structure of Australian capitalism in the period immediately following World War I. The period from 1918 to 1921 particularly represents a surge of protectionism in the policies of the Hughes Nationalist government, which saw the establishment of the Commonwealth Board of Trade and the Tariff Board. Most importantly, during this period the Massey-Greene tariff amendments were promulgated. The significance of these amendments is that they sought to encourage expansion and diversification of manufacturing industry, rather than simply to support existing industrial capacity. This surge of protectionism should be seen largely in the context of popular support for industrialisation arising from the War. The achievement of economic and productive self-sufficiency, if not autarky, had become a 'national task'. International capital, represented by the Country Party and sections of the Nationalist Party were thus confined to criticism of the levels of protection and advocacy of 'protection all round' rather than no protection at all.⁶⁸ As well, B.D. Graham has noted that the Country Party was to some extent itself divided on the issue.⁶⁹ Many rural industries would themselves benefit from protection. Moreover, the Massey-Greene amendments represented an eirenicon between manufacturing capital based on the home market, international capital based on the

international market, and British imperialism. The amendments granted higher protection to manufacturing capital, gave preference to British imports, and gave compensations to rural capital in the form of guaranteed price schemes for certain farm products.⁷⁰ In addition, at this time, loans from City of London relieved pressure on the balance of payments and incomes, thus temporarily cushioning the impact of the high cost structure imposed by protectionism⁷¹ upon the rural export sector.

Nevertheless, this compromise was an unstable one. National capital had been unable adequately to secure its interests through a separate manufacturers' party of the kind represented by Deakin's Liberal Protection Party, largely because of its inability to compete effectively with the Labor Party. Manufacturing capital thus sought representation of its interests through a more broadly based conservative party, in which the interests of international capital were also represented, and frequently more effectively. The contradictions entailed by the representation of manufacturing capital's interests through such parties ensured that the separate manufacturers' party remained a recurrent theme of political representation within the power bloc until the outbreak of World War II. Hughes had previously been a Labour Prime Minister and was later to support and lead a separate manufacturers' party. At this time, however, the movement to install Hughes as Nationalist Prime Minister in opposition to the Labor Party was imbricated with a concern for the unity of the power bloc and defeat of forces within the bloc supporting a separate manufacturers' party. All the same, this was a victory which these forces secured only at the cost of acquiring a protectionist government. Support for Hughes' 1917 election campaign brought various forces into a closer relationship, including in Victoria, the most important state, the Peoples' Party and the Peoples' Liberal Party, the National Federation and the Australian Womens' National League.

Anti-working class unity was the concern of these moves. Later in 1917, the Peoples' Liberal Party and the National Federation merged to form the United National Federation.⁷² Under its founder, Herbert Brookes, the Peoples' Liberal Party was intended to represent manufacturers as a conservative party opposed to free trade and supportive of protection. In Brookes' own words, the party,

was formed amongst manufacturers to combat Free Trade in Australia, on the one hand represented by one political party, and to maintain freedom from Caucus domination which was the guiding principle of the other.⁷³

However, in spite of the position of such organisations as the various state Chambers of Manufactures (Brookes had been President of the Victorian Chamber) in support of the formation of a separate manufacturers' party, the Peoples' Liberal Party proved unable to maintain its political autonomy, against forces representing Collins House, the local zinc conglomerate, and B.H.P.⁷⁴ The reason for this appears to be that Collins House and B.H.P. both supported Hughes as virtually their representative, while seeking also to unify the representation of the power bloc. The prime consideration in this was to discourage the formation of a separate manufacturers' party.

The political directorate of this movement towards centralised control both of the Nationalist Party and the plethora of extra-parliamentary anti-Labor organisations was the National Union, established in 1917. Composed of business interests, the Union acted as a finance committee for the parliamentary party and the extra-parliamentary organisations. But the role which underlay this financial one was that of preserving anti-working class unity within the power bloc. The Union manipulated funds to the organisations to this end. The National Union included the larger representatives of all fractions of capital, but representatives of international capital predominated.⁷⁵ The representatives of Collins House and B.H.P. were

the National Union elements most supportive of Hughes and protection. As Cochrane⁷⁶ has observed, the post-Federation unity of free trade and protectionist forces was due mainly to the A.L.P.'s rising electoral prospects; in the period immediately subsequent to World War I, it was the rise of the organised working class and the threat of inflation which promoted the unity of national and international capital, however conditional or temporary.

As an amalgam of previously separate organisations and parties, the National Federation embraced many contradictory interests. The National Federation gave some organisation to the diverse interests forming the base of the Nationalist Party, while the National Union attempted to oversee this. Thus the Nationalist Party condensed within it many of the sharpest contradictions of interest within Australian capital. The most unstable element of the Nationalist Party's constituency throughout this period was national manufacturing capital.

The power bloc had supported Hughes in 1917 as a right-wing nationalist and populist, and splitter of the Labor Party, but by 1921 the Hughes government had become totally unacceptable to it.⁷⁷ Although the Hughes government stridently pursued policies in the general interests of private capital as a whole through deflationary policies, opposition to wage increases and repressive measures against trade unions,⁷⁸ the government was nevertheless seen as supporting national manufacturing capital excessively. Hughes enjoyed close relations with the Australian Industries Protection League. In 1918 Hughes established the Bureau of Commerce and Industry to increase manufacturing investment. In the same year, the government increased land taxes by 20 percent and introduced price fixing on meat to alleviate upward pressures on the wage level. These measures threatened to push small rural producers into an alliance with the Labor Party and split the newly-formed Country Party. Rural capital was incensed.⁷⁹ By 1921

opposition to Hughes' policies from within the National Union, Country Party and elsewhere, had become shrill. 1921 saw the passing of the Massey-Greene tariffs which increased the breadth of protection, facilitating the expansion of manufacturing capital into widely diversified spheres of production.⁸⁰ In the same year, the Tariff Board was established and Herbert Brookes appointed to lead it. As Cochrane has asserted, these measures "effectively constituted manufacturing interests as the dominant fraction in the coalition of class forces represented by the Hughes government".⁸¹ Finally, forces represented by the Country Party, National Union and so forth, opposed the dirigiste character of the Hughes government, mistrusting the regime about the extent to which the regime itself might continue its interventions into the economy to the detriment of international capital, and acutely fearing the use of state intervention by a future Labor government.

The protectionist surge of the Hughes government promoted the organisation and representation of rural capital through a separate Country Party. Formed in 1920 by eleven of fifteen candidates endorsed by primary producer organisations and subsequently elected to parliament,⁸² the Country Party under the leadership of McWilliams was the author of many attacks upon the Hughes government and protectionism. But as the example of the Massey-Greene tariff amendments makes clear, Country Party members did not vote or function as a coherent or united political force at this time. With the replacement of McWilliams with Earle Page in 1921, attacks upon the Hughes government as a representative of national capital increased.⁸³ Alongside the Country Party, an organisation called the Liberal Union worked towards the removal of Hughes.⁸⁴ At the December 1922 elections the Liberal Union gained two seats. J.G. Latham held the seat of Kooyong for the Union. The election had liquidated five of Hughes' ministers and left the

Country Party holding the balance of power.⁸⁵ The Country Party met with Latham to plan Hughes' removal. Later the Country Party made clear its utter refusal to support a Hughes government. In February 1923, Hughes resigned, in spite of support for him from representatives of Collins House and B.H.P. within the National Union.⁸⁶ This moved the Secretary of the Australian Industries Protection League, James Hume Cook, to resign as General Secretary of the National Federation, publicly deploring the financial control of the Federation by the National Union, and claiming that this control had led the Federation to adopt an anti-protectionist stand.⁸⁷ Subsequently, the A.I.P.L. under Hume Cook waged a protracted campaign against the Nationalists' tardiness on protection, which was eventually to lead to the formation of a separate manufacturers' party.

The Bruce-Page Government: An Unstable Equilibrium, 1923-1929.

The protectionist surge had ended. The Hughes regime had been replaced by a Nationalist - Country Party coalition, within which the Country Party was placed on an equal footing with the Nationalist Party. The Cabinet consisted of six Nationalists and five Country Party members, but decisions taken on a six-five majority did not constitute effective decisions. Earle Page received the coveted Treasury portfolio, from which the Country Party could determine crucial economic policies. For less than 13 percent of the vote the Country Party received an 18.7 percent share of parliamentary seats and a staggering 45.5 percent of Cabinet positions.⁸⁸ In 1923 the government dissolved the Bureau of Commerce and Industry⁸⁹ and added a fourth member to the Tariff Board to represent rural export industries.⁹⁰ Moreover, in 1924 the government deployed its tariff revenue to facilitate exports of rural commodities.⁹¹ The rationale underlying these policies was service to the interests of rural export capital. Not surprisingly, these interests

corresponded to the need for increased exports to pay interest to the City of London.

In line with this, the Bruce-Page coalition pursued the 'men, money, markets' policy, to increase rural capitalist accumulation. The program of assisted migration of labour from Britain to Australia for rural settlement reached its peak for the decade in 1926 when 31,260 migrants arrived, having received a filip from the £34 million scheme in 1925. However, this number was well below the previous peak years, 1912 and 1913.⁹² To increase rural export production, the Country Party advanced a policy of rural credit expansion through the establishment of a rural credits section of the Commonwealth Bank despite some Nationalist opposition.⁹³ These two elements of the 'men, money, markets' policy constituted the government's intervention into the sphere of production to augment the volume of rural export commodities. The government intervened in the sphere of circulation and realisation in its attempt to regulate the market for primary commodities in two main ways. First, only co-operatives were eligible for rural credit, not individuals. This would force small farmers to combine into one unit to market their products. Moreover, government commissions and bodies retained a large hand in regulating trade. Second, the government sought overseas trade agreements and protected rural export capital against failure to realise the value of their commodities on the international market through, for example, the Export Guarantee Act of 1924.⁹⁴ Rural capital and 'free trade' must certainly have appeared to be in an insuperable position of dominance over manufacturing and protectionism.

These policies certainly provided more favourable conditions for the expansion of international capital than had previously existed. In addition, the protectionist surge had been defeated. But would the policy of protection survive? It was generally believed that the "first demand" of the Nationalist-Country Party regime would "be a revision of

the tariff in the direction of free trade".⁹⁵ This did not occur to anything approaching the degree anticipated and national capital retained considerable purchase over government policy. Thus, against pressure from within the Coalition and the extra-parliamentary associations of the Nationalist Party for tariff reduction, protection barriers were maintained (although the British preferential clauses were enhanced and although the tariff began seriously to deteriorate from the mid 1920s). In addition, in 1924, on the advice of Herbert Brookes, Bruce appointed a protectionist, ex-Deakinite liberal and former President of the New South Wales Chamber of Manufacturers, H.E. Pratten, as Minister for Trade and Customs.⁹⁶ With the addition of a special Tariff Department of the New South Wales Chamber,⁹⁷ manufacturers reinforced a position within the Coalition government which was, for a time at least, quite a strong one.

Rather than abolishing protection altogether, the Bruce-Page government followed a policy of 'protection all round', a piecemeal policy of giving each fraction a little of what it wanted. A frontal assault on protection would massively have destabilised the power bloc and unseated the government, while a compromise policy, although not able to dissolve contradictions within the power bloc, might nevertheless contain them within boundaries which were politically manageable. Due to its position within the Coalition, the Country Party was able to exact subsidies and advantageous marketing arrangements for international capital. Few rural industries went unprotected. The main beneficiaries of rural protection included producers of butter, dried fruits, tobacco, hops, sugar and other products.⁹⁸ Moreover, the staunchly 'free trade' graziers often explicitly demanded prohibitive levels of protection against competition from imported textiles.⁹⁹ As Greenwood has written,

The interests supporting the Country Party were perfectly prepared to press for reductions of duties on all commodities which affected rural production, but whenever there seemed to be any threat to their own particular products..they became the most ardent protectionists.¹⁰⁰

The maintenance of this agricultural protection, which benefitted rural capital by maintaining artificially high domestic prices, insulating it from import competition and by compensating rural capital for overproduction, was to some degree conditional upon keeping the manufacturing-biased Labor Party from office, which might attempt to reduce the cost of labour-power by lowering food prices.¹⁰¹

Bruce affirmed the Coalition's support for protection all round as follows:

The policy of Australia, endorsed by an overwhelming majority of our people, is one of protection. To that policy, I subscribe, believing as I do, that only through it can we ensure a well-balanced development, and realise to the fullest extent the economic and commercial possibilities of this great continent, for it I am prepared to fight. The underlying principle is that...we are determined to ensure the home market to our producers in so far as they are able to meet its requirements...The objective of the government is the securing of markets for our primary and secondary production....¹⁰²

This is a paradox which is recurrent throughout the history of the trade policies of successive conservative governments. Protectionist policies have usually been enacted by conservative parties which either claim adherence to free trade, or which contain powerful forces for free trade. Conservative parties in Australia have governed "according to circumstances rather than principles".¹⁰³ This means, as Andrew Gamble¹⁰⁴ has stated,

making careful assessment of the political balance between classes and interests, being prepared to make concessions where necessary, and only pursuing those lines of action for which support can be won

and which will maintain them in office. Conservative parties tend to be immured within the welter of contradictory interests of which the power bloc is composed. The position of Social Democratic parties tends to be

one which is more ambivalent concerning conflicting fractional interests and immediate interests. Such parties may thus be able to enact policies which are more far-sightedly in the general and long-term interests of the power bloc as a whole. This is in fact a large part of the 'radicalism' of Social Democracy, a radicalism within the status quo and politics of power, but which is relatively less concerned with or responsive to immediate and sectional interests within the power bloc. For conservative parties, however, such immediate interests are often the greatest concern of government policy, which is consequently often unable to put forward newer, more general and long term approaches for the power bloc. There is a tendency then for conservative parties simply to conserve what is already in existence. This has been true of conservative governments of a free trade persuasion. The task of government policy then becomes one of harmonising, as far as possible, the contradictory interests of the different fractions of capital. This may itself prove to be a considerable achievement.

S.M. Bruce was himself later to say,

The protectionist policy was a difficult one for a mixed government of our kind. Half wanted no protection at all, half wanted too much - which is absurd. Every Country Party member was the wildest protectionist for everything produced in his own electorate.¹⁰⁵

The problems for the government involved in representing and mediating this conflict reached a point of crisis later in the decade. What underlay this political crisis was a deterioration of economic conditions for both national and international capital. This meant that their conflicting interests could no longer be mediated through the previous policy of income redistribution and amelioration of the effects of tariff protection through the policy of protection all round; deteriorating economic conditions led manufacturing capital to demand increased tariff protection and led international capital to demand immediate tariff reduction. The economic aspects of this contradiction require closer

examination before the crisis of political representation, which it engendered, is analysed.

Manufacturing capital experienced a severe recession between 1926 and 1929 in relative isolation from other sectors of capital accumulation, prior to the Great Depression. Essentially, this was due to the increasingly weak competitive position of manufacturing capital even within the protected home market. Although the level of Australian wages was approximately 65 percent above the British level prior to World War I, during the war years the disparity disappeared. But Australian wage levels rose substantially in 1920 and this, coupled with Australia's relative insulation from the recession and consequent dramatic deflation which occurred in British and American manufacturing, lifted the level of Australian wages to possibly twice the level of those of Britain, Australian manufacturing's main competitor for the rest of the 'twenties.¹⁰⁶ Whilst the productivity of Australian labour increased in this time, the productivity of British labour increased still more substantially.¹⁰⁷ Together with a contraction and relative over-capitalisation of the market and a deteriorating exchange rate, disastrously exacerbated in 1925 by the return of England and Australia to the gold standard which, by a 10 percent over-valuation of sterling, further undermined the competitive position of (mainly rural) exports and reduced the costs of imports on the home market,¹⁰⁸ these factors meant that further tariff increases were required just to maintain the status quo. Indeed, this is mainly what the Pratten Tariffs of 1926 and 1928 did. As Neville Cain has written,

The predicament of manufacturing...in the later 'twenties was plain enough - a stagnant market, shared with overseas competitors, a tariff which seems merely to have kept pace with falling import prices; and rising wage level which tended to offset any improvement in manufacturing productivity.¹⁰⁹

For much manufacturing capital it was a question of survival. The tariff wall was crumbling. For rural export capital, at the same time, the

scissors were widening: rural profits were squeezed between the costs of protection within the national market, slow productivity growth, and falling prices and demand for primary commodities in international markets.¹¹⁰

Aspects of this contradiction were examined in the Brigden Report commissioned by Bruce in 1929 on The Australian Tariff,¹¹¹ and the essentials of its argument are worth resuming here before the political aspects of this contradiction in the crisis of Australian capitalism are explored. Briefly, the report of 1929 commended the income redistributive effects of tariff protection for having achieved a high rate of population growth and a high living standard. However, given Australia's dependence on the export sector for tariff protection against import competition, the levels of protection, real wages and population were already too high, since the export sector was being squeezed. Although tariff protection had allowed the survival of manufacturing industries which could not have been financed by the export sector selling at free trade prices, and although the tariff had encouraged labour intensive production which helped to maintain a level of real wages, employment, immigration and natural population increase higher than a free trade system would allow, as well as having reduced the dependence of Australia's economic performance upon relatively unstable export prices and production, and improved terms of trade, the limits to the benefits of protection were fast being reached. These limits of protection were constituted by the conjunction of relatively low levels of productivity (surplus-value) in manufacturing, with the fact that the high demand for labour-power was mainly being maintained by loans from the United Kingdom, and with the decline in export earnings. The combined effect of excess tariff and wage costs was not only a cost squeeze, but also a thorough-going erosion of the comparative advantage of the export sector in agricultural commodities which would ultimately

undermine the general levels of wages and employment. Excessive levels of protection, population and real wages being sustained by overseas borrowing would run aground as declining export earnings would fail to clear interest, leading to declines in public investment, real wage and employment levels.¹¹²

Neither national nor international capital could secure their interests adequately under the policy of protection all round. There was a crisis of representation of both fractions' interests at the political level. This crisis of representation arose from the inability of both international and national capital to exercise hegemony over the power bloc and to secure their particular interests within the existing framework for the political representation of these fractional interests. As a consequence, disunity grew within the power bloc and there was a 'detachment' of certain fractions of the power bloc away from the traditionally favoured political parties of these fractions. Gramsci¹¹³ defines the crisis of representation in the following passage:

At a certain point in their historical lives, social classes become detached from their traditional parties. In other words, the traditional parties in that organisational form, with the particular men who constitute, represent, and lead them, are no longer recognised by their class (or fraction of a class) as its expression.

In a parallel movement to this detachment of the power bloc from its traditional political parties, new parties, extra-parliamentary bodies and pressure groups assume a greater responsibility for the representation of the various fractions of capital (e.g., the manufacturers' party and the alliance of primary producers' associations), indicating an intensification of contradictions within the power bloc. This crisis of representation, a "crisis of the ruling class's hegemony",¹¹⁴ was broadly to determine the trajectory of political struggle within Australia from the late 1920s to the middle 1930s.

In this situation, government policy concentrated on wage reduction and disciplining the working class. The bourgeoisie was armed with many pieces of legislation to this end.¹¹⁵ But for much international capital, wages appeared to be a less immediate evil than protection, particularly in view of the rapid replacement of agricultural labour by machinery. The main factor in international capital's profit squeeze was the unfavourability of the exchange rate coupled with the high cost structure of a home market protected from import competition, from within which international capital bought inputs, consumer items and labour power. In short, for international capital the immediate evil remained tariff protection, a policy espoused not only by manufacturing capital and the Labor Party, but also by the Coalition. International capital began to organise against protection, particularly in the peripheral states based on rural export production such as South and Western Australia. The most important of these organisations was perhaps constituted out of the alliance between the Victorian Farmers' Union, the Town and Country Union and the Western Australian Primary Producers' Association.¹¹⁶ Together they waged an important struggle against protection. The Town and Country Union was in reality dominated by a group of importers, led by large oil refining companies¹¹⁷ in an anti-tariff alliance with rural capital. The most significant achievement of these organisations was to be their impact on Country Party and Nationalist Members of Parliament such as E.A. Mann, a Nationalist member for Perth who was often accused of leading the Town and Country Union, and Gregory and Prowse (Country Party members from Western Australia).¹¹⁸ As well, free trade forces within the extra-parliamentary associations of the Nationalist Party, such as the National Federation, mounted strong attacks on the Government's protection policy.¹¹⁹

At the same time, manufacturing capital wanted higher, more effective tariff protection, not merely protection against falling import prices. The Nationalists softened their shrillness with the Pratten Tariffs of 1928. But in time these too would prove insufficient. The 1928 British Economic Mission represented the opposition of British imperialism to national manufacturing capital in Australia, and sounded the warning of an impending attack on the level of protection. The mission led to a greater dissonance between manufacturing capital and the government.¹²⁰ During the 1928 elections, manufacturers loudly exhorted the Nationalists to raise the tariff level and to introduce tariff considerations at every parliamentary session.¹²¹ Bruce cautiously evaded the issue, mindful of the increasing strength of anti-protectionist forces within the Coalition (including the new Trade and Customs Minister, H.S. Gullet), and proposed that manufacturers form a sub-committee to work with the government on tariff issues, although it was never convened.¹²² The Australasian Manufacturer called for a manufacturers' party and urged its subscribers to vote against the Coalition.¹²³

These insufficiencies of Coalition policy in the view of national manufacturing capital led to proposals from the Chamber of Manufacturers for the organisation of a separate manufacturers' party.¹²⁴ The manufacturers' party also found a strident advocate in Hume-Cook and the A.I.P.L. from 1925, when he and Hughes failed in their public and parliamentary opposition to the policies of the Country Party and Bruce himself during the elections.¹²⁵ It was envisaged as a counterpoise to the Country Party, a party of five or six representatives holding the balance of parliamentary power, with the sole aim of providing effective tariff protection for manufacturing capital.¹²⁶ This gospel was also found in the pages of the Australasian Manufacturer.¹²⁷ This indicates the centrality of tariff protection to the interests of national capital

at this time. Indeed, C.R. Hall, the official historian of the New South Wales Chamber of Manufactures, has stated that what its constituents most feared from the depression was a sustained attack on the level of tariff protection.¹²⁸

The Bruce-Page government continued its attempt to reconcile national and international capital through wage reduction. Its last attempt was the debacle on which the government fell: the attempted abolition of federal arbitration through the Maritime Industries Bill.¹²⁹ In so doing, Bruce split the Coalition. Significantly, at least two of the Coalition recalcitrants, E.A. Mann and P.G. Stewart (Country Party), opposed abolition of federal arbitration without abolishing tariff protection, since the former's abolition would only reduce wages, while the tariff would maintain high costs.¹³⁰

Moreover, manufacturers themselves did not genuinely support the arbitration proposals.¹³¹ The political support of national manufacturing capital was secured by the Labor Party by dint of its protection policy, which was almost the same as that of the New South Wales Chamber.¹³² Carboch has drawn attention to the political ambiguity of national manufacturing capital in respect of the two main parties. Similarly, E.A. Mann, during the 1929 arbitration debacle referred to the "political courtship" by both parties

to gain the favour of that coy, but certainly not disingenuous (sic) lady, the Australian manufacturing industry. She, like most ladies, endeavours to keep all her courtiers on the string, and grants favours, here and there, at intervals, being unwilling to enter into any permanent combination with any of them until she can be quite sure which will be to her greatest advantage.¹³³

Gramsci¹³⁴ discerned parallel tendencies in Western Europe. Unlike Mann however, Gramsci was not content merely to describe but sought also to analyse the basis of the political ambiguity of industrial capital as against the landowners. This was because the industrialists lacked a political party of their special interests but were forced instead to

pursue their interests either within parties in which landowning interests predominated or within other parties, including social democratic ones.

The problem arises of whether the great industrialists have a permanent political party of their own. It seems to me that the reply must be in the negative. The great industrialists utilise all the existing parties turn by turn, but they do not have their own party. This does not mean that they are in any way "agnostic" or "apolitical". Their interest is in a determinate balance of forces, which they obtain precisely by using their resources to reinforce one party or another in turn from the varied political checkerboard (with the exception, needless to say, only of the enemy party, whose reinforcement cannot be assisted even as a tactical move).¹³⁵

Manufacturing capital has interests which straddle two positions. The first is a general interest common to all fractions of the power bloc in the preservation of private ownership of capital and the appropriation of unpaid labour in its various forms. The second, less fundamental one is the interest of manufacturing capital in improving its position with respect to the accumulation and distribution of surplus-value vis-a-vis other fractions of capital. The traditional political representatives of the general interests of private capital were the Nationalist and Country Parties. But the clearest political representative of the fractional interests of manufacturing capital was the Labor Party, which stood staunchly for protectionism and in no way seriously challenged the private ownership of capital (although some manufacturers may certainly have feared its putatively more liberal approach to the question of wages). The views of the Australasian Manufacturer in the period just examined illustrate the position of manufacturing capital. The journal's main concern was with protection. It thus criticised the Bruce-Page government for its supinity towards the Country Party and its "wild cat form of free trade". As well, it supported the Labor Party but opposed "union tyranny" and held out hope for a manufacturers' party.¹³⁶ The crisis of representation of both national and international capital persists in the period to be analysed in the following chapter.

FOOTNOTES

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4. Ibid., p. 653 ff.
5. Ibid., p. 653 ff.
6. Ibid., p. 667.
7. Ibid., p. 700.
8. Poulantzas, The Crisis of the Dictatorships, op.cit., p. 11.
9. C. Palloix, 'The Internationalisation of Capital and the Circuit of Social Capital', in H. Radice (ed.), International Firms and Modern Imperialism, Penguin, Ringwood, 1975, p.75.
See also A. Game, Lenin's Theory of Imperialism and the Internationalisation of Capital, Masters thesis, University of Adelaide, October 1977, p. 153.
10. For a discussion of this, see N. Poulantzas, Classes in Contemporary Capitalism, op.cit., p. 57-8.
11. Lenin, op.cit., p. 677.
12. Ibid., p. 709.
13. The Crisis of the Dictatorships, op.cit., p. 11.
14. See below. In its capacity as a source of loans, Lenin referred to Britain as a rentier state.
15. See Manfred Bienefeld and Duncan Innes, 'Capital Accumulation and South Africa', Review of African Political Economy, No. 7, Sept-Oct. 1976.
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18. C. Forster, 'Economies of Scale and Australian Manufacturing', in C. Forster (ed.), Australian Economic Development in the Twentieth Century, George Allen and Unwin, Melbourne, 1970, p. 165.
19. P. Cochrane, Industrialisation and Dependence, op.cit., pp. 95 and 97.
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21. Ibid., p. 50.
22. Poulantzas, The Crisis of the Dictatorships, op.cit., p.22.

23. See Kelvin Rowley, 'Pastoral Capitalism: Australia's Pre-industrial Development', Intervention, no. 1, April 1972.
24. Jonn Lonie, 'From Liberal to Liberal: The Emergence of the Australian Liberal Party and Australian Capitalism, 1900-45', in G. Duncan (ed.), Critical Essays in Australian Politics, Edward Arnold, Melbourne, 1978, p. 48.
25. P. Cochrane, Industrialisation and Dependence, op.cit., pp. 56-8.
26. 'The Rule of Capital and the Rise of Democracy', New Left Review, no. 103, May-June 1977, pp. 32-3.
27. Tim Rowse, Australian Liberalism and National Character, Kibble books, Melbourne, 1978, p. 9.
28. 'The Rule of Capital and the Rise of Democracy', op.cit., p. 33.
29. Ibid.
30. Ibid., pp. 17-23.
31. Ibid., pp. 23-4.
32. 'From Liberal to Liberal', op.cit., p. 54.
33. 'The Rule of Capital and the Rise of Democracy', op.cit., p. 29.
34. Quoted in Leon Glezer, Tariff Politics: Australian Policy-Making, 1960-1980, Melbourne University Press, Melbourne, 1982, p.6.
35. Quoted in Ibid.
36. See ibid and Lonie, 'From Liberal to Liberal', op.cit., p. 55.
37. Ibid. and Cochrane, Industrialisation and Dependence, op.cit., pp. 103, 119n.
38. 'From Liberal to Liberal', op.cit., p. 56.
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49. Sinclair, 'Capital Formation', op.cit., p. 24.
50. 'Finance Capital', op.cit., p. 3.
51. Schedvin, op.cit., p. 100.
52. Sinclair, 'Capital Formation', op.cit., pp. 19-21, 24-6
53. Forster, Industrial Development in Australia, op.cit., pp. 178-9, 172-5.
54. Cited in Buci-Glucksmann, op.cit., p. 322.
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60. Ibid., p. 169.
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68. W.M. Corden, 'The Tariff', in Alex Hunter (ed.), The Structure of Australian Industry, Melbourne University Press, Melbourne, 1963, p. 185 and E.A. Boehm, Twentieth Century Economic Development in Australia, Longmans, Melbourne, 1979, p. 180.
69. The Formation of the Australian Country Parties, Australian National University Press, Canberra, 1966, pp. 153-4.
70. Rowse, op.cit., p. 72.
71. Forster, Economic Development in Australia, op.cit., p. 6.
72. Lonie, 'From Liberal to Liberal', op.cit., pp. 58-9.
73. Ibid., p. 59.
74. Ibid. For a discussion of the Collins House group, see Cochrane, Industrialisation and Dependence, op.cit., chapter 5.
75. Lonie, 'From Liberal to Liberal', op.cit., p. 60.
76. Industrialisation and Dependence, op.cit., p. 105.
77. Lonie, 'From Liberal to Liberal', op.cit., p. 62.
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79. Ibid., p. 107.
80. Ibid., p. 108.
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82. Dagmar Carboch, 'The Fall of the Bruce-Page Government', in A. Wildavsky and D. Carboch (eds.), Studies in Australian Politics, Cheshire, Melbourne, 1958, p. 169.
83. Ibid.
84. Ibid., p. 170.
85. Ibid.
86. Ibid., p. 171.
87. Cochrane, Industrialisation and Dependence, op.cit., p. 117.
88. Carboch, op.cit., p. 171.
89. Cochrane, Industrialisation and Dependence, op.cit., p. 109.
90. Greenwood, op.cit., p. 311.
91. Cochrane, Industrialisation and Dependence, p. 109.
92. Greenwood, op.cit., p. 319.
93. Ibid., pp. 304, 310.
94. Ibid., p. 321.

95. C.R. Hall, The Manufacturers, Angus and Robertson, Sydney, 1971, p. 354.
96. Lonie, 'From Liberal to Liberal' op.cit, p. 63, and Hall, op.cit., p. 354.
97. Ibid.
98. Greenwood, op.cit., pp. 304, 321.
99. Ibid., p. 320.
100. Ibid.
101. Ibid., p. 305.
102. Quoted in Hall, op.cit., pp. 348-9.
103. Andrew Gamble, 'Thatcher - Make or Break', Marxism Today, November 1979, p.8.
104. Ibid.
105. Quoted in Hall op.cit., p, 424.
106. Forster, Economic Development in Australia, op.cit., pp. 16, 222.
107. The main reasons for this were first, the smallness of the Australian home market which protection had already helped to overcapitalise; second, the lower ratio of machinery per worker measured in horse power; third, smaller quantities of skilled labour were available; fourth, Australia's lagged use of newer manufacturing equipment; fifth, mention has already been made of higher wage levels but lower Australian working hours also contributed; sixth, all these features were reinforced by protectionism itself which sheltered manufacturing from international competition. Ibid, pp. 218-224.
108. Ibid., p. 225.
109. 'Trade and Economic Structure at the Periphery', in C. Forster (ed.), Australian Economic Development in the Twentieth Century, op.cit., p. 105.
110. Ibid.
111. Melbourne University Press, Melbourne, 1929.
112. See also Neville Cain, 'Political Economy and the Tariff', Australian Economic Papers, June, 1973.
113. Op.cit., p. 210.
114. Ibid.
115. These measures included the 1926 Referendum to give the Commonwealth government fuller powers over Arbitration, essential services and over combinations hindering the free movement of trade in which the government was unsuccessful; the Conciliation and Arbitration Bill of December 1927, which established greater

government controls over wage decisions, making productivity and profit levels the main criteria; Arbitration Court controlled supervision of unions, secret ballots, fines against striking unions and penalties against blackbans; its failed attempt in 1925 to deport the leaders of striking seamen. See A. Wildavsky, 'The 1926 Referendum' in Wildavsky and Carboch, op.cit., pp.8-9, and Carboch, op.cit., p. 124.

116. Wildavsky, op.cit., pp. 76-7.
117. Ibid., p. 79.
118. Ibid., p. 77 and Graham op.cit., p. 246.
119. Cochrane, Industrialisation and Dependence, op.cit., p. 109.
120. Ibid., p. 118.
121. Hall, op.cit., p. 402.
122. Ibid., p. 406.
123. Cochrane, Industrialisation and Dependence, op.cit., p. 118.
124. Carboch, op.cit., p. 198.
125. Cochrane, Industrialisation and Dependence, op.cit., p. 117.
126. Carboch, op.cit., p. 198.
127. Ibid., p. 199.
128. Hall, op.cit., p. 403.
129. Schedvin, op.cit., p. 109.
130. Carboch, op.cit., pp. 151, 157.
131. C.R. Hall writes that the New South Wales Chamber of Manufacturers wavered, and then grudgingly, it may be said unwillingly, endorsed the Federal Government's 1929 proposals on the basis of "realising the impossibility of obtaining sole federal control of arbitration at the present moment.. That decision was far from being unanimous and would not be binding beyond the elections.
The Manufacturers, op.cit., p. 417.
The Australasian manufacturer was even more categorical, arguing that people are sick of the vagaries of the states, tired of their existence, and anxious to see them obliterated. D. Carboch, op.cit., p. 199.
132. Ibid., p. 198.
133. Ibid., p. 197.
134. Gramsci, op.cit., pp. 155-6.
135. Ibid.
136. Carboch, op.cit., pp. 197-9.

CHAPTER THREE.THE CRISIS OF REPRESENTATION FROM SCULLIN TO LYONS.

During the period of the Great Depression, there was an intensification of fractional conflict and a crisis of the power bloc's hegemony, caused by a prolonged crisis of representation. Representation of the power bloc came to be fragmented between several different parties, organisations and pressure groups. Initially, national manufacturing capital was represented by the Labor government, by a separate manufacturers' party and by manufacturers' trade associations, while representation of international capital occurred through the Commonwealth Bank Board during the period of Labor government, the Nationalist and Country Parties, capitalist pressure groups such as the National Union, and finally through an alliance with petty bourgeois forces in such extra-parliamentary organisations as the All For Australia League. Somewhat later there was a temporary recuperation of the unity of the power bloc through a transformist reorganisation of the Nationalist Party into the United Australia Party under Joseph Lyons. It was, however, the outbreak of war which finally secured the hegemony of national manufacturing capital. This Chapter will investigate the dynamics of this crisis of representation and the struggle of national manufacturing capital for hegemony over the power bloc.

The Scullin Labor Government and the Tenuous Hegemony of Manufacturing Capital.

Chapter Two traced, in the period preceding the Depression, a progressive deterioration of the tariff wall for manufacturing capital, alongside falling prices and demand for primary commodities in international markets, a position which was worsened by tariff

protection. With the arrival of the Depression, the problems of the trade balance and trade policy became urgent and immediate. Stronger action than had previously been taken would be needed under the exigencies of the Depression, whether this was to be in the direction of freer trade or protectionism. The severity of the balance of payments position led British banking capital to assume an enlarged political significance, since it required repayment of its loans. This led to the imposition of even greater burdens on the majority of the population. At the same time, there was considerable support from within the Labor Party for repudiation of these debts. The Great Depression in 1929 brought with it a sharp drop in the terms of trade, capital inflow and the volume of exports, resulting in a massive decrease in commodity imports. In response, the gold standard was abandoned, the exchange rate was lowered, and the tariff level was raised.¹ The policies of the Scullin government between 1929 and 1931 were not simply reflections of economic necessity. Predominantly, these policies served the interests of national manufacturing capital, mainly, though not only, in the form of tariff increases. The New South Wales Chamber of Manufactures registered its approval:

Credit is due to the Scullin government for its statesmanlike legislation during its term of office. The reduction of interest, the adjustment of wages, the steps taken to balance the budget, which have only now borne fruit...above all (for) the sound tariff policy which saved many industries and created new ones; thus preventing unemployment from becoming greater than it really is (sic); (all) have helped Australia in its adversity more than most people realise.²

The Scullin government's policies gave hegemony to national manufacturing capital. Under Scullin the British Preferential Tariff rose by 81 percent.³ In July 1930 the government introduced a 2.5 percent primage duty on all imported commodities. This was raised to 4 percent in November and subsequently to 11 percent.⁴ The 'Scullin Tariffs' evaded the statutory requirement of referring to the Tariff Board and awaiting its recommendations before parliament could vote in a

tariff schedule, by simply proclaiming the schedules in a parliamentary vote. The Scullin Tariffs raised the level of effective demand for protected manufactures and away from British manufactured imports. In 1929-30 sales of protected Australian manufactures rose by £30 million, and under the Scullin Tariffs of 1930-31, sales rose by £57 million. This means that the effect of Scullin's protection policy was a diversion of effective demand away from imports of approximately £87 million.⁵ The Australian Association of British Manufacturers called the Scullin Tariffs a "classic example of fiscal jerry-building".⁶ In response, the Association convened the Joint Committee for Tariff Revision which, with the Sydney Chamber of Commerce and some leading primary producer organisations, formed an influential anti-tariff front in New South Wales.⁷

Moreover, the Scullin government took other measures which favoured national manufacturing capital, such as the abandonment of the gold standard which occurred in 1929. This was made imperative by the dramatic decline of export prices with the maturation of interest payments on loans from London. Thus, export income fell sharply while net overseas debts remained high.⁸ Overseas assets were being rapidly depleted, while the massive loss of gold reserves to England threatened a collapse of credit.⁹ Abandonment of the gold standard helped to conserve the Australian balance of payments.

Again responding to the deterioration of export returns, particularly on wool, Scullin devalued the Australian pound late in 1930. In time, this increased export returns and protected manufacturing capital by increasing the cost of imports. Nevertheless, devaluation acutely contradicted the interests of British banking capital within Australia, since most of the three British banks' capital was held in Britain.¹⁰ For them, devaluation would lead to higher costs in repatriating profits to their English shareholders.¹¹ The assets held in London by the

Australian trading banks, and consequently the loss entailed by devaluation, was comparatively much less, particularly when measured against the need to protect their rural investments. Devaluation was supported by these Australian banks, particularly the Bank of New South Wales under the management of Alfred Davidson, the Bank of Adelaide, the Queensland National Bank; it was also supported by the Treasurer's Department, primary producers and manufacturers.¹² The British banks located in Melbourne moved very tardily but were eventually forced to follow suit under the whip of competition.¹³

Finally, subsequent to the proposal of the 1931 Premiers' Conference for the conversion of interest rates on the national debt owed within Australia, came a gradual conversion of the general interest rate. This not only led to a larger share of surplus value for the profit of the manufacturing enterprise as against interest on credit, but also made for a greater expansion of credit to industry, which would aid the process of concentration in manufacturing which began in the mid 1930s. In the Scullin period, this 'cheap money' policy took the form of a lower rate of interest on the national debt and the introduction of Treasury bills to underwrite deficits and finance public works through the Commonwealth Bank.¹⁴

Considering the bias of Scullin's policies and the importance of banking capital as the then economically dominant form of imperialist capital, binding rural and mineral export capital and much commercial capital to Britain's imperialist division of labour, it is unsurprising that banking capital assumed leadership of the struggle against Labor and its protectionist policies. Moreover, banking capital enjoyed a powerful position within the state apparatus through the Commonwealth Bank Board. Thus, the Commonwealth Bank Board made the issue of Treasury bills and lower interest rates conditional upon the government's pursuit of deflationary policies. Their fear of E.G. Theodore's reflationary wing

of the Labor Party in 1931 led the Commonwealth Bank Board to freeze the government's credit until it had received formal guarantees of the government's deflationary intentions.¹⁵ The government responded with the Premiers' Plan, which aimed mainly to service the Australian debt to the City of London.¹⁶

Naturally, British banking capital played a direct role in this. The Bank of England sent its representative, Sir Otto Niemeyer, to Australia. He attacked the level of wages and tariff protection. Partly under the impact of this, a 10 percent reduction of wages was effected by the Arbitration Commission in 1930-31. The relationship of the Labor Party (excepting Lyons) to the banks was epitomised by the antagonism between Scullin and Sir Robert Gibson, Chairman of the Commonwealth Bank Board.¹⁷ Indeed, it has been written that the Nationalist and Country Party majority in

the Senate was to hamstring legislation to such an extent that the effective centre of policy formation shifted from the government to the banking system.¹⁸

In this we can see the basic tenuousness of manufacturing hegemony over the fractions of capital aligned with British imperialism. The Nationalist and Country Parties were closely aligned with international capital. The Labor Party had no special links with any particular fraction of capital. With this relative autonomy from capital as a whole, the Labor Party was able to do what the Nationalist Party was incapable of doing; specifically, enacting policies which served the interests of manufacturing over the other fractions of capital. However, the power of these fractions was displaced to other parts of the state apparatus, namely the Senate and Commonwealth Bank Board. Together, these apparatuses served the interests of these fractions by effectively preventing the implementation of some government policy and shaping others to their interests.¹⁹ Thus, while national manufacturing capital was aided by high tariffs, international capital exercised an effective veto against reflation of the home market.

Nevertheless, the interests of national manufacturing capital found representation through the Australasian Manufacturer, the Australian Industries Protection League, and latterly, through the Australian Party. The party was formed out of the ruins of the Nationalist Party by Hume Cook and Hughes. It received the support of the A.I.P.L., many manufacturers, predominantly in Sydney, the Sun newspaper, and the parliamentary support of Massey-Greene and Duncan in the Senate, and M.H.R.s such as Hughes, Maxwell and Marks.²⁰

The Australian Party was outspoken in its condemnation of the Nationalist Party and Niemeyer's deflationary proposals, fearing an even stronger alliance between the Nationalists and the Bank of England against Australian manufacturing and protection.²¹ Against this, the Australian Party sought an accommodation with labour through its support for arbitration, its opposition to wage reduction and extended working hours. It stressed the importance of raising employment levels through an expansion of manufacturing. This could only be achieved through high tariffs, an expanded money supply, liberalisation of credit to industry and tax reductions on industrial production. Liberalised credit would help to overcome the manufacturing stagnation which had prevailed since 1926, when the earlier expansion ended, leading to an over-capitalisation made intractable by the absence of long-term credit to secondary industry. Long-term credit would make possible a major Australian Party platform, a restructuring of manufacturing industry. The fundamental quest was for higher manufacturing productivity, so that the Australian Party could also support wage rises to achieve a higher level of effective demand.²²

The Australian Party was the manufacturers' party that was so often the cornerstone of national manufacturing capital's perceived interests in the 1920s and 'thirties. There is evidence for a correspondence between Scullin Labor policies and manufacturing interests in the fact

that Australian Party policies were in many respects very similar to those of E.G. Theodore's reflationary wing of the Labor Party. Moreover, the Australian Party was strongly in support of the Labor government, particularly its tariff policy.

As was the case in many peripheral formations, the Depression in Australia had led to higher levels of import substitution, intensifying conflict within the power bloc. At the same time, the state became less able to enact redistributive policies (such as the Bruce-Page Government's 'protection all round') which had ameliorated the adverse effects of tariff protection on other fractions of capital, or policies which dispersed at least some benefits of import substitution to classes outside of the power bloc. This was the setting for the advent of such mass extra-parliamentary organisations as the All For Australia League in New South Wales and Victoria, and the Citizens' League in South Australia.²³ The Leagues were invariably anti-Labor, but were often also hostile towards the Nationalists, and towards 'rule by parties' in general. They embraced mainly small capital, including manufacturers, and sections of the petty bourgeoisie. The main platform of the Leagues was against the Labor Party's reflationary wing, in favour of 'sound finance' and deflation. The spectre of inflation threatened to vanquish small capital and the petty bourgeoisie, as it had done in Germany.²⁴ Through the leagues, the petty bourgeoisie sought aid from the state to arrest their decline. The petty bourgeoisie's reliance on the state as their 'representative' meant that their alliance with the bourgeoisie was an indirect and unconscious one.

Paradoxically, manufacturing interests also attached themselves to the Leagues, particularly in New South Wales, where three directors of manufacturing firms served on the All For Australia League's executive.²⁵ It has been argued that the clearest representatives of the protectionist interests of national manufacturing capital were the

Labor government and the Australian Party. Why, then, did at least some manufacturers ally themselves with the Leagues which were working to depose Labor? Firstly, this is not in itself so surprising; many 'moderate' Labor supporters and parliamentarians were favourably influenced by the Leagues', and some joined in a parliamentary alliance with the Nationalists under the encouragement of the Leagues. Second, it would be wrong to regard the manufacturers as ideologically pragmatic. Believing that deflation might destabilise the status quo, it became a question of the general interest of capital and the preservation of property. At the same time, manufacturers still looked to their own interests. In particular, manufacturing interests were drawn to the Leagues, especially in New South Wales, because, as Cochrane²⁶ has suggested, their support for Scullin's high protectionism would find little favour within the Nationalist Party. The Leagues were a relatively independent means of representation of the protectionist interests of manufacturing capital while also staunchly opposing 'socialism'. At the same time, participation by manufacturers in the Leagues might help to effect a realignment of the main conservative party towards the interests of national manufacturing capital. To a considerable extent, this was achieved.

Much of the All For Australia League's deliberations were taken up with tariff considerations and reduction of production costs.²⁷ This helped to ensure a more powerful position for manufacturing capital within any future conservative government. Manufacturing interests seem to have dispatched their task quite successfully, leading Archibald Price, Chairman of the South Australian Emergency Committee, to remark: "I disliked intensely our co-operation with the manufacturing interests who were utterly selfish in their tariff attitude".²⁸ The All For Australia League seriously contemplated contestation of parliamentary elections, and this contributed in no small measure to the League's

eventual fusion with a Nationalist Party fearful of a split in the anti-Labor vote.²⁹ Together they would form the United Australia Party.

This anti-Labor mobilisation for 'sound finance' isolated the Australian Party, which stood for reflation. However, large sections of manufacturing capital maintained support for the Scullin government until its defeat,³⁰ finally precipitated by major defections from its parliamentary ranks. The most important was that of J.A. Lyons which foreshadowed the demise of the Labor government in 1931. This mass mobilisation for 'sound finance' was of great importance in helping effect a reorganisation of the Nationalist Party and the reorientation of much manufacturing capital towards a modified version of the Nationalist Party. It should be noted that while in such extreme cases as fascism, the revolt of the petty bourgeoisie takes the form of a 'status quo anti-capitalism' and populist opposition to the power bloc,³¹ initially organised outside of the state, in the present case, the power bloc retained hegemony over the mobilisation. At no time was the dominant position of the power bloc challenged, while in particular the interests of international capital were supported through the demand for sound finance. Thus, rather than some form of Jacobinism, this mobilisation worked to effect a 'passive revolution' from above, i.e., Parliament, a transformist solution in which "groups of leftists pass over into the moderate camp".³² The passive revolution which displaced the Scullin Labor Government drew general support from much manufacturing capital in its wake. In the previous Chapter, Gramsci was quoted as saying that the great industrialists do not have their own political party, but must seek to attain a conjunctural balance of forces most favourable to them by reinforcing one party or another in turn. However, further elucidation in the same passage by Gramsci provides an indication of why industrial capital shifted its allegiance to the parties of the landowners during the Depression crisis.

It is certain, however, that if this is what happens in "normal" times, in extreme cases - which are those which count (like war in the life of a nation) - the party of the great industrialists is that of the landowners, who for their part do have their own permanent party. The exemplification of this note may be seen in England, where the Conservative Party has swallowed up the Liberal Party, although the latter had traditionally appeared to be the party of the industrialists.³³

The desultory vacillations of national manufacturing capital between support for the Labor Party and support for the landowners' parties (the Nationalist and Country Parties) were largely based in changing conjunctures in which either the fractional interests of national manufacturing capital or the perceived interests of the power bloc as a whole took on an enlarged importance. Much national manufacturing capital reverted to support for the conservative party under the impact of a passive revolution which altered the balance of forces within the power bloc. But would national manufacturing capital be able to secure its interests through the party of landowners, and for how long?

Lyons' United Australia Government: A Crucial Phase.

Labor's fall was achieved by an intense struggle more concerned with the defense of fractional interests within the bourgeoisie than with securing the general interests of capital as a whole against the working class. Indeed, the organised working class can hardly be considered at all threatening at this time, particularly when compared with the period between the end of World War I and the late 1920s. By 1930 the working class threat to the power of private capital had largely receded. The main trade unions had been decisively defeated in three industrial struggles and their aftermath. A reserve army of unemployed, which peaked at 28 percent in 1932,³⁴ served further to 'discipline' the working class. Thus, militant actions centred upon the defensive struggles of the unemployed and against housing evictions.³⁵ At no time did the Scullin government threaten the power of private capital.

Rather, the government keenly served the interests of national manufacturing capital over the particular interests of the fractions of capital aligned with British imperialism.

However, Labor's fall should not be equated with the defeat of manufacturing interests. The Scullin government represents an initial phase in the rise to dominance of manufacturing interests within the Australian capitalist class. Nevertheless, given the powerful opposition displayed by banking capital in particular, this was at best a somewhat tenuous hegemony for manufacturing capital. The Lyons United Australia Party regime represents an important intermediate phase in the development of manufacturing hegemony over the other fractions of capital. Nevertheless, as British imperialism and the Australian banks remained a very powerful element within the power bloc, meeting the interests of national manufacturing capital required an accommodation with this fraction, which had so ruthlessly dispatched the Scullin government.

Lyons' defection from the Labour Party was organised largely by banking capital, once again through the Melbourne National Union.³⁶ Lyons had earlier co-operated with a part of the National Union led by Staniforth Ricketson during the December 1930 Loan Conversion episode in which Lyons campaigned against the 'repudiationists' within the A.L.P. Caucus. After Scullin reappointed Theodore as Treasurer, representatives of the National Union worked with Lyons to bring down the government by encouraging defections of 'moderate' Labor MPs. By this time, Lyons had left the A.L.P. He toured the States, addressing the various Leagues and garnering support from them. Lyons found the National Union and Leagues in support of his Seven Points for the united opposition to Labor. The Seven Points emphasised government retrenchment, the repayment of overseas debts, opposition to inflation and freedom of business from undue government regulation. The Nationalist Party leadership opposed

the Seven Points' support for Arbitration and implicit support for tariff protection. However, the National Union, believing these to be unimportant compared with the platform of sound finance, pressured the Nationalists into a fusion with Lyons and his ex-A.L.P. supporters and the Australian Party to form the United Australia Party in May 1931. The party took office early in 1932.³⁷

The party and government formed by Lyons under the tutelage of banking capital bore the heavy imprint of these interests. Indeed, its immediate policy imperative was the servicing of the Australian debt to the City of London when the exchange rate was extremely unfavourable and capital inflow was minimal. To this end, the government's creditors had already accepted interest conversions and the working class had taken a 10 percent wage cut in 1931 under Scullin's Labor administration, while under Lyons social welfare expenditure was dramatically reduced, and regressive taxation such as the 'flour tax' was increased.³⁸ In general, while in the 'thirties Commonwealth tax receipts increased, company and land taxes decreased dramatically.³⁹ Consequently, the working class largely paid for Australia's 'national solvency'. This was acknowledged by Menzies' extraordinary remark that "it would be far better for Australia that every citizen within its boundaries should die of starvation during the next six months"⁴⁰ than to follow the suit of the majority of debtor nations into repudiation. Eventually, to save Australia from falling prey to the wolves of repudiation, the Labor Party, the City converted the Australian debt to a lower interest rate from 1932.⁴¹

Moreover, Australia's inability to withstand the harsh terms of new borrowing brought it to the Ottawa Conference in 1932. The conference's aim was to improve the competitiveness of British capital vis-a-vis its American and Japanese rivals in the Australian market, through reductions in the level of the British Preferential Tariff. Prior to Ottawa, there

had been a progressive and dramatic increase in this tariff rate. Corden's index of tariff levels indicates that British rates in 1920-21 were 20 percent above the previous level. Just prior to the Depression it had risen by another 16 percent. But under Scullin in 1931-32 it had risen by another 81 percent.⁴² The Ottawa Agreement granted a more preferential rate for British manufactured exports and Australian rural exports received limited preferential entry into the British market. The Agreement stated in part that British imports should be given every opportunity to compete with Australian manufactures, and that Australian manufacturing should only diversify into areas of production in which its efficiency and competitiveness could be assured. Moreover, the Agreement gave British manufacturers the right to appear as interested parties at Tariff Board hearings and to put their case for lower protection of Australian manufactures on the basis of these provisions of the Agreement.⁴³ In addition, the 1933 Exchange Adjustment Act reduced duties on British Preferential imports to allow for the protective effect of the earlier currency depreciations.⁴⁴ Finally, in May 1936 the Trade Diversion Act inhibited the importation of American and Japanese textiles and automobiles.

However, it should not be thought that these measures reversed the tendency to import replacement. On the contrary, the Lyons government followed the strict logic of the Ottawa Agreement and Trade Diversion and Exchange Adjustment Acts by increasing dramatically the barriers to Japanese and American exports under the General Tariff Rate, while holding the British Preferential rate more or less constant. This gave a greater margin of preference to Britain over her competitors, but gave by far the greatest preference to Australian national manufacturing capital. The margin of preference given to British imports was increased only by raising the tariffs applying to the imports of her competitors, i.e., in the context of increasing rates of Australian import

substitution. The granting of preference to British imports did not entail a sacrifice of the interests of national manufacturing capital within Australia. Although Lyons reduced Scullin's primage duties, the trends in import replacement for the main import competing industries show a rise in import replacement from 50 percent in 1922 to over 70 percent in 1935 and a corresponding decline in the level of effective demand for imports.⁴⁵ This was due to tariff increases and devaluation, secondly to the shortage of sterling exchange making previous levels of importation impossible, and thirdly to a dramatic fall in domestic production costs.⁴⁶ Consequently, local manufacturers were protected from the sharp price falls on manufactured commodities in international trade. Between 1929 and 1932, the average price of manufactured commodities on the international market decreased by 37 percent, while in Australia the price of manufactured imports rose by 6 percent between 1928-29 and 1931-2. In the metals and machinery group, which led the sustained recovery from depression, the price level of imports rose by 12 percent.⁴⁷ This was accompanied by a downward trend in costs. Domestic raw materials prices declined by 20 percent, while real wages decreased even more sharply. The combined effect of these factors was an increase of protection by 25 percent and an increase of about one-third in the metals group.⁴⁸ The actual level of effective protection under the Lyons regime was higher than ever before. As Schedvin has written, the "manufacturing expansion of the 1930s and the Australian recovery process in general was, therefore, founded on a boom in import replacement".⁴⁹

The combined effect of the Ottawa Agreement, the Exchange Adjustment Act and Trade Diversion Policy was certainly an increase in the volume of British imports over American. Between 1929-30 and 1933-4, American imports fell from 23.5 percent to 13.5 percent, while although British imports fell from 42 to 39.6 percent, they later recovered to 43.4

percent. The American average between 1931-2 and 1938-9 was 15.4 percent.⁵⁰ Nevertheless, British efforts could not stem a 100 percent rise in Japanese imports.⁵¹ However, the small increase in British imports compared with the massive losses sustained by the United States, indicates that this was not a zero sum game in which America's loss was necessarily England's gain. Rather, the Lyons regime complied with the Ottawa provisions in granting a greater margin of preference to British imports by raising the General Tariff rate (which covered America and Japan) on over four hundred items, while initially only actually reducing British Preferential Rates on twenty or so items.⁵² Britain was certainly accorded preference over other competitors, but only in the face of vigorous Australian import replacement efforts.

In line with this vigorous import replacement policy, the Lyons government assured the Tariff Board of its willingness to comply with the Board's recommendations on imports.⁵³ The Tariff Board advanced the interests of manufacturing capital by maintaining high duties on imports of consumer goods and items competing with the metals sector. Where imports of machinery were required, however, the Tariff Board progressively lowered the level of duty.⁵⁴ This policy allowed for some restructuring of manufacturing during the depression, leading in the direction of greater monopolisation, and at the same time, reduced the costs of rural capital.

Several factors coincided with the maintenance of high protection under Lyons and to the enhanced political power of manufacturing over the other fractions of capital. Recovery from the Depression required high levels of protection. A manufacturing led recovery entailed a decline in the power and activism of many sections of banking capital, since an alienation of national manufacturing capital would (and indeed eventually did) lead them to defect to Labor. Moreover, another Labor government might well attempt to nationalise banking capital. In addition, the

Depression opened up a gap between the previously harmonious interests of British banking capital and British manufacturing industry. The interests of British banking capital to some extent contradicted those of exporting British manufacturers in the Depression years. The British banks wanted repayment of their loans. The British manufacturers wanted an increased share of the Australian market. However, Australia's ability to meet the banks' demands depended upon a sizeable balance of payments surplus with England on rural export earnings. Greater import competition from British manufacturers would have produced a negative balance of payments and delay or even default in loan repayment. In conserving the Australian balance of payments, import substitution was decisive in maintaining national solvency with the City of London. As the Council of the New South Wales Chamber of Manufactures correctly stated,

the tariff is the essential element rehabilitating our overseas financial position. It was and continues to be imperatively necessary to drastically reduce imports in order to minimise the adverse exchange position. This cannot be achieved in any other way than by means of the Customs Tariff.⁵⁵

By its policy of loan repayment by import replacement, the Lyons government and the Tariff Board reconciled the short-term interests of British banking capital with the long-term interests of Australian manufacturing capital. But in addition to providing protection as a decisive ingredient in achieving this equilibrium of compromise both to secure the support of national manufacturing capital, to maintain the power bloc's unity, and to meet the claims of British finance capital, the policy of protection was preserved also as part of the general tendency of conservative parties to conserve the existing interests of particular sections of capital and to allocate resources accordingly, particularly to the largest and most significant of such interests, such as the basic metals monopolies.

At the same time, the Country Party argued for the virtually

unfettered entry of British manufactures as the only way of securing English markets for primary exports.⁵⁶ Thus, a coalition with the Country Party was impossible for the U.A.P., whose priority was the repayment of the City of London, and the Country Party's exclusion from government was indispensable to the security of both the short-term interests of British banking capital and the long-term interests of Australian manufacturing. Initially, Lyons proposed the Country Party's absorption into the U.A.P. Earle Page refused this, stating that the group "behind the Lyons-Nationalist Coalition are all big Melbourne manufacturers and stockbrokers, and would have no mercy on us...".⁵⁷ Page proposed a coalition in which he would hold the Customs portfolio for the Country Party, Although Page was supported by sections of the National Union in this,⁵⁸ Lyons rejected the Country Party bid for Customs. Thereafter, Lyons came under intense pressure to lower tariffs from the Sydney Consultative Council and the Melbourne National Union, initially through Sir Norman Kater.⁵⁹ Subsequently they achieved a public renunciation by Lyons of his previous views on the tariff.⁶⁰ These moves from within the National Union reflected not merely the traditional weight of free trade forces within it, but more importantly, this reflected a general shift of position by Collins House. As Cochrane⁶¹ has stressed, the Collins House group became more reticent about protectionism during the 1930s. Because of its strong export orientation, Collins House feared that Australian import substitution would lead Britain to retaliate against its exports of raw materials. Although previously supportive of protection and industrialisation, Collins House faced serious problems of realisation during the Depression. Protectionism, it was believed, could worsen these problems, leading Collins House representatives to go as far at times as to oppose attempts by iron and steel interests to obtain higher protection.

It was in this context of increasing National Union pressure on

tariff policy in particular, that Lyons admitted the Country Party into a coalition government in 1935. In response, the Associated Chambers of Manufacturers appointed a committee to examine the viability of an independent manufacturers' party. Although they eventually decided against this,⁶² Lonie states that manufacturers were urged to make political contributions only through state Chambers so as to deprive the National Union and the Consultative Council of its monopoly on United Australia party finances, and to work at the branch level of the U.A.P.⁶³

Manufacturing capital led the recovery from depression from 1933 behind high tariff walls, which had fostered higher levels of concentration and centralisation of capital, particularly in the case of The Broken Hill Proprietary.⁶⁴ At the same time, pastoral and agricultural capital made a decreasing contribution to capital formation, as is indicated by Butlin's series:⁶⁵

	Pastoral and Agricultural %	Manufacturing %
1930-31	20.8	18
1931-32	20.7	-
1932-33	22.1	11.5
1933-34	19.6	16.2
1934-35	17.3	21.2
1935-36	18.1	19.7
1936-37	18.3	16.8
1937-38	17.1	21.6
1938-39	15.1	24.2

It is likely that between the late 'twenties and the late 'thirties manufacturing output increased by 40 percent or an average annual rate of 4 percent, compared with the preceding period from 1911-13, in which an average annual growth rate of 3.1 percent was recorded.⁶⁶

Despite this, the Lyons government was unable adequately to respond to the interests of national manufacturing capital, which by this time included a highly integrated monopoly component. Most importantly, the government could not distance itself from the sectional interests represented by the Melbourne National Union and the Sydney Consultative

Council. This has been seen in relation to tariff protection policies. Moreover, the National Union frequently intervened to the detriment of anti-Labor unity. For example, the Union vetoed a government scheme to increase rural credit,⁶⁷ a major plank of the Country Party. Since the Union had encouraged coalition with the Country Party, banking capital, through the National Union, was advancing its own contradictory and sectional interests above those of anti-Labor unity.

As L. Watson has written,

The conservative parties' financial backers, through the sponsor organisations of the 1930s, sought to intervene in almost all areas of the United Australia Party. Choice of parliamentary leaders, choice of candidates, extra-parliamentary party office bearers, party secretaries, organisational questions, policy and the relationship with the Country Party were all of interest to the sponsor at some time or other, and in all areas they did not hesitate to say their piece.⁶⁸

In addition, a persistent problem of manufacturing capital at this time was the refusal of banks to extend long-term credit (as well as the inability of insurance firms to do so) despite the 1936 Royal Commission on Money and Banking, and the lack of state expenditure on manufacturing infrastructure.⁶⁹ Only the Bank of New South Wales and the Bank of Adelaide seriously attempted to supply credit to industry. In line with this, the only anti-Labor governments adequately to support manufacturing at this time were the United Australia state government of New South Wales led by Sir Bertram Stevens, and the Liberal and Country League government of South Australia, initially led by R. Butler and then by Thomas Playford. Of particular importance was the role of Alfred Davidson, national manager of the Bank of New South Wales, who advised Stevens on enacting Keynesian policies intended to make the financier serve productive capital.⁷⁰

However, there was an issue which overshadowed even the government's turn towards liberal political economy and free trade, and the parsimony of financial institutions in regard to manufacturing industry. It was

the approach of war (although, needless to say, this gave the above factors a heightened significance). The United Australia - Country Party government was a completely inadequate one to lead the impending war effort, pinning its hopes on Britain as the mainstay of Australian defense. In this the government clashed with the dominant section of manufacturing capital in particular, the basic steels sector, represented by the Chief Executive of BHP, Essington Lewis, and WS Robinson and Harold Darling from the Collins House group, and Herbert Gepp. This group stridently advocated Australia's need to develop its own defense capacity, and in particular, the establishment of an Australian aircraft industry.⁷¹ In all, Lonie's judgement that the federal "United Australia Party as a vehicle for the growing monopoly segment of the Australian bourgeoisie was useless"⁷² seems completely justified. The party was virtually interred with Lyons on his death in 1939.

Gramsci contrasted liberalism and nationalism, arguing that in Western Europe during the 1920s and 1930s, protectionism and nationalism seemed to represent a kind of reformism when compared with the free trade liberalism supported by the semi-feudal landowning oligarchy within the power bloc of such countries as Italy and Germany. He wrote that

nationalists are the champions of the 'rights' of bourgeois corporate interests, which they seek to identify with the interests of the nation.

Bourgeois reformism finds particular expression in protectionism which gives advantages only at the expense of the productive bourgeoisie as a whole, and of all consumers.⁷³

There is no question here of conflating the conflict between international capital and national capital within the Australian formation with the contradictions which divided monopoly capital from the semi-feudal landowning oligarchy in certain nations of Western Europe. However, in the present context Gramsci's comments do have a heuristic value. The Lyons U.A.P. - Country Party coalition represented powerful elements of both international and national capital, forces supporting free trade and a liberal political economy alongside forces supporting

protection and a national political economy. The movement towards a more liberal political economy in the latter half of the government's term of office stood in opposition to the interests of national capital and the 'national popular' interest organised around them. In Chapter Two, it was argued that the ability of international capital to represent its interests as the national popular interest was declining as its ability to disperse widely benefits from international trade also declined. Pari passu, the ability increased of national capital to organise the national popular interest around its particular fractional interests, since protection promised a higher level of development of the national market and increased employment. With the approach of World War II, however, the protectionist interests of national manufacturing capital became even more tightly imbricated with the national interest in developing an indigenous defense capability. The interests of national manufacturing capital had become the basis of the preservation of the nation itself. The "bourgeois reformists", the "nationalists" in Gramsci's terms, most capable of consolidating a political economy in the interests of national capital and the power bloc in general, were the Australian Labor Party.

The Curtin and Chifley Labor Governments and the Hiatus in Tariff Protection.

The Curtin and Chifley Labor regimes which governed between 1940 and 1949 consolidated the hegemony of manufacturing over the other fractions of capital. Again, this was mainly possible because the Labor Party was not constitutively tied to any particular fraction of capital. Thus, the Labor government was able to intervene into the economy overwhelmingly in favour of the particular interests of manufacturing capital. The Curtin and Chifley Labor governments both developed a policy of integrating private manufacturing capital with the state apparatus. The Labor administration strengthened the fledgling ministries, Munitions and



Aircraft Production. Munitions was headed by Essington Lewis. Under the Labor government, the Department of War Organisation of Industry established Industry Advisory Committees in which Lewis and Gepp both figured prominently.⁷⁴ Curtin enjoyed close relations with Gepp, as did also Chifley with Lewis, and Evatt with W.S. Robinson.⁷⁵

Under this dirigiste regime and the exigencies of wartime production, manufacturing achieved remarkable expansion and the impasse caused by the banks' anti-manufacturing bias was temporarily overcome. A rapid wave of industrialisation began in 1940 under the impetus of the war. Under strong policies of state intervention, private industrial capital during the war underwent rapid technical development, greater concentration, higher economies of scale, and so forth. At constant (1938-39) prices, manufacturing output grew by 58 percent between 1938-39 and 1948-49, registering its highest annual growth rate for the decade of 4.7 percent, (while the average annual growth rate for the years 1910 to 1938-39 was 2.7 percent). This 58 percent rise in output, included increases in output in non-metal mine products of 37 percent; in metals and engineering of 78 percent; in food of 59 percent; and in chemicals of 86 percent.⁷⁶

This manufacturing development undermined somewhat the traditional division of labour between Britain as a supplier of manufactured commodities to Australia, and Australia as a supplier of raw materials only to the British market. Accelerated industrialisation in other countries led to new overseas markets for Australian raw materials, particularly wool and in turn, a keen interest by international firms in production for the Australian home market through direct investment. This weakening of the division of labour with England was reflected in reduced margins of Imperial Preference and in the multi-lateral deliberations during and after World War II, which led to the General Agreement on Tariffs and Trade and the Bretton Woods Agreement.⁷⁷

The war had itself protected manufacturing and subsequently, shortages of manufactured products and the 1949 devaluation maintained this protection. During this time, a steady improvement in foreign exchange allowed the government to pursue full employment policies for the first time in decades. However, when in 1951-2 wool prices and terms of trade fell sharply, the Menzies government imposed quantitative import restrictions which, although eased in 1958, were not finally removed until the 1960 credit squeeze. Despite the Tariff Board's role in negotiating G.A.T.T., and despite the easing of import restrictions in 1958 and the Japanese Trade Treaty of 1957, the Tariff Board was virtually redundant for the purposes of protection between 1940 and 1960.⁷⁸

Conclusion.

The last two chapters have deciphered variations in the form of party government between 1920 and the 1940s as phases in either the retardation or development of an alliance of class fractions in which manufacturing capital was dominant. But this was not a linear, uninterrupted process. While the Hughes Nationalist government represented a significant initial phase in which manufacturing interests were keenly served, the Bruce-Page regime represented an unstable equilibrium of compromise between the interests of national manufacturing capital and rural export capital aligned with British imperialism. With the depression, rural export capital's interests won out over those of national manufacturing capital, which consequently shifted its electoral allegiance to the Labor Party.

The Labor Party was better able to secure the particular interests of manufacturing capital since, unlike the Nationalist and Country Parties, it had no special ties with rural export capital, banking or commercial capital. The Labor government could thus enact economic and political policies in favour of manufacturing capital. Moreover, the Labor

government gave manufacturing capital a potential support base which was unavailable to it under a Nationalist - Country Party government. This was the Labor party's working class constituency. Through its staunchly protectionist policies, the Labor government secured not only a long-term interest of private manufacturing capital, but also an immediate working class interest, the conservation of employment.

The Lyons UAP regime maintained high protection barriers. However, the development of manufacturing's hegemony again cannot be regarded as a simple linear or cumulative process. Due to its links with British capital, the interests represented by the National Union and Consultative Council, and its coalition with the Country Party, the U.A.P. became increasingly unable to secure the interests of manufacturing capital, most importantly of its monopoly segment which had expanded rapidly in the recovery from depression, particularly as a result of high levels of protection. It was left to the Curtin and Chifley Labor governments to finally consolidate the hegemony of manufacturing capital through an integration of private manufacturing capital with the state. By this time, manufacturing capital had achieved a position of almost unassailable economic and political dominance over the other fractions of capital, whichever party held office.

FOOTNOTES.

1. Cain, 'Trade and Economic Structure at the Periphery', op.cit., p. 106.
2. Hall, op.cit., p. 477.
3. Corden, 'The Tariff', op.cit., p. 186.
4. Opie, op.cit., p. 61.
5. Ibid., pp. 113-4.
6. Ibid., p. 114.
7. Cochrane, Industrialisation and Dependence, op. cit., p. 125.
8. Opie, op.cit., pp. 92-3.
9. Ibid. Exports fell from £141 million in 1928-29 to £100.9 million in 1929-30 and £79.5 million in 1930-31. Overseas credits fell from £157.9 million to £141.8 million to £102.7 million between 1928-29 and 1930-31. In 1929-30 £25 million of gold specie and in 1930-31 a further £10.1 million were exported. Net overseas assets held by banks declined from £28.3 million in 1929-30 to £3.7 million in 1930-31, while total overseas debts fell only slowly from £196.4 million in 1928-9, to £185.8 million in 1929-30, to £105.8 million in 1930-31.
10. Cochrane, Industrialisation and Dependence, op.cit., p. 70.
11. Ibid., p. 69.
12. Ibid., p. 70.
13. Ibid.
14. Ibid., p. 71.
15. Ibid., p. 129.
16. For details of the Premiers' Plan, see Schedvin, op.cit., Chapters Ten and Eleven.
17. Ibid., p. 85.
18. Ibid., p. 118.
19. On this displacement of power to other parts of the state apparatus, see Poulantzas, Political Power and Social Classes, op.cit., p. 286.
20. Cochrane, 'Dissident Capitalists', in EL Wheelwright and K Buckley (eds.), Essays in the Political Economy of Australian Capitalism, volume four, Australian and New Zealand Publishers, Sydney, 1980, p. 135.
21. Ibid., p. 140.
22. Ibid., p. 140.

23. On the South Australian Citizens' League, see John Lonie, Conservatism and Class in South Australia During the Depression Years 1929-1934, masters thesis, University of Adelaide, October 1973, chapter five.
24. For the effects of inflation on the German petty bourgeoisie in the late 'twenties and early 'thirties see Poulantzas, Fascism and Dictatorship, op.cit., p. 259.
25. Hall, op.cit., p. 434.
26. Cochrane, Industrialisation and Dependence, op.cit., p. 127.
27. Hall, op.cit., pp. 434-5.
28. Lonie, Conservatism and Class in South Australia, op.cit., p. 263.
29. Lonie, 'From Liberal to Liberal', op.cit., p. 64.
30. Hall, op.cit., p. 52.
31. See Poulantzas, Fascism and Dictatorship, op.cit., Part Five, and Laclau, 'Fascism and Ideology' and 'Towards a Theory of Populism', in Politics and Ideology in Marxist Theory, op.cit.
32. Gramsci, op.cit., p. 58. See also Buci-Glucksmann op.cit., pp. 55-6.
33. Gramsci, op.cit., p. 156.
34. Schedvin, op.cit., p. 47.
35. Cochrane, op.cit., pp. 124-5.
36. Lonie, 'From Liberal to Liberal', op.cit., p.65. However, opinions within the National Union were not unanimous as to Lyons' desirability as a Prime Minister. See L. Watson, 'The United Australia Party and its Sponsors', in C. Hazlehurst (ed.), Australian Conservatism, Essays in Twentieth Century Political History, Australian National University Press, Canberra, 1979, p. 85.
37. For details on Lyons' defection from the Labor Party, see PR Hart, 'Lyons: Labor Minister - Leader of the U.A.P.', in R. Cooksey (ed.), The Great Depression in Australia, Australian Society for the Study of Labour History, Canberra, 1970.
38. Cochrane, Industrialisation and Dependence, op.cit., p. 132.
39. Ibid., p. 131.
40. Quoted in P.R. Hart, 'The Piper and the Tune', in C. Hazelhurst (ed.), Australian Conservatism, op. cit., p. 118.
41. Cochrane, Industrialisation and Dependence, op. cit., p. 45.
42. Corden, 'The Tariff' op.cit., p. 186.
43. For further details on the Ottawa Agreement, see Opie, op.cit., pp. 64-7.
44. Ioid., p. 70.

45. Schedvin, op.cit., p. 54.
46. Ibid., p. 302.
47. Ibid.
48. Ibid.
49. Ibid., p. 303.
50. Opie, op.cit., p. 131.
51. Ibid.
52. Ibid.
53. Cochrane, Industrialisation and Dependence, op.cit., p. 71.
54. Ibid., p. 48.
55. Hall, op.cit., p. 437.
56. Ibid., p. 496.
57. Quoted in Hart, op.cit., p. 117.
58. Ibid., p. 119.
59. Ibid., p. 117.
60. Ibid.
61. Cochrane, Industrialisation and Dependence, op.cit., pp. 99-100.
62. Hall, op.cit., pp. 523, 530-1.
63. 'From Liberal to Liberal', op.cit., p. 67.
64. Cochrane, Industrialisation and Dependence, op. cit, pp. 96-9
65. Australian Domestic Product, Investment and Foreign Borrowing, 1861-1938/9, op.cit., pp. 20-1.
66. McGregor, op.cit., p. 304.
67. Watson, op.cit., pp. 83-4.
68. Ibid., p. 99.
69. Rowse, op.cit., p. 142, and Lonie, 'From Liberal to Liberal', op.cit., p. 67.
70. Ibid., p. 68 and Cochrane, Industrialisation and Dependence, op.cit., pp. 136-7.
71. Rowse, Australian Liberalism, op.cit., p. 143.
72. 'From Liberal to Liberal', op. cit., p. 68.

73. Quoted in Buci-Glucksmann, op.cit., p. 129.
74. Rowse, op.cit., p. 144.
75. Ibid., p. 145.
76. B.D. Haig, 'Manufacturing, Output and Productivity, 1910/1938-9', in Australian Economic History Review, June 1975, pp. 136-155.
77. Australia's role in these multi-lateral deliberations is analysed by melanie Beresford and Prue Kerr, 'A Turning Point for Australian Capitalism', in Wheelwright and Buckley (eds.), Essays in the Political Economy of Australian Capitalism, volume four, op.cit.
78. Corden, 'The Tariff', op.cit., p. 187; Cain, op.cit, pp. 109-110; Boehm, op.cit., p. 191; G.D. McColl, The Australian Balance of Payments, Melbourne University Press, Melbourne, 1965, p. 77.

PART III: Protectionism in the Post-War Period.

CHAPTER FOUR.THE REGIME OF THE COALITION PARTIES, 1960-1972:THE POLITICS OF ALLOCATIVE TRADE POLICY.

Chapters Two and Three have argued that the conflict within capital concerning protection between the Wars was based on a contradiction between the interests of international capital (i.e., capital predominantly oriented towards international markets) and national capital (capital predominantly oriented towards a particular national market). The contradiction between international and national capital was inscribed in an international vertical division of labour between Britain, the capital-exporting metropolis and Australia, the capital-importing periphery. Through this division of labour, the metropolis could secure raw materials and foodstuffs from the rural and mineral export industries of the periphery, as well as a market for its finished manufactures. This international division of labour, supported by British financial hegemony, ran parallel to a division between town (industry) and country (agriculture). The trajectory of development of capitalism in Australia under such an international division of labour implied free trade and a very low level of development of manufacturing industry.

In post-war Australia the contradiction between international and national capital persisted, but the form of this contradiction had changed. In particular, the character of national capital had been transformed. The slow and grinding declension of British imperialism was finally ended in the immediate post-war period by the United States' rise to hegemony over the capitalist world. This replaced imperialism of a predominantly financial character with imperialism predominantly industrial in character. The indirect character of British portfolio

investment was replaced with direct investment by international firms in subsidiary manufacturing plants and operations.¹ This altered the previously autochthonic character of manufacturing capital in Australia. Indeed, the economic dominance achieved by manufacturing industry in post-war Australia was owed largely to direct investment by international firms.² In addition, this wave of direct investment reinforced the position of monopoly capital within manufacturing industry.³ Protection had provided a counterpoise to British imperialism in the inter-war period. In the post-war period, however, tariff protection became the principal fulcrum of direct investment by international firms. As Arrighi⁴ writes,

Direct investment was often the only way for the large firm to circumvent, or rather transform into a competitive advantage, those obstacles which had been gradually erected in the path of its expansion through import and export of commodity capital. The war subsequently accelerated the tendency in question, giving fresh impetus to concentration of capital, developing transport and international communications technology, financially strengthening the United States in relation to the traditional centres of money-capital accumulation and, within country itself, reinforcing the large corporation vis-a-vis high finance.

As Corden⁵ has stated, "Protection appears to induce foreign capital inflow into protected industries." Studies of the 1950s and 1960s support this view of protection providing a fulcrum of direct foreign investment in manufacturing industry⁶. The major tariff decisions of the 1960s concerning chemicals and automobiles were partly intended to extend foreign investment in these industries.⁷ By 1962 Australia was the fifth largest recipient of American direct investment.⁸ In 1962-63 22.4 percent of manufacturing production was classified as under foreign control; by 1966-67 foreign control had risen to 26.3 percent.⁹ These figures, based on a criteria of foreign control as 25 percent or more of shares or voting stock held by an overseas company or companies, understate the extent of foreign control by ignoring control through financial means, patents, or control of an important linkage in the

production process of an industry. Instead of being national capital's counterpoise to an imperialist division of labour, tariffs came to be the keystone of direct foreign investment and consequently, a direct relationship between manufacturing capital and imperialism. While Australia remained a dependent and peripheral formation, this was no longer based on an international division of labour between "town - industry - metropolises and countryside - agriculture - dominated formations"¹⁰ but rather on dependent industrialisation "under the aegis of foreign capital and at its instigation".¹¹ Imperialism came to dominate such peripheral formations as Australia 'internally' as well 'externally'. Imperialism became interested in the domestic markets of peripheral formations, rather than simply their agricultural and mineral export sectors, with the consequence that national capital ceased to be predominantly autochthonic. Indeed, referring to the position of autochthonic capital in dependent formations, Poulantzas¹² has stated

The development of this domestic bourgeoisie coincides with the internationalization of labour processes and production, and with the internationalization of capital, in other words with the induced reproduction of the dominant relations of production actually within these various social formations.

There is thus an "induced reproduction of the form of the dominant imperialist power within each national formation".¹³ This tends to displace questions frequently posed as to whether the internationalisation of capital has diminished the 'independent' power of nation states.¹⁴ The imperialism of the current phase does not mainly rely on external pressure to undermine the 'independent' power of nation states to secure its interests, but rather on its "complex relation of internalisation to the domestic bourgeoisie that it dominates".¹⁵ Davies¹⁶ refers to many of these points in the following passage on foreign investment in South Africa:

As distinct from the period prior to World War II, when imperialist domination over dependent and subordinate social

formations had mainly been exercised from the 'outside' through the relations of dependence, and when imperialist capital had been as a consequence invested in certain extractive sectors in peripheral social formations, in the new phase of the imperialist epoch which began after World War II imperialist domination over these social formations came increasingly to be exercised 'internally' through the reproduction of "the metropolitan mode of production...in a specific form, within the dominated and dependent formations themselves". More particularly in the case of the South African social formation this new phase of the imperialist epoch meant...relatively large new investments of foreign, imperialist capital in industry, and the consequent reproduction within the South African industrial sector of the monopoly capitalist relations of production of the imperialist metropolises.

In view of the enormous growth of foreign investment in manufacturing and the declining significance of autochthonic capital, the question arises as to whether manufacturing could accurately be referred to as national capital in this period. The answer is that, in spite of the domination of manufacturing by imperialism, it is still correct to speak of manufacturing industry as national capital at this time. It should be recalled that the definitions first advanced in Chapter Two were that national capital is capital predominantly oriented towards a particular national market, while international capital refers to capital which is oriented towards international markets. In the case of national capital, the level of development of an international division of labour, either in the production of commodities or their subsequent sale, is generally low. There is little in the way of either an international decentralisation of production or export of goods finished to any advanced stage of manufacture. In the case of international capital, there is either an international decentralisation of production, or the orientation of local sectors of production towards international markets, or both. These definitions hold for the purposes of analysing Australian trade policy, regardless of whether ownership is autochthonic or foreign, although, to be sure, such differences of ownership and control may affect the terms of the contradiction between national and international capital.

Imperialist investment supported a prodigious development of the national market for much of the post-war period. Arrighi¹⁷ has contrasted the role of United States firms for much of the post-war period as "'domestically oriented enterprises with international operations'" with their more recent development into "truly world-oriented corporations". In the former case, direct investment took the form of subsidiary plants which replicated the production processes of the parent company and produced finished commodities for each national market. There was thus a 'centralisation' of production within both metropolitan and peripheral national formations, contrasting with later developments in the internationalisation of capital in which

the big multinational company promotes its own more or less advanced internal division of labour, which tends to cut across the territorial division of the world into states and nations.¹⁷

This development of the national market by direct foreign investment relied on the development of 'fordism', a form of capital accumulation which could extend production into the markets of mass consumption through sustained productivity growth, replacing the tendencies towards underconsumption characteristic of the inter-war years and depression.¹⁹ The nature of capitalism and the presence of imperialism within the Australian formation had been transformed.

However, regardless of this transformation Australia remained a peripheral formation, rather than the "base of a significant concentration of capital operating internationally".²⁰ Australian economic development did not change from being largely dependent on the role of imperialism. Australian manufacturing remained uncompetitive within international markets. As a consequence, manufacturing industry exhibited a low tendency to export and a high tendency to import. That is, while manufacturing industry was highly developed in relation to production of consumer goods, it was rather undeveloped in relation to

production of capital goods and many intermediate goods.²¹ Thus, national capital depended on imports of capital goods financed by exports of agricultural and mineral commodities. This contributed to rather slow productivity growth, particularly with the high cost of imported capital goods under policies of high protection. In addition, the intensive development of productivity and the expansion of national capital into international markets was hindered by the dominance of imperialist ownership, which had no interest in seeing the rise of effective competition from within the peripheral formations.²²

The growth of national manufacturing capital in Australia depended upon high levels of foreign capital inflow and high demand for primary exports throughout the 1950s and 1960s. These were in their turn largely dependent on the effects of the international post-war boom and the industrial and financial hegemony of the United States. Michel Aglietta²³ has described the international cohesion of United States hegemony and the post-war boom between 1945 and the middle 1960s in the following terms. There was an advanced horizontal division of labour between countries, with the United States' balance of payments and the Dollar as sole means of international payment as the principal regulators of the position of other formations in world trade. Growth was sustained within this system through the desynchronisation of national conjunctures (the business and trade cycles of different countries), which established complementary 'virtuous circles' between countries tending toward high growth and weak currencies (inflation and devaluation) on the one hand, and countries with low growth and strong currencies (disinflation and a stable or rising national currency) on the other. Such a system pivoting on United States hegemony presupposed a massive productivity advantage over competitors, and a favourable balance of payments surplus and low rate of inflation within that country.

So long as the country whose money served internationally as both reserve-currency and means of payment also displayed an

underlying structural surplus-balance and a low level of inflation, any balance of payment deficit was thrown onto high-growth countries and softened by the flow of capital from the United States.²⁴

The position of Australia within this system was as a high income growth formation with a weak national currency and balance of payments, alleviated somewhat by foreign investment, implying tendencies toward a low exchange rate and high inflation in the event of international financial instability.²⁵

The massive dominance over the power bloc achieved by national manufacturing capital and the foreign or imperialist character of this development in the post-war period made for far-reaching changes in the field of political representation. In particular, the political representation of the interests of national manufacturing capital took on a more contradictory and paradoxical form. For example, for reasons to be analysed below, the Country Party in this period ceased in practice and policy to support free trade policies and came instead predominantly to support the interests of national manufacturing capital in policies of high protection. The operation of political representation in this manner, and so decisively to the advantage of manufacturing industry, involved a widening of the distance between the policies of the Coalition parties and the interests of many of their constituents, whose interests lay in the liberalisation of trade. The position of international capital and its trade liberalising representatives will be analysed below. There are several aspects involved in the explanation of the rather weak and quiescent position of international capital for much of the post-war period. One aspect is, however, directly related to the form of imperialism in the post-war period. International capital has traditionally supported the claims of the dominant imperialism in support of its own interests, as in, for example, its axis with Britain up to World War II. The realignment of imperialism towards the national rather

than the international market alongside unprecedented levels of foreign capital inflow, produced a characteristic confusion in the field of political representation. As conservative parties in a peripheral social formation, the Liberal and Country parties have generally represented this alignment of local international capital with the main imperialist metropolises. Previously, the alignment of these parties with imperialism had worked to the advantage of local international capital in promoting free trade. But in the post-war period the alignment of imperialism towards the national market and the pro-imperialist alignment of the conservative parties, encouraged such policies as protection of the national market which were favourable to national capital, but unfavourable to local international capital. The confusion wrought in the field of political representation amongst both representatives and the represented by this realignment of imperialism, is an important factor underlying many of the paradoxes of political representation during this period.

Trade Policy Under the Liberal - Country Party Coalition, 1960-1972.

Running alongside this confusion in the field of political representation there was another general element which, in spite of the position of free trade forces within the government, supported the claims over trade policy of national manufacturing capital. This is the element referred to in Chapter Two concerning the general tendency of conservative parties to enact policies which conserve the existing structure and claims of private capital. This actually reflects the constraints imposed by both the existing politics of power (particularly the interests of the dominant fraction) and the politics of support, the national popular interest, which is organised around the former. The attempt made by forces within the Liberal Party early in this period to establish a new politics of power more around the interests of

international capital, foundered not only on the direct opposition of national manufacturing capital but also on the government's declining electoral fortunes, reflecting the departure from policies identified with the national popular interest such as full employment. The circumstances in which the Coalition parties were forced to govern was amid a social democratic consensus about state policy, involving expanded welfare and social services, a larger public sector and government involvement with the economy, particularly to maintain full employment.²⁶ These policies were enacted to varying degrees by nearly all governments of the advanced capitalist countries in the post-war period, regardless of whether social democratic or conservative governments held office. They were policies required to maintain conservative and social democratic governments alike in office throughout the advanced capitalist countries. In Australia, such policies commenced under the Chifley Labor government but were continued under the conservative Coalition government, in spite of their declamations against 'socialism', and they contributed generously to the remarkable longevity of conservative rule in Australia. Protectionist trade policies which, among other things, could support higher employment levels than free trade, were part of this political arrangement. The attempt made during the late 1950s and early 1960s to alter the balance of forces towards a new politics of power favouring international capital through trade liberalisation nearly unseated the Coalition, reflecting a departure from the main basis on which the government claimed electoral support, i.e., full employment. This was the bedrock of political support required by the Coalition parties to remain in office, and which helped to temper much of the free trading and trade liberalising impulse to be found within both parties. Remaining in government meant the accommodation of free trade forces within the Coalition to the policy of protection. In no sense was the reconciliation achieved merely by magic or fiat, but

rather through a series of fractional struggles, beginning with the period of trade liberalisation from the late 1950s to the early 1960s. After this defeat, the position of international capital within the power bloc became a rather more isolated one.

The late 1950s and early 1960s were years in which the interests of international capital enjoyed an ascendancy in Australian politics. The background to this needs briefly to be examined. During the 1950s manufacturing industry was sheltered from import competition by high import quotas which were imposed to alleviate a deteriorating balance of payments. Tariffs and the Tariff Board were both quite peripheral to the process of import replacement then occurring. The approach of the Coalition government to economic policy was an aggregative one, emphasising growth through industrial diversification behind high protective barriers, and increased output through increased levels of employment ('capital widening'), rather than specialisation with industries in which national capital could become internationally competitive through increased productivity (or the rate of exploitation). Consequently, although Australia registered high levels of aggregate growth and investment in this period, it lagged in productivity and suffered from strong inflationary tendencies and balance of payments constraints.²⁸ The response of sections of the Coalition parties to inflationary and balance of payments problems was to apply ad hoc stop-go policies and the reduction of trade barriers to increase imports and thereby to alleviate the cost-price squeeze of international capital, particularly the wheat and woolgrowers. By contrast, national capital would benefit from trade barriers and a mild inflationary stimulus to production and investment. In pursuing these policies, the claims of international capital were supported from within the state administration by Treasury, particularly because of its concern to control inflation through trade liberalisation. Trade liberalisation was

opposed by the Department of Trade and Industry, which acted as a conduit for the demands of manufacturing industry.

The temporary ascendance of international capital in this period largely reflected a loosening of the balance of payments constraints which had been very tight in the 1950s. From the middle 1950s, the woolgrowers faced rising costs. In New South Wales particularly, woolgrowers through the State Country Party began a cost minimisation campaign against import licensing.²⁹ Between 1957 and 1959 import restrictions were lowered, leading to an increased volume of imports, and only half of which bore duties. By early 1960 import restrictions had virtually been abolished, exacerbating a poor balance of payments situation. In addition, the government had negotiated the 1957 Japanese Trade Agreement in favour of international capital. Under the Agreement, Australia offered liberalised terms of entry for Japanese manufactured commodities in return for expanded wool and wheat export markets.³⁰ In spite of these gains the woolgrowers pressed for further cost reduction, specifically a 10 percent tariff reduction, the N.S.W. Country Party warning the government of declining support within international capital.³¹ Calls by manufacturing industry for the reintroduction of import quotas, on the other hand, were intensified by the November 1960 credit squeeze. Although this had the effect of reducing imports, it did so only by depressing effective demand, thus worsening the recession and leading to shriller demands for protection from manufacturing industry. As Minister for Trade and Industry McEwen supported manufacturing industry by an inner-Cabinet struggle for reimposition of import quotas in February 1961. However, the attempt foundered on opposition from within the Liberal Party. In response, McEwen and the Department of Trade and Industry called for emergency assistance. However, the Tariff Board, under the chairmanship of Sir Leslie Melville, replied that the difficulties of manufacturing industry were not due to increased import

competition, as imports had been reduced by general deflation and the credit squeeze. Ratner, they were due to the government's deliberate policy of recession. Although McEwen eventually gained a government direction to the Tariff Board for emergency assistance, the Board still avoided the granting of emergency assistance where possible.³²

As a consequence of its deflationary Treasury based policies and the reduction of trade barriers, the Coalition only survived the 1961 elections with a majority of one and with the Country Party holding the balance of power. The government's deflationary policies had led to 2.5 percent unemployment and increased taxation.³³ While this deflationary 'stop' phase of the cycle corresponded to the dominance of the Treasury in economic policy and the economic interests of international capital, the succeeding reflationary 'go' phase of the cycle was the complex result of the political action of national capital in defense of its interests, the political action of the labour movement in opposing deflation and a broad electoral response to rising unemployment. The politics of power had reasserted themselves. Never again during this period would international capital regain such ascendancy within government policy; subsequently international capital would be more confined to exerting pressure from within the constituencies of the Coalition parties and to the margins of government policy.

Thus, in the election's aftermath policies aimed at reflation were enacted, and Cabinet approved the Department of Trade and Industry's proposal for a body to administer temporary protection of manufacturing industry against the effects of recession rather than simply import competition.³⁴ The Special Advisory Authority was established in April 1962 and headed by the high protectionist Frank Meere during the 1960s.³⁵ The Department of Trade and Industry, headed by the high protectionist Alan Westerman, took on a heightened importance as an institution of economic policy. Under pressures toward high

protectionism, Melville resigned from the Tariff Board in September 1962, while the response by Liberal Party backbenchers was stifled by Cabinet members, particularly Menzies.³⁶ In Melville's place, the Department of Trade and Industry secured the Chairmanship of Alfred Rattigan and placed high protectionists in charge of the Departments of Customs and Excise and Shipping and Transport.³⁷ In addition, the Office of Secondary Industry was established within the Department of Trade and Industry in January 1966. The Office's first head was William Callaghan of the Department of Trade and Industry and former advisor to McEwen. Established as the Tariff's Board's source of data and analysis, the office functioned as a transmission belt representing the interests of manufacturing industry to Government. O.S.I. provided a framework for the organisation and representation of manufacturing interests in assisting industry representatives in the preparation of their case for higher protection to the Tariff Board.³⁸ In these particular realignments can be seen the general consolidation of direct lines of representation between capital and the state which was characteristic of the regime's trade policy.

This period was "a high water mark of Australian post-war protectionism",³⁹ a recrudescence of the interests of manufacturing capital after its earlier post-war struggles with international capital. This much is evident in the two major tariff cases of this period, automobiles and chemicals. In the chemicals case, the government's reference called for higher assistance to deal with "disruptive low prices" and to ensure "a reasonably profitable development of a soundly based chemical industry".⁴⁰ Regarding automobiles, the government clearly wanted to increase direct foreign investment in the industry by raising tariffs on imported components. Thus, the government's reference began,

Having regard to the government's policy of ensuring the sustained development of an economic and efficient automotive

industry in Australia, in relation to the production of complete motor vehicles with maximum Australian content.⁴¹

The abolition of import licensing led the importation of components to soar in 1962 and 1963 and one manufacturer considered a substantial shift towards international sourcing of components.⁴² An intense inner-Cabinet struggle between McEwen and Treasurer McMahon eventually secured government acceptance of policies of support to national capital. In May 1964, the government announced a plan for 95 percent local content which arose from an inquiry conducted by the Departments of Trade and Industry and Customs and Excise with the industry, preempting the conclusions of the Tariff Board's report which appeared over one year later.⁴³

These policies favoured national manufacturing capital at the expense of international capital. The representation of national capital's interests was a process concentrated on the executive level of government rather than the legislature. This was because international capital retained a strong position within the Coalition parties' constituencies and the legislative apparatus. This promoted a displacement in the exercise of effective power away from the legislature and towards the executive-state apparatus (Cabinet and state administration). As Poulantzas⁴⁴ has argued,

the characteristic predominance of the executive where the monopolies are hegemonic is a direct response to a particular incapacity to organise this hegemony, with regard to the power bloc, in the parliamentary framework.

In consequence, there is a tendency toward a "loosening of the ties of representation between the power bloc and the parties of power",⁴⁵ which corresponds within the power bloc "to a characteristic decline of the specific organisational role of the parties of this bloc".⁴⁶

This loosening of the ties of representation between international capital and the Coalition government, and the consequent decline in the

organisational efficacy of party representation through the concentration of executive power was evident in the subordination of international capital to the interests of manufacturing capital. First, although the Liberal Party was supported by both national and international capital, the party used its institutional mechanisms, involving a cleavage between the Cabinet and backbenches, to distance itself from elements of its mass base which were disadvantaged by high levels of protection. This is clearest in the period of Menzies' leadership from the 1961 elections to his retirement in 1966. This period saw the isolation and silencing of the Liberal Party's rural base, the years of post-war high protectionism, the subordination of Treasury to the Department of Trade and Industry, and the government's abnegation of the Vernon Report with its recommendations for lower protection. Parliamentary scrutiny was minimal; several Tariff Board reports would be considered cognately in a single session, while proposals were rejected for a parliamentary joint committee on tariff matters in 1962 and 1964.⁴⁷ With new people in the leadership after Menzies' retirement, this distancing tended to break down as much Cabinet opinion (eg., Holt and McMahon) came more into line with international capital.

Second, this period marks a turning-point in the development of the Country Party. Previously, the Country Party had operated as a sectional party representing rural capital. As such, it bargained with other parties in a coalition to secure the interests of its constituents. However, from the late 1950s and with the emergence of John McEwen as its leader, the Country Party came predominantly to represent the interests of manufacturing capital. Indeed, in 1958 the A.C.M.A. described McEwen as "...the spokesman for industry within the Cabinet...".⁴⁸ The interests of rural capital were subordinated to those of manufacturing capital, and the Country Party's ties with its rural constituents were loosened. Atkin⁴⁹ has described how, in the early 1960s, the richest

and most powerful sections of rural industry (the New South Wales graziers represented through the N.S.W. Country Party and the party's Federal Council), were unable to gain discussions with McEwen on tariff matters, and were later to be fobbed off with the promise of a committee of Economic Inquiry.

What had been the nature and basis of this transformation of the Country Party? This had in part been engendered by the traditional alignment of the Coalition parties to the dominant imperialism. The reorientation of imperialism towards national rather than international markets engendered a confusion about interests and policies amongst the representatives of international capital. In addition, there had been a long-term diminution of the capacity of rural capital to secure its interests, most particularly with imperialist investment and the consolidation of monopoly capital within national manufacturing capital in the post-war period. International capital had lost its struggle for hegemony and was unable to alter the trajectory of capitalist development implied by the dominance of national capital. Rural capital therefore made a transition from being a class fraction with pretensions to hegemony over the power bloc to a governing class fraction.⁵⁰ As a class fraction with pretensions to hegemony over the power bloc, the Country Party had sought to control such Cabinet portfolios as Treasury and Trade, and thereby to shape trade and other policy in the interests of international capital. As a governing class or fraction, rural capital now, through the Country Party, administered trade policy in the interests of national manufacturing capital. However, as the governing fraction rural capital could, through the Country Party, seek to ensure that the subordination of its interests took place on terms more favourable than they would otherwise have been. In particular, in securing protection for manufacturing capital, the Country Party was better able to secure a significant allocation of resources for its rural

constituents, a system of 'protection all round'. This policy of 'protection all round' different from the policy practiced in earlier times in being a sign of the lessened power of rural capital and in indicating the shift of the Country Party toward negotiating the more favourable subordination of rural capital's interests, rather than seeking to give these interests dominance over the power bloc. By supporting a policy of protection all round, the Country Party was frequently able to achieve an abundant allocation of resources to rural capital.⁵¹

This is not to argue that such a solution would necessarily prove acceptable to all sections of rural industry. Protection all round meant that the effects of tariff protection in redistributing income away from internationally oriented rural capital would be compensated by subsidies. As McEwen explained to a meeting of farmers,

You can buy a new tractor and in depreciation you can write off 40 percent of the cost in the first year...then go on writing off 20 percent per annum for the next four years until you have written off an allowable taxation deduction not the 100 percent of what you paid but 120 percent.[...] Do you really think that the Labor Party would have dreamt that up, or any other political party?⁵²

While advantageous to certain rural industries, however, protection all round was no more than a simulacrum to certain others, particularly the wool industry. Thus the Vernon Committee wrote:

We suspect, however, that the wool industry bears proportionately more of the net impact of the price squeeze than most of the export industries...Some simple calculations..suggest that costs would be reduced by eight percent if materials together with plant and equipment used in the wool industry were free of duty.⁵³

A report commissioned by the Wool Board estimated that

present policies of secondary industry protection reduced woolgrowers' incomes by between \$150 million and \$200 million in 1967-68, depending on the alternative policies one is considering.⁵⁴

Under these policies, manufacturing industry was supported by transfers of income away from international capital through higher internal costs, to an extent which the government had been unprepared to do in the 1950s, due to the serious balance of payments position.⁵⁵ For much rural capital, then, the Country Party remained a party of sectional interests, but was no longer a party of their sectional interests. As the Chairman of the N.S.W. Central Council of the party put it as early as 1962,

The Country Party's role has been reversed - apparently now in the Federal sphere we advocate greater protection while a section of the Liberal Party are pointing to the dangers of this action to our great wool industry. Politically this is alarming in view of the present attempt by the Liberal Party to supplant the Country Party in rural New South Wales.⁵⁶

This led to instances of conflict between the Country Party's rural base and the fraction of capital whose interests the party predominantly represented. This occurred during the 1966 elections and the exchange rate battle of 1967, during which the ties of representation between the Country Party and sections of its electoral base were strained to near breaking point.

However, it would be a one-sided account and explanation of the transformed role of the Country Party which emphasised simply that it sought to make a virtue out of necessity and sought to negotiate favourable terms for the subordination of international rural capital to national manufacturing capital. Something more was involved than a pragmatic response to altered circumstances, and, most certainly, major Country Party leaders and policy makers such as McEwen did not see themselves as involved in a fractional struggle against the interests of international capital. Rather, Country Party leaders saw themselves as involved in a transformation of the general political role of the Country Party. At the same time, this situation had several advantages from the viewpoint of national manufacturing capital. The Country Party faced the future with a declining rural constituency. Accordingly, it had to

decide whether to remain identified solely with the declining rural industries, or to expand its base of support into other sections of the population and other fractions of capital. It chose to do the latter. The Country Party putatively became a 'national party', while retaining a 'specialist' function with respect to its rural constituencies. Thus the name 'Country Party' took on an enlarged significance as the 'country or nation as a whole', rather than simply the rural electorates.⁵⁷ The Country Party now had a "total concept of the Australian need" comprising tariffs for manufacturing industry alongside "offsetting policies: special taxation concessions for those engaged in the rural industry"⁵⁸. Through "balanced development" the benefits of industrialisation could be extended into the rural areas through, for example, expanded textile production. Through balanced development national manufacturing capital and internationally oriented rural capital could be united as producers. As McEwen explained in 1967,

Where before my days of influence it was accepted that there was a gulf between the city and the country, it was accepted that the farmer was the enemy of the manufacturer, and that the manufacturer was the enemy of the farmer, I think in the few brief years that I have completely changed that.⁵⁹

However, seeking broader support led not only to conflicts between the party and its traditional rural base, but also with the Liberal Party, since the Country Party was forced to compete with the Liberals in the fields of policy and support. In trade policy, consequently, the Country Party's attempts to extend its base of support to manufacturing capital in the context of competition between the coalition parties helped then to 'bid up' the levels of available tariff protection. Once again, this provides us with another example supporting the assertion made previously in this thesis, that manufacturers do not have their 'own' political party, but must seek instead a conjunctural balance of forces which will prove favourable to the representation of their interests.

The ideological underpinnings of the Country Party's protectionism and certain of its differences with the Liberal Party during this period, was its support for a more nationally oriented political economy over that of the liberal political economy favoured by much of the Liberal Party. The difference between the two was not one between a genuinely national road of economic development on one hand and an imperialist one on the other. Rather, the difference concerns the terms on which the Australian formation was to be subordinated to imperialism. This is not to argue that these differences would be perceived along anything resembling these lines by protagonists within either party. Instead, within an objective relation of subordination to United States imperialism particularly, the Country Party supported greater state intervention to influence the direction of national economic development, and to bring foreign capital particularly more under the control and regulation of the nation state. This is reflected in McEwen's criticisms of unregulated foreign investment in the national economy, and in McEwen's and later Gorton's support for expanded public and indigenous private investment in, and regulation of, booming local industries. The 1966 revision of the Country Party's federal policy called for a national investment corporation "to provide capital to enable the retention of an Australian equity in industries associated with utilization of Australia's natural resources and in major development projects".⁶⁰ By contrast, the position of much Liberal Party opinion was that such forms of state regulation should be eschewed. While not a party of laissez faire, and one which has frequently given generous public support to existing industries (conservation), the Liberal Party has, nevertheless, generally opposed attempts to direct or appreciably to regulate the pattern of economic investment. This was a major factor in Liberal Party disunity during Gorton's Prime Ministership. Thus, for example, the Liberal Party's approach to the tariff was that it was required to

support or conserve existing industry. The appropriate level of the tariff was that required for this purpose, particularly under conditions of high and relatively unfettered foreign investment. Within this framework, almost all decisions about the market would be made by the investors themselves. The Country Party, by contrast, appears to have believed that the state should attempt to regulate more the private market decisions of investors, rather than simply to conserve existing industry, or simply to obey the demands of the dominant foreign firms, to which the Liberal Party was in general more favourably disposed. The approach of the Liberal Party was that once the government had provided the 'external conditions' for the conservation of industry through a certain level of tariff protection, and so forth, decisions about investment should solely be left to the market. But the Country Party in this period was prepared to go further. It attempted to give some direction to private market decisions by centralising production with the nation state, supporting marginal firms, and most importantly, seeking greater national control of foreign capital. In July 1965 McEwen argued that Australia was "in danger of selling its birthright" and that the government should control overseas investment.⁶¹ As seen above, the purpose of the 1964 Motor Vehicles Plan was in part to preserve the position of locally-owned components manufacturers, while also meeting the interests of the industry's multinational firms. The approach of the Country Party during this period understood the economy primarily as a national economy, while much Liberal Party opinion appears to have approached the economy mainly as a collection of major firms, particularly the large foreign ones. This thesis has previously referred to these approaches as a national political economy and a more liberal political economy respectively. The difference between these two approaches was the basis of much Liberal-Country Party conflict during this period. There is thus no question of here following the numerous

writers who have dismissed the Country Party's 'national' approach to political and economic decision-making in this period, simply as opportunism and a mystification, for, while these factors may have been quite significant, nevertheless, to a considerable extent, the approach to policy of the Country Party was indeed one of a more 'national' political economy.

These differences between the Liberal and Country Parties, focussing on the tariff question particularly, came to the fore after Menzies' retirement. The interests of international capital were somewhat stifled within the Liberal Party under Menzies' leadership between 1961 and 1966, through an enforced separation between Cabinet and backbenches. This separation tended considerably to break down after Menzies' retirement when much Cabinet opinion came more into line with that of the backbenches directly representing internationally oriented rural capital. Assisted from within the Liberal Party, international capital began to challenge Country Party protectionism.

With Cabinet approval of higher protection for industrial chemicals and automobiles, McEwen opened the 1966 election campaign with the announcement of a new Country Party platform, including protectionist policies intended to consolidate the party's relationship with manufacturing capital.⁶² During the campaign, this relationship was opposed from within the wool industry. The Basic Industries Group was composed of previous and contemporary members of the Country Party and was led by the grazing and woolgrowing Chapman family and Queensland grazier and former Country Party M.H.R. Charles Russell. It challenged the Country Party in three Victorian and two Western Australian electorates. The Group's main platform was opposition to Country Party support for tariff protection and the party's acceptance of funds from manufacturing industry. B.I.G. would be

very happy indeed when the Country Party returns fully to its former sound and justified position representing rural industry

as a whole, rather than what appears to be a tendency to appease city and country pressure groups and selected industries at the expense of others.⁶³

Moreover,

If the Country Party cannot be consistently relied upon to protect the interests of Country people, there is no further excuse for its existence.⁶⁴

The Group was unsuccessful in all electorates, but the opposition of international capital continued. For example, in May 1967 the Rural Committee of the Federal Liberal Party criticised the level of tariff protection, particularly in consequence of the increased tariffs on chemicals, and called for an investigation of tariffs.⁶⁵ At the June 1967 Convention of the Australian Woolgrowers' Council, the Presidential address attacked Country Party trade policy on two main grounds: First, that the government had not adequately attempted to reduce woolgrowers' costs and second, that the government had not participated in the G.A.T.T. tariff cutting round. The Country Party faced an open breach with a major part of its constituency, while international capital found support from within the Liberal Party. McEwen responded:

(The Basic Industries Group) has one publicly avowed intention...to destroy the Country Party in favour of the Liberal Party...And the target of its aim is the grazier more than anyone else. Graziers have been historically conscious that the tariff is an element in their costs...This is the most clearly discernible campaign on party political lines that I have ever seen.⁶⁶

McEwen attacked McMahon over his connections with the Basic Industries Group, leading to an inner-Cabinet confrontation, whose result was, however, inconclusive.⁶⁷

The struggle between national and international capital was resumed several months later, in response to the 14.3 percent devaluation of sterling on 19th November, 1967. This was significant not only in terms of trade with England, but also because all export prices were written in

sterling. McMahon and Treasury issued a statement which foreshadowed a recommendation not to devalue the Australian dollar, but rather, to revalue in comparison with sterling and restrain inflationary pressures.⁶⁸ However, revaluation might reduce the income of internationally oriented rural capital. To be sure, there was already a squeeze on rural export income caused by the coincidence of high domestic costs due to protection of national capital with stagnant or falling demand for rural exports, but the scissors might be widened by Australia's unwillingness to follow sterling downward. Moreover, as the scissors widened through revaluation, international capital would intensify pressure for the reduction of national capital's tariff protection. Revaluation caused a crisis of representation for the Country Party, in which the party's constituency and the interests predominantly represented in Country Party policy came into sharp conflict. In a public address Douglas Anthony, Deputy Leader of the Country Party, advanced the perspective and interests of international capital against those of national capital, which were predominantly represented in Country Party policy and action.

The future of this country...depends upon this nation being a supplier of relatively cheap food, fibre and minerals. And there is no use saying that we have a great future in anything else, because we haven't the workforce, we have not got the throughput of factories to have the same advantages that some of these other countries have, although we do reasonably well in some manufactured products.⁶⁹

Anthony later stated that manufacturing industry was being protected to the acute detriment of rural capital.⁷⁰ It was then in the context of contradictions between the Country Party's electoral base and the interests of national capital represented in the party's trade policy, that McEwen criticised the government's decision to revalue:

It is commonly believed that we have done nothing. On the contrary, we have revalued the currency upwards. This is in fact one of the classic deflationary acts open to a government. The decision was taken at a time when our very

substantial overseas balances were running down at a rate which could not continue for long without causing some concern...The only thing clear is that as a result of the appreciation of the Australian dollar against sterling our prices (for rural exports) could be lower in result but not higher..This is on top of a situation in which Australia has spent in foreign currency over the past ten years nearly \$5000 million more than we have earned in exports or otherwise. It is sad and serious that the decision strikes in a most selective manner at our wealth producing industries, both secondary and primary.⁷¹

This led in turn to a serious repudiation of McEwen by Holt, McMahon and other Liberal Ministers, including rejection of McEwen's proposal for an inquiry into the economic effects of devaluation.⁷²

In spite of this, in the Prime Ministerial struggle after Holt's death McEwen successfully vetoed the candidature of his bête noire, McMahon, and its threat to the level of tariff protection. The character of the political regime accompanying Gorton's succession to the Prime Ministership resolved the issue of tariff protection in favour of national capital. Unlike the struggle of 1957-1961, during the 1966 election campaign and the 1967 exchange rate battle, international capital was never ascendant in government policy and was forced to intermittently challenge government policy from the margins. For example, in 1968 the Graziers' Association asked donors to its Special Purposes Fund how this fund should be spent. The fund was still an important source of revenue for the Country Party, and this may be seen as a largely unsuccessful attempt to force the Country Party back into line with the interests of international capital. Finally, in 1969 the National Political Reform Group was established. Based again around N.S.W. grazing interests, the Group sought rather unsuccessfully, to reassert the interests of international capital within the Country Party.⁷³ The point is that these efforts to reorient Country Party policy were made from a position of weakness.

Reference has previously been made to the paradox that protectionist policies have most frequently been enacted in Australia by governments

either claiming adherence to free trade or, as in this case, governments with a substantial constituency in support of free trade. The explanation of why 'conservatives conserve' in this sense has isolated several elements. The most important has been that protectionism has been a necessary ingredient of the politics of power (particularly the interests of the dominant fraction) and the politics of support (particularly full employment). Thus, when the government did use its power to enact trade liberalising policies, the elections nearly unseated the government and promoted a vôlte face in government policy. For the remainder of this period, then, international capital's claims over national economic policy were heard only as a rather faint voice from the margins of political representation. The task to which the Coalition government then addressed itself was now to reconcile international capital to a regime of high protection, and how best to prevent a split in the power bloc.

There is, however, a further connection to be pursued between protectionism and the tendency of conservative governments to conserve what already exists, to govern according to circumstances rather than principles. This is the connection between conservation and the particular form in which protection was given to manufacturing industry. Manufacturing capital received protection according to the principle of allocation. According to Claus Offe and other writers, allocation refers to state support for private capital accumulation through the market reallocation of resources.⁷⁴

Thus,

The state creates and maintains the conditions of accumulation by measures that require simply the allocation of resources (land, taxes, repressive force) which are already under the control of the state. In a way they can be described as 'state property', and the question of political decision making that goes on internal to the state apparatus is to whom or to what purpose these already available resources should be allocated.⁷⁵

Allocative state policies are concerned with the redistribution of resources already produced. They are thus quite unlike 'productive' policies which are concerned to increase the productivity of the economy and which directly impinge on the structure of production.⁷⁶ By contrast, policies of demand management and protection operate through the market and can alter actual conditions of production only somewhat indirectly.⁷⁷ Fractions of capital struggle for state policies which will increase their allocation of resources. As a form of interest representation, allocation often involves a direct engagement of certain state apparatuses with the interests of a particular fraction or section of capital, in this case the interest of manufacturing capital in securing policies of tariff protection. State policy tends to be shaped by direct pressure from, let us suppose, manufacturing capital for an increased allocation of resources through high levels of protection. In this process, certain departments of the state administration and the coalition parties, as parties which were linked directly to private capital, provide a framework for the organisation of fractions and sections of capital to achieve an allocation of resources to their particular advantage. Interest representation and trade and industry policy under the Coalition regime were imbued with these characteristics of allocation. The representation of interests was organised as a direct line running from manufacturers' associations to the Department of Trade and Industry, the Special Advisory Authority and so forth, to the Minister for Trade and Industry and thence to Cabinet.⁷⁸ This direct engagement between manufacturing capital and departments of the state administration allowed manufacturing industries to achieve an actual surfeit of tariff protection, or 'made to measure' tariff protection.

The relationship between protection, conservation and a direct patterning of interest representation should be made clear. Made to measure tariff protection refers to protection which is highest in the

least competitive industries. The level of protection is 'made to measure' the industry's cost inefficiency when compared with foreign competitors. The less an industry is able to compete, the higher will its tariff protection be. These were policies which did not merely support the manufacturing sector over the claims of other fractions of capital, but which would moreover 'conserve' the least productive and least efficient capitals. These were policies then, which were less concerned with the long-term productivity of the economy as a whole than with securing the immediate interests and demands of manufacturing capital, and harmonising these with the interests of other fractions of capital. Such a policy, while offering immediate advantages to national manufacturing capital, entailed a progressive decline in the international competitiveness of Australian manufacturing industry.

The regime of the coalition parties had been characteristically unable to develop the forms of state intervention needed to bring about restructuring. For example, keynesian demand management is able to alter the structure of production only rather indirectly:

although Keynesian techniques are supposed to eliminate or alleviate economic crises, their effects on production are necessarily indirect and mediated through the monetary system and the level of aggregate demand. For this reason they are inappropriate for resolving structural crises...and must be complemented through direct intervention in the reorganisation of industrial production.⁷⁹

This administration was prevented from developing such policies by its close engagement with the immediate interest of the more backward sections of manufacturing industry in the allocation of made to measure tariff protection. As parties which were linked directly to private capital, they provided a framework for the organisation of sections and fractions of capital to achieve an allocation of resources to their particular advantage, and they provided transmission belts for the representation of the immediate interests of this fraction of capital,

particularly within Cabinet and such departments of the state administration as the Department of Trade and Industry. Thus, the close engagement of the regime with the immediate interests of manufacturing capital, and particularly its more backward and internationally uncompetitive sections, led inevitably to the selection, under direct pressure from particular segments and units of capital, of industry and trade policies involving the allocation of made to measure tariff protection and other forms of state intervention precisely intended to avoid the pains and risks of restructuring. The task of liberalising trade and the attempt to modernise national capital thus necessarily fell to the Labor administration which succeeded the regime of the coalition parties in 1972. The position of the A.L.P. on trade policy had changed over this period. Earlier in the decade, its position had been a conventional labourist protectionism and national political economy, with a major concern for employment. Later recognising that the existing tariff structure was supporting uncompetitive, and often foreign dominated industries, the Party came to support trade liberalisation as a means of promoting a more competitive national capitalism and improving prosperity.

The Role of the Tariff Board

This chapter has given a broad interpretation of the development of trade policy during the 1960s and early 1970s, and to political interest representation with respect to these policies during these years. Such an approach has permitted an emphasis on the major forces shaping trade policy in this period. Comparatively little has been said of the Tariff Board. This is not to argue that the Tariff Board's activities were trivial, but rather subordinate to other forces in the shaping of trade policy in this period. Such an emphasis is suggested by the broad terms of a marxist approach which analyses state policy as the outcome of the

struggle of the contradictory interests of classes and class fractions. The inverse of this statement is also true: the emphasis placed by such institutionalist writers as Glezer⁸⁰ on the Tariff Board and later the I.A.C. in shaping trade policy, is congruent with an approach in which state policy is seen as first and foremost the outcome of an interplay of elite, institutional, or bureaucratic interests. Nevertheless, for the purposes of this thesis' analysis, some explanation of the Board's development from the middle 1960s is necessary for the understanding of trade policy in this period and the following period of Labor government.

From the middle 1960s, the character of the Tariff Board changed to one more critical of made to measure and allocative tariff protection. The Tariff Board's changing position was to influence the approach to trade and industry policy taken by the Labor party in office from 1972. The 1965 Vernon Report derived from the uniform tariff concept, the notion of a 30 percent benchmark. Nominal protection up to this level would be reasonably obtainable. Protection above 30 percent would be available, but the Tariff Board

should give special reasons for recommending rates significantly higher than this. The greater the excess, the greater the justification required.⁸¹

In its 1967-68 Annual Report, the Tariff Board modified this approach into a three tier classification of industries requiring low rates of effective protection (25 percent or less), medium rates or effective protection (between 25 and 50 percent) and high rates of effective protection (above 50 percent)⁸². The Tariff Board thus stood opposed to made to measure, allocative tariff protection, emphasising the selective direction of investment towards internationally competitive industries. Low protection industries would continue to receive assistance but the Board

would be unlikely to recommend effective protection of more than 50 percent on other than a short-term basis for any new venture, including an extension of existing production⁸³.

The classification of industry protection presupposed a general review of protection. The Tariff Board first proposed this in its 1965-66 Annual Report, but made its strongest case during 1967 and 1968⁸⁴, when the momentum grew for a general review of tariff protection. The concern underlying the proposal for a review of the entire structure of tariff protection was in opposition to the Coalition's allocative trade policies. The Board's general concern was with increasing the productivity of the economy as a whole through restructuring. This shift was also suggested by the Board's use of effective rather than nominal rates of protection, which measure the costs of protection at the level of production rather than the consumption costs of protection.⁸⁵

McEwen responded to the Board's call for a Tariff Review in December 1970 just prior to his retirement with a Cabinet submission on tariffs that first, international comparisons of Australian cost-efficiency be made only with Western Europe and the United States rather than Asia, and second, that the government should make more extensive use of policy references. Although this was unsuccessful, McEwen had delayed implementation of the Tariff Review for three years. McEwen stymied attempts by the Tariff Board to commence the Review unilaterally, although this was eventually circumvented and the Tariff Review became government policy in April 1971.⁸⁶

FOOTNOTES.

1. Nicos Poulantzas, Classes in Contemporary Capitalism, op.cit., pp. 58-64 and The Crisis of the Dictatorships, op.cit., pp. 11-14; Giovanni Arrighi, The Geometry of Imperialism, New Left Books, London, 1978, Chapter 4. See also Christian Palloix, 'The Internationalisation of Capital and the Circuit of Social Capital', in Hugo Radice (ed.), International Firms and Modern Imperialism, Hammondsworth, Middlesex, 1975 and 'The Self-Expansion of Capital in a World Scale', The Review of Radical Political Economics, Vol. 9, No. 2, Summer 1977; Ann Game, Lenin's Theory of Imperialism and the Internationalisation of Capital, Unpublished Masters Thesis, University of Aueilaide, October 1977.
2. W.A. Sinclair, 'Capital Formation', in Colin Forster (ed.), Australian Economic Development in the Twentieth Century op.cit., p. 41.
3. E.A. Boenm, op.cit., p. 180.
4. Arrighi, The Geometry of Imperialism, op.cit., pp. 133-4.
5. W.M. Corden, 'Protection and Foreign Investment', Economic Record, June 1967, p. 210.
6. B.L. Johns, 'Private Overseas Investment in Australia', Economic Record, June 1967, p. 259; D.T. Brash, American Investment in Australian Industry, Australian National University Press, Canberra, 1966, p. 36.
7. W.M. Corden, 'Australian Tariff Policy', Australian Economic Papers, December 1967, pp. 132-8.
8. Bruce McFarlane, 'Australia's Role in World Capitalism', in J. Playford and D. Kirsner (eds.), Australian Capitalism, Ringwood, 1972, p. 54.
9. Policies for Development of Manufacturing Industry, A.G.P.S., Canberra, 1975, p. 97.
10. Poulantzas, Classes in Contemporary Capitalism, op.cit., p. 63.
11. Poulantzas, The Crisis of the Dictatorships, op.cit., p. 14.
12. Ibid., pp. 43-4.
13. Poulantzas, Classes in Contemporary Capitalism, op.cit., p. 73.
14. Robin Murray's 'The Internationalisation of Capital and the Nation State' is representative of the view that the nation state has been weakened by the internationalisation of capital, while Bill Warren's 'How International is Capital?' argues that the nation state has been strengthened by the internationalisation of capital. Bob Rowthorn's 'Imperialism in the 1970s - Unity or Rivalry?' draws out a more complicated and satisfactory discussion of the issues. These articles appear in Radice op.cit.
15. Poulantzas, Classes in Contemporary Capitalism, op.cit., p. 73.

16. Robert H. Davies, Capital, State and White Labour in South Africa 1900-1960, Harvester Press, Sussex, 1979, pp. 345-5. The phrase in quotation marks is from Poulantzas.
17. The Geometry of Imperialism, op.cit., p. 137.
18. *Ibid.*, p. 143.
19. See Michel Aglietta, A Theory of Capitalist Regulation, New Left Books, London, 1979, particularly Chapter 3.
20. Manfred Blennerhain and Duncan Innes, 'Capital Accumulation and South Africa', Review of African Political Economy, No. 7, September - December 1976, p. 34.
21. See N.T. Dronan and J.H. Day, 'The Impact of Transactions with the Rest of the World' in N.T. Dronan and J.H. Day (eds.), Readings in Australian Economics, Cassell, Melbourne, 1965, p. 275, and Simon Clarke, 'Capital, Fractions of Capital and the State: Neo-Marxist Analysis of the South African State', op.cit., pp. 67-8 for an analysis of this structural impasse in South Africa.
22. Thus, foreign firms operating within Australia were frequently prevented by the parent company from developing exports. See E.L. Wheelwright, 'Overseas Investment in Australia' in Alex Hunter (ed.), The Economics of Australian Industry, Melbourne University Press, Melbourne, 1963, pp. 154-5, and Brian Fitzpatrick and E.L. Wheelwright, The Highest Bidder, Lansdowne, Melbourne, 1965, Chapter 9.
23. Michel Aglietta, 'World Capitalism in the Eighties', New Left Review, No. 136, November-December 1982, pp. 6-19.
24. *Ibid.*, pp. 18-19.
25. *Ibid.*, p.19.
26. See Gamble, The Conservative Nation, op.cit., p. 210; a general survey is provided in Ian Gough, 'State Expenditure in Advanced Capitalism', New Left Review, No. 92, July-August 1975.
27. See J.C. Horsfall, The Liberal Era, Sun Books, Melbourne, 1974, p. 97.
28. Melanie Beresford, Labour Economic Policy 1972-1974: A Political Appraisal, masters Thesis, University of Adelaide, 1975, pp. 5-6.
29. Don Aitkin, The Country Party in New South Wales, Australian National University Press, Canberra, 1972, p. 274.
30. Leon Glezer, Tariff Politics: Australian Policy-Making 1960-1980, Melbourne University Press, Melbourne, 1982, p. 171.
31. Aitkin, op.cit., p. 274.
32. Glezer, op.cit., pp. 68-9.
33. Alan Reid, The Power Struggle, Shakespeare Head Press, Sydney, 1969, p. 38. There are accounts of the abolition of import licensing and the credit squeeze in Horsfall, op.cit., pp. 59-60, and Katherine West, Power in the Liberal Party, Chesire, Melbourne, 1965, p. 226.

34. Glezer, op.cit., 70-1.
35. In his first year Meere produced twenty nine reports, all recommending higher protection, sometimes to double previous levels, establishing for the SAA the reputation of a valuable source of assistance for manufacturers. Ibid, p. 71.
36. The most outspoken Liberal opponent of high protectionism at this time was C.R. Kelly, M.H.R. for Wakefield. His own account of this is found in One more Nail, Brolga, Adelaide, 1978. On Melville's resignation, see West, op.cit., p. 232.
37. F.G. Davidson, 'Brigden, Vernon, Rattigan, Jackson', in J.P. Nieuwenhuysen and P.J. Drake (eds.), Australian Economic Policy, Melbourne University Press, Melbourne, 1977, p. 150.
38. Glezer, op.cit., p. 81.
39. Corden, 'Australian Tariff Policy', op.cit., p. 135.
40. Ibid., pp. 159-60.
41. Ibid., p. 139.
42. P. Stuobs, The Australian Motor Industry, Melbourne, Chesire, 1971, p. 79.
43. Ibid, p. 81. See also Chapter 4 for details of the plan, and F.G. Davidson and B.R. Stewardson, Economics and Australian Industry, Second Edition, Chesire, Melbourne, 1979, pp. 174-8.
44. Political Power and Social Classes, op.cit., p. 314.
45. Poulantzas, State, Power, Socialism, op.cit., p. 221.
46. Poulantzas, Political Power and Social Classes, op.cit., p. 315.
47. Glezer, op.cit., p. 214.
48. Cited in ibid, p. 73. Moreover, manufacturers were the largest donors to political parties at this time, ibid., p. 206.
49. Op.cit., pp. 274-5.
50. For a discussion of this term see Poulantzas, Political Power and Social Classes, op.cit., p. 249.
51. A parallel exists between this situation in which rural capital as governing class fraction predominantly represented the interests of manufacturing capital and the paradox of nineteenth century political relations in England noted by Marx. This was that the industrial and commercial bourgeoisie as 'ruling class' ruled through an aristocratic 'governing caste'. Karl Marx, 'Parties and Cliques', Surveys from Exile, Penguin, Ringwood, 1973, p. 279.

Although the bourgeoisie - itself only the highest social stratum of the middle class - thus also gained general political recognition as the ruling class, this only happened on one condition; namely that the whole business of

government in all its details - including even the executive branch of the legislature, that is, the actual making of laws on both Houses in Parliament - remained the guaranteed domain of the landed aristocracy.

'The British Constitution', *ibid.*, p. 282.

The aristocratic governing caste was represented through the Whigs,

the aristocratic representatives of the bourgeoisie, of the commercial and industrial middle class. Under the condition that the bourgeoisie should abandon to them, to an oligarchy of aristocratic families, the monopoly of government and the exclusive possession of office, they make to the middle class, and assist them in conquering, all concessions which in the course of social and political development have shown themselves to have become unavoidable and undelayable.

'Tories and Whigs', *ibid.*, p. 259.

52. Quoted in Glezer, *op.cit.*, pp. 202-3.

53. Report of the Committee of Economic Inquiry, A.G.P.S., Canberra, May 1965 Chapter 13, p. 12, Para. 38.

54. Cited in Davidson and Stewardson, *op.cit.*, p. 81.

55. For the parallel with South Africa in the 1950s and 1960s, see Simon Clarke, 'Capital, Fractions of Capital and the State: Neo-Marxist Analysis of the South African State', *op.cit.*, p. 69.

56. Aitkin, *op.cit.*, p. 72-3.

57. *Ibid.*, p. 71.

58. Quoted in J.M. Barbalet, 'Tri-partism in Australia: The role of the Australian Country Party', Politics, Vol. 10, No. 1, May 1975, p. 6.

59. Louise Overacker, Australian Parties in a Changing Society: 1945-67, Cheshire, Melbourne, 1968, p. 271.

60. *Ibid.*, p. 269.

61. *Ibid.*, p. 253.

62. Reid, The Power Struggle, *op.cit.*, p. 60.

63. Aitkin, *op.cit.*, p. 71.

64. *Ibid.*, p. 72.

65. Overacker, *op.cit.*, p. 295.

66. Reid, The Power Struggle, *op.cit.*, pp. 63-6.

67. *Ibid.*, pp. 71-6 for details.

68. *Ibid.*, pp. 82-4.

69. Ibid., p. 88.
70. Ibid., pp. 88-9.
71. Ibid., p. 92.
72. Ibid., p. 97.
73. Aitkin, op.cit., p. 72.
74. See Claus Offe, 'The Theory of the Capitalist State and Policy Formation', Chapter 5 in L.N. Lindberg, R. Alford, C. Crouch, C. Offe (eds.), Stress and Contradiction in Modern Capitalism: Public Policy and the Theory of the Modern State, Heath, Massachusetts, 1975, pp. 127-134; Erik Olin Wright, Class, Crisis and the State, New Left books, London, 1978, p. 162; Gosta Esping-Anderson, Roger Friedland and Erik Olin Wright, 'Modes of Class Struggle and the Capitalist State', Kapitalistate, No. 4-5, 1976, p. 190.
75. Offe, op.cit., pp. 128-9.
76. See references cited in note 74. A similar distinction is made in Bob Jessop, The Capitalist State, Martin Robertson, Oxford, 1982, pp. 233-4.
77. As Jessop has written,
- It should be noted that the state intervenes indirectly in offering formal support, ie., through the mediation of law, money, and administrative measures; and that it is left to market forces to determine whether these changes are exploited by economic agents who remain formally free and autonomous.
- Ibid., p. 234.
78. In part, this relationship between manufacturing capital and the state administration emerged from the dirigisme of the World War II period. Jessop has noted the persistence of state 'sponsorship' in post-war Britain;
- 'sponsoring departments' enforced or supervised wartime controls and promoted or channelled the demands of industries and individual enterprises. It continued after the dissolution of wartime planning and the departments tended simply to transmit information and requests from trade associations and individual companies to mediate on their behalf in relation to other departments and the Treasury. This pattern of economic and political representation was necessarily fragmented and also tended to be ad hoc, informal and intermittent in character.
- 'The State in Post-War Britain' in Richard Scase (ed), The State in Western Europe, Croom Helm, London, 1980, p. 50.
79. Ibid., pp. 38-39.
80. Glezer, op.cit.

81. Report of the Committee of Economic Inquiry, op.cit., Vol. 1, 14.19.
82. Tariff Board, Annual Report for the Year 1967-68, A.G.P.S., Canberra p. 5, paras. 36-40, Appendix 3.
83. Ibid, p. 5, para. 42.
84. Tariff Board, Annual Report for the Year 1965-66, A.G.P.S., Canberra, pp. 11-12, paras. 56-63; and Annual Report for the Year 1967-68, op.cit., p. 6, para. 44; Fred Gruen and H. David Evans, 'Tariff Policies and the Tariff Board', Australian Economic Review, Second Quarter, 1971, 37-8. See also the two public addresses by Rattigan, The Tariff Board and Today, An address given at the 63rd Annual Conference of the Associated Chambers of Commerce in Perth on 24th May, 1967, and The 1968 Tariff Board Report: Some of the Implications, An address given in Sydney to the Australian Institute of Management, on Wednesday, 5 February, 1969.
85. The 'effective level of tariff protection' refers to the protection given to the value added production of an industry, ie., protection given to the new production which can be ascribed to a single industry, rather than also including the value of output brought from other industries. See Davidson and Stewardson, op.cit., pp. 4-8. For example, if the raw materials or components required by an industry can be imported without duty or bought locally at world market prices, the level of protection "accorded to the process of transforming those materials or components into the protected product is 100 percent". But if a tariff was introduced on the raw materials or components of 50 percent, this would reduce the effective protection of the production process to 50 percent. See Tariff Board, Annual Report for the Year 1966-67, A.G.P.S., Canberra, pp. 11-12, paras. 83-90. The rate of protection on overall output produced by several protected industries is called the 'nominal rate of protection'.
86. Glezer, op.cit., pp. 106-108. However, the Review remained under the control of Anthony, whose tardiness about the Review is illustrated by a widely publicised incident just prior to the December 1972 elections. When the government agreed to the introduction of coloured television, electronics manufacturers approached the Department of Trade and Industry and received assurances of protection. Then the Department and its Minister, Anthony, withdrew the electronics reference from the review altogether, although it had been scheduled as the sixth reference in the Tariff Review. This drew protests from Rattigan who was supported by the Labor leader, Gough Whitlam.

CHAPTER FIVE.A.L.P. TRADE POLICY, 1972-1975: RESTRUCTURING AND RECESSION.

This Chapter is concerned with the process of interest representation during the major episode of trade liberalisation in post-war Australian history, the period of the Labor regime, 1972-1975. By the late 1960s, Australian capitalism had passed into a new conjuncture. This conjuncture was characterised by an international aspect, an incipient world recession, and a national aspect, the reaching of a structural impasse for national manufacturing capital within the Australian formation. Both aspects of this conjuncture promoted attempts by the Labor regime to liberalise trade and restructure Australian industry. The international aspect needs to be examined first.

The international pattern of growth provided through the cohesion of the international capitalist economy under United States' hegemony began to decline from the middle 1960s. This was due to the internationalization of capital and the elimination of national productivity differentials between the United States and the Japanese and major European economies, which had previously secured the alternation between them of conjunctures of boom and recession. This in turn was exacerbated by increasing United States inflation, which undermined the country's balance of payments and the international functions of the Dollar. Mounting trade competition from Japan and oil price rises destroyed the former balances of world trade, while a massive expansion of private credit and money markets, no longer based on gold and only very loosely based on the national economy of the United States and eluding regulation by other nation states, introduced further instability into national monetary management.¹ The effects of the gathering forces of recession were first felt in the Australian formation through

this international monetary instability. This international financial instability promoted a low exchange rate and high inflation within the Australian formation as a consequence of its position as a high income growth country with a weak currency. Such financial instability promoted within Australia the movement of speculative foreign capital into mining and building ventures², a movement which seriously began in the middle 1960s and reached its zenith in the late 1960s and early 1970s. This development was encouraged by a policy of currency devaluation following the U.S. devaluation of 15th August, 1971. The Australian devaluation was inflationary, not merely because it reduced trade competition, but more seriously because it promoted a surfeit of inflowing capital.³ This inflow generally took the form of loans through the medium of the foreign merchant banks which had mushroomed in Australia from the middle 1960s, particularly to finance mineral projects.⁴ The increased volume of credit and liquidity promoted a vigorous inflation. The massive movement of speculative capital into mining and building was symptomatic not merely of international financial instability but also of the structural problems of national manufacturing capital in Australia, reflecting the failure of foreign money capital to "identify markets which its investment (its valorisation) would satisfy".⁵

It is now necessary to examine the national aspect of the new conjuncture. This was that national manufacturing capital had reached a structural impasse to its further expansion. To understand why, it is necessary to investigate the question of protectionism more closely. Giovanni Arrighi⁶ has argued that protectionism represents

a projection on to the international plane of the monopoly policy of maintaining prices and profits by restricting the expansion of production.

In part, then, policies of high protection represent an attempt to gain profits through stable markets and non-competitive prices in the face of competitive losses in the growth of productivity (or the rate of

exploitation). The slowing down in the growth of the rate of exploitation leads to a slowing down in the decline of wage costs.⁷ Difficulties in the conditions of the valorisation of capital arising from this relative rise in wage costs, alongside limitation of the conditions for realisation within the home market (leading eventually to loss of scale economy and the 'overaccumulation' of capital), provide the basic impulse to restructuring. Otherwise, national capital faces a conundrum, particularly in peripheral formations. In the attempt to increase exploitation and surplus-value, there must not be any substantial seepage of profits into higher wages. The containment of wage increases would prove almost impossible at a time when exogenous inflationary pressures were so high. Even if wage increases could be contained this was in turn likely to lead to problems of realisation. 'Wage restraint', then, would not solve the problem either. As Bienefeld and Innes⁸ have argued,

The expansion of consumption demand on the other hand recreates the problem of profitability, which the technical transformation was supposedly resolving. In other words, if the extra surplus-value generated by the technical transformation is to be sufficient to generate a normal, or a minimally acceptable, rate of profit on the expanding mass of capital, then it cannot be allowed to be diverted into increased wages and salaries, and hence into consumption. However, if it is not so diverted, a valorisation crisis results because the accumulated capital cannot identify markets which its investment (its valorisation) would satisfy.

Predominantly then, restructuring takes the form of the internationalisation of capital, the liberalisation of trade and concomitantly, the growth of international specialisation.⁹ Restructuring does not merely take advantage of improved conditions of realisation on an expanded market, but also increases the rate of exploitation by the internationalisation of certain sectors of production to the low-wage formations of, for example, Asia. Arrighi¹⁰ comments on the effect of the internationalisation of certain sectors of production to the less developed areas:

On the one hand, capital invested in this way can secure higher profits than in the developed countries. On the other hand, it permits the production of wage goods and means of production at lower cost. In both cases the average rate of profit rises: in the first case, the effect is immediate and direct; in the second, the rate of profit rises in the developed areas to the extent that cheaper goods are imported and enter into the productive process (directly or indirectly), lowering production costs.

The reduction of trade barriers would encourage the importation of new capital equipment which was essential for the success of restructuring. Finance for this would need to come, at least in part, from government regulation of the mining industry. The election of a Labor government in December 1972 brought into dominance policies of trade liberalisation and industrial restructuring. Although, as will be seen, the government's explicit purpose in supporting restructuring and liberalising trade was not one of supporting this or that fraction of capital, its policies did correspond to the longer-term and objective interests of 'advanced capital'. Advanced capital consists of industries or firms capable of becoming international capital, or at least of becoming competitive within a less protected market. Under a regime of freer trade, advanced capital would gain through cheaper imports of modern capital equipment, and expanded scope for valorisation and realisation.

In contradistinction, the policies of high protection of the preceding coalition regime were intended to simulate the effect on profits of a wage reduction or productivity increase through such means as 'stop-go' policies, currency devaluation and high tariff protection. These policies were a substitute for an increase in the rate of exploitation. However, the sustained application of these policies contributed significantly to serious losses in the growth of productivity. This is indicated in part by the concentration of the highest levels of tariff protection amongst the most uncompetitive and cost-inefficient industries. As the Industries Assistance Commission¹¹ observed,

the greatest assistance has been given to those industries for which the Australian environment and endowment of resources are least suited. These industries tend to be labour intensive and to have relatively low output per worker.

Thus, the level of tariff protection for particular industries was 'made to measure' the industry's competitive cost-efficiency: the less able to compete was the industry, the higher would its tariff protection be. Backward capital had been a major beneficiary of this regime of high protection. Backward capital consists of industries and firms which are the most cost-inefficient sections of national capital. They were thus incapable not only of international competition but also of effective competition within the national market unless supported through made to measure tariff protection. Thus, under liberalised trade, backward capital, while perhaps gaining slightly from the availability of cheaper, more modern capital equipment, would lose overwhelmingly through increased trade competition from cheapened imports, particularly of whitegoods and textiles, clothing and footwear goods.

It should be evident that the boundaries separating advanced and backward capital are not immutable but rather vary according to the conditions of a particular conjuncture (e.g., growth or recession). It may then be asked why was advanced capital not always in support of trade liberalisation? The answer is two-fold. First, its interest in the liberalisation of trade arose in consequence of the depletion of the possibilities for greater expansion within the national market alone, particularly with increased inflation, a feature which had become apparent only in the recent past. Second, as the following pages make clear, to argue that such policies favoured the interests of advanced capital is not to argue that advanced capital necessarily itself favoured these policies, particularly as they involved a dilemma between long term and immediate interests. This implies that the representation of the interests of advanced capital, involving as these interests do, some

disjunction between the immediate and long term, would tend towards considerable inhibition and uncertainty, with the possibility that some parts of advanced capital itself might perhaps oppose policies which are objectively in its interests to secure. This of course does not mean that such policies ceased to be in the interests of advanced capital once parts of advanced capital itself opposed them. One refers here to interests as hypotheses, i.e., as interpretations not so much of the behaviour of advanced capital, but of what lines of development offer the greatest long term advantage to this fraction, however much its actions might be circumscribed by "the uncertainty and lack of information inherent in practical affairs".¹² One refers to objective interests based in the position of a class or fraction within a social formation, rather than the 'ideal type' of the actions or behaviour of these classes or fractions.

Restructuring and Reduction of Trade Barriers, 1972-1974.

While this chapter is concerned with interest representation during the Labor regime, it should be noted that there is a difference between the terms of this analysis of interest representation and the ideological form in which policies were formulated and selected. This is a general problem for the analysis of state action, but is so particularly of Social Democratic regimes, which give special emphasis to mediating the representation of the interests of capital with certain immediate working class interests and to reinforcing a congruence between them. This analysis alleges a congruence between Labor policies of restructuring and the interests of advanced capital, and a congruence between protectionist policies and the interests of backward capital. In addition, either policy may be harmonised with the representation of immediate working class interests in some form. The point is that this congruence between interests and policies is an objective one. Various Labor politicians

were undoubtedly aware of a distinction between the interests of capital and those of labour, and moreover, were able to perceive a distinction between the interests of advanced and backward sections of capital. However, it is likely that the Labor regime regarded its own policies of trade liberalisation as serving a general interest, viewed through the frame of neo-classicism. Broad benefits to both capital and labour were seen to arise from trade liberalisation. Trade liberalisation would promote a more efficient allocation of economic resources. The greater international integration and specialisation of Australian industry would allow the benefits of comparative advantage to be gained by both capital and labour. Capital as a whole would benefit from trade liberalisation and restructuring, principally through increased productivity. Trade liberalisation would benefit labour by allowing increases in consumption by wage-earners without the exacerbation of inflationary demand pressures. These effects were seen to be in the general interest of both capital and labour. Moreover, trade liberalisation was needed to promote a shift in Australian manufacturing towards industries capable of paying higher wages and providing a working environment of higher quality than that provided by backward capital. Once again, Labor tended to see its policy of trade liberalisation as favouring the interests of labour over those of capital. In a revealing address given late in 1981, Whitlam returns to the theme of liberalising trade to improve working class living standards:

Conservatives claim that Australian wages are too high and that as a result we are not competitive with overseas manufacturers. In reality the manufacturing malaise is due not to excessive wages, but to the inappropriate industrial structure for a high-wage economy that has been created by Australia's protection regime.¹³

Restructuring was a policy which labour should support to improve its situation. In liberalising trade and restructuring industry, Whitlam believed that the national interest was being served. Within this

national interest, however, it was the interests of labour which were being accorded priority:

Instead of supporting the profiteers of the textiles, clothing, and footwear industries - industries with lower wages, longer working hours and more sweat shops than any other manufacturing industries - we should be concentrating our energies upon the development of high-wage industries with comfortable working conditions. Is this not something Labor has fought for in the past?¹⁴

And again,

The great energies of the trade union movement should be directed not at preserving the privileged position of those manufacturers who have made a fortune out of Australian protection policy, but at finding means of planning the painless relocation of labour into more productive, better paid and more secure forms of employment, and at finding means of planning and restructuring Australian industry in a manner that benefits all Australians.¹⁵

Labor's policies of restructuring and trade liberalisation represented a more 'national' approach to questions of economic and political development than that of the previous regime of the coalition parties. The Labor regime sought greater control and regulation of the movements of foreign capital within the Australian national formation. This was part of an attempt to give a planned direction to economic development, to improve general prosperity and the competitiveness of an Australian national capitalism. Economic planning and trade liberalisation were closely interdependent in Labor's approach for, as Whitlam recently commented,

Protection and planning have been, in Australia, mutually exclusive practices. In other parts of the world, temporary protection has been used as a tool for economic planning - to divert resources into potentially productive parts of the economy. In Australia, however, protection has been used - but never temporarily - as a substitute for economic planning, to divert resources into unproductive but nevertheless profitable parts of the economy.¹⁶

The increased control by Australians of Australian resources and the planned revivification of the economy as a distinctive and dynamic

national capitalism, opening out and developing in a symbiotic relationship with the less developed countries of South East Asia was the liet motif of Labor's early programme. The modernisation of industry was, as seen above, largely regarded as the precondition for a greater programme of the social and economic improvement of the population as a whole. A more productive economy was needed to redirect resources toward the mass of people, which in turn was needed for the development of Australian national resources and talents. There needed to be a freeing of economic resources and a liberalisation of trade, for the programme of social and economic improvement to begin. The general shape of this programme was indicated by Whitlam in 1975, arguing that

increasingly, a citizen's real standard of living, the health of himself and his family, his childrens' opportunity for education and self-improvement, his access to employment opportunities, his ability to enjoy the nation's resources for recreation and cultural activity, his ability to participate in the decisions and actions of the community, are determined not so much by his income but by the availability and accessibility of the services which the community alone can provide...from the combined resources of the community.¹⁷

The goal of Labor is the "promotion of equality" rather than the "imposition of equality".¹⁸ From within this conception, policies such as trade liberalisation form both the national or community interest, and the interest of the working class. As Social Democrats, Labor believed that within service to the national interest, their policies preferred the interests of labour over those of capital. Nor was this view an incorrigible mystification since Labor's policies did seek to improve the corporative position of the working class and would require at least short-term sacrifices to be made by capital as well as labour. The government's view of these matters rejected both the conservative shibboleths against planning and the left chimera of class struggle. The rest of this chapter will show that while this ideology was a seminal influence on the policies of the Labor regime, it is these 'archaic' ghosts which largely account for failure of Labor's policies.

The Labor regime was well suited to achieve the restructuring of capital within Australia. As a Social Democratic party, the Labor Party was not constitutively tied to any particular section or fraction of capital. By its relative autonomy from the immediate interests of particular fractions of capital the Labour regime was potentially more able to enact policies and interventions considered to be in the long term interests of the power bloc. At the same time, this relationship with the general interests of capital implied a closer correspondence between state policy and the economic interests of the advanced fraction of capital, and a disengagement of state policy from the immediate economic interests of many backward capitals. The increased distancing of state policy from particular immediate interests within capital allowed a shift of state policies away from allocation and towards restructuring. Rather than a market reallocation of resources, restructuring involved state intervention into the sphere of production itself and optimal policies for the competitive accumulation of capital. As Wright¹⁹ argues, the

state needs to become directly involved in the rationalization of production, the coordination and planning of productivity increases, the destruction of inefficient sectors of production and so forth.

Jessop²⁰ has written that

whereas Keynesianism is compatible with considerable freedom of market forces and does not fundamentally undermine managerial prerogatives..., an active structural policy involves discriminating among economic agents, intervening in individual firms and industries, (and) restricting and channelling market forces..

Direct state involvement with the relations of production and a restructuring of the conditions of capital accumulation requires a disengagement of state policy from the immediate interests of particular sections of capital. Thus the state distinguishes between the sections of capital to be actively assisted by state policy and distances itself

from sections which will be disadvantaged by state policy. According to Friedberg,²¹ this is particularly true of state measures to increase trade competition and the internationalisation of capital:

In fact, in the wake of the increased pressure emanating from the open market, it is no longer so much a question of managing the interests of the different sectors through a series of general regulations, but rather a matter of restructuring them through exemplary and selective action.

A shift toward restructuring was envisaged by the recommendations of the Jackson Committee²² that tariffs be reduced to benchmark levels "by small, gradual and predetermined installments over five to fifteen years"²³. Its concern was with the improvement of productivity and realisation through a selective rather than allocative policy toward the development of industry:

..Encouragement should be given to new investment that will be efficient, internationally competitive and export-oriented.
 ..Where an investment is mainly for import replacement and requires high protection, it should be discouraged. Industries which require high protection should not be expanded unless required for national independence.
 ..The traditional emphasis on the tariff as the principal instrument of industry policy should be reduced.²⁴

Thus, the sections of capital best assisted by allocative policies would lose most from a change of emphasis in state policy towards restructuring and direct state involvement within the sphere of production.

Allocative policies emerge from a process in which producers make positive and specific demands on the state, let us suppose, for more tariff protection to the automobile industry. This demand can in turn be met by the state with either acceptance or refusal.²⁵ However, the mechanisms of interest representation in favour of restructuring will frequently be weak, not merely due to the opposition of backward sections of capital but also because even units which will benefit from restructuring in the longer term must undertake short term competitive pains and risks and have an immediate interest in securing their own tariff protection. Instead of responding to specific demands

representing the immediate interest of a section of capital, the state must instead take general responsibility for securing optimal conditions from the competitive accumulation of capital.

With no direct class-originated policy guidelines, the state itself is forced to devise decision rules that reproduce private capital accumulation.²⁶

In this case, there will be only faint lines of representation between the state and advanced sections of capital capable of taking advantage of restructuring and increased competition to lower unit costs and expand production. This is due to the competitive fragmentation of their interests between the immediate and the long term and the opposition of backward capital. In the case of uncompetitive and cost inefficient sectors, the response to restructuring will be somewhat more simple. Threatened by increased competition, backward sectors of capital will find lines of representation from which to oppose state policy. These lines of representation will convey the positive and simple immediate demand for increased tariff protection and these demands will become particularly shrill when recession accentuates the effects of restructuring on the backward sectors of production. The success of restructuring thus depends to a considerable degree on the state's ability to maintain a relative autonomy from interests and forces organised by backward sectors of capital. This may in part take place through the development of corporatist institutions for the representation of the interests of advanced capital outside of the existing framework of representation within the state, where, among others, the representation of the interests of the fractions of backward capital are likely to be entrenched.

The direct involvement of the state in production through restructuring sharpens divisions and tensions within the power bloc²⁷ for the state must decide which fractions, sections and units of capital will be actively assisted through state policy and which will not. Thus

restructuring installs a political division between backward and advanced sections of capital. This increases the necessity for the state to assume a relative autonomy from the immediate interests of particular fractions and sections of capital and is correlated to the tendency within contemporary capitalism for the role and importance of parliament and political parties in the representation and organisation of the dominant class and fractional interests to decline vis a vis that of the executive (Cabinet and the state administration). This executive predominance arises from the inability of the hegemonic fraction to organise and secure its hegemony within the parliamentary framework.²⁸

In this particular case, the inability to exercise hegemony in this way is in part due to the entrenchment of fractional and other interests opposed to restructuring within the constituency of the various political parties which comprise the legislature. Thus the successful representation of interests as policies for restructuring depends in part on the relationship of capital and its various fractions to the Cabinet, Cabinet Committees and particular Departments and sections of the state administration.²⁹

This executive predominance in determining trade policies marked relations between the Cabinet and Labor Caucus and the Cabinet and Tariff Board - Industries Assistance Commission during this period. The Labor Caucus consists of all A.L.P. Members of Parliament and elects members of Cabinet. However, the Prime Minister controls the allocation of portfolios amongst members of the Cabinet and the agenda of Cabinet meetings.³⁰ As Chairman of the Cabinet, the Prime Minister could also defer additions to the agenda of of Cabinet meetings.³¹ In addition, early in 1973 five committees of Cabinet were created, including an Economic Committee. The Committees strengthened the position of Cabinet over Caucus, and through the Economic Committee the position of the Tariff Board - Industries Assistance Commission, in the formulation of

government policy. The Committees made policy recommendations to Cabinet on matters before it and were a major source of government policy formulation. Participation by officials of the Tariff Board - Industries Assistance Commission in meetings of the Economic Committee was not infrequent.³² In addition, in April 1973 the Standing Inter-Departmental Committee on Industry Assistance was established, consisting of representatives of the Department of the Prime Minister and Cabinet, the Treasury and various other industry departments deemed relevant to the consideration of particular cases. The Committee advised the Prime Minister on submissions to Cabinet on industry assistance and would also be informed in advance of any proposals which were to be put to the Cabinet or the Economic Committee.³³ Cabinet dominated Caucus in the formulation of government industry and trade policy, a dominance which was actually tested and brought to light in an open struggle between them during 1973 over the right to determine tariff policy. Although Caucus passed a motion allowing no changes to existing tariffs, subsidies or bounties unless endorsed by Caucus, Whitlam publicly repudiated this, stating that Cabinet would make tariff decisions and would subsequently take them to Parliament. Although Whitlam acknowledged the Caucus' ability to reverse Cabinet tariff decisions, the ability to initiate policy changes belonged to Cabinet.³⁴

Important changes also occurred in the structure and function of the state institutions of trade and industry policy. In 1973 the Tariff Board was removed from the Office of Secondary Industry of the Department of Trade and Industry and attached to the Prime Minister's Department. This was instigated by the Chairman of the Tariff Board³⁵ and was significant in helping to undermine the familiar transmission belt between the immediate interests of manufacturing capital organised through the Department of Trade and Industry and the Minister for Trade and Industry. In 1974 the Tariff Board was replaced by the Industries

Assistance Commission, a statutory authority with greatly increased authority and jurisdiction.³⁶

The period between December 1972 and April 1974 saw dramatic reductions in the general level of barriers to trade. This occurred through three currency appreciations and an across-the-board tariff cut. The effective exchange rate rose in comparison with the U.S. dollar by 7.05 percent in December 1972, 11.11 percent February 1973 and 5 percent in September 1973.³⁷ In July 1973 all tariffs were cut by 25 percent.³⁸ This reduced the average rate of effective protection from 36 to 27 percent.³⁹ Both measures increased the pressures of international competition on import competing capital and were fundamental to the Labor regime's attempts to restructure manufacturing capital within Australia for, as Arrighi⁴⁰ argues,

the import of commodities from the less developed areas ... stimulates processes of restructuring of capital which raise the level of concentration, division and mechanisation of labour.

In addition, reduction of trade barriers favoured the importation of modern capital goods. A general tariff cut could also help to reduce inflationary pressures in two ways. First, the tariff reduction would reduce the ability of import competing manufacturers to increase prices. Second, increased imports would help to relieve pressure of excess demand for certain commodities.⁴¹ In the context of unprecedented high external reserves and high inflationary pressure, the government established the Rattigan Committee on June 27th, 1973 to prepare a Report on Possible Ways of Increasing Imports.⁴² The Committee was established by a letter from Whitlam to Rattigan seeking advice on the efficacy of a rise in imports to restrain inflation. The Committee reported on 15th July in favour of a 25 percent across-the-board tariff reduction.⁴³

The Committee's existence had remained secret and its recommendation was first discussed and endorsed by Whitlam, Cairns and Treasurer Crean

and their advisors, before the proposal was announced to Cabinet for discussion. In spite of considerable resistance Cabinet endorsed the tariff cut, largely as a means for restraining inflation.⁴⁴ Caucus discussed the cut only after its announcement. Caucus had been completely excluded from the process of policy formation and its veto power was decisively circumscribed. Moreover, the tariff cut did not come before Parliament as a distinct piece of legislation but as part of the 1973-74 Budget.⁴⁵ At the time this allowed only a relatively perfunctory scrutiny of the tariff cut within Parliament. These means of enacting the tariff cut again indicate a decline of Parliament as the site of policy formation and representation of the dominant class interests, and the consolidation of the role of Cabinet and sections of the state administration in the performance of these functions. As Jessop⁴⁶ has written,

the deliberative stage of legislation has been fundamentally absorbed into the Executive branch with the extensive consultation between Government and affected interests.

This executive predominance has removed

the details of economic management and intervention and of social administration from parliamentary control and vested them in the executive and/or advisory bodies.

In addition, however, it will be seen below that the restructuring of capital may also require the establishment of new institutions of interest representation in addition to, and to some extent pitted against, existing state institutions with a representational role.

The Labor regime's attempts to increase trade competition through tariff reduction and currency appreciation depended on the success of its policy for the control of wages. The Labor regime sought direct government control of wages through an incomes policy which

would stabilise wages while productivity rose, thus effectively imposing a reduction in wage costs and undermining the rigidity of the wage.⁴⁷

The incomes policy was necessary to restrain 'cost-push' inflation and to prevent the working class from exploiting its cyclical opportunities in the boom to increase real wages, which would wipe out any gains of international cost advantage that were made. As Panitch⁴⁸ has written,

The consequence of full employment was that trade unions were in a much stronger position than heretofore to raise money wages. If these increases were passed on in price increases, however, this had the effect, given the growth rate of productivity, of affecting a country's foreign competitiveness. If the increases were not passed on in an inflationary spiral, on the other hand, the motor force of the capitalist economy - profits - tended to be squeezed.

The tariff cut and currency appreciations were directly related to the regime's attempt to stabilise wages as they were aimed at a reduction of the inflationary effect of excess demand for wage goods and its upward pressure on wages.⁴⁹ The alternative, which had emerged as the policy of the regime of the coalition parties, was to encourage inflation and increased protection of cost inefficient manufacturing capital (rather than restructuring) through devaluation of the national currency. Labor's policy ran in the opposite direction. The Liberal - Country Party administration had relied heavily on 'stop-go' policies and currency devaluations to simulate the effect of a fall in wage rates and maintain the competitiveness of rural and mineral export capital and the protection against import competition of manufacturing capital in the face of declining productivity. However, such indirect means of regulating wages were to prove quite ineffectual in conditions of full employment and the exhaustion of reserves of unemployed or migrant labour which had previously allowed an expansion of accumulation without, however, allowing the bargaining power of labour or its wages, to rapidly increase. In these circumstances, the pattern in Western Europe had been for a massive wage-cost inflation to occur.⁵⁰ The development of relatively full employment had been the impetus in many formations of Western Europe for a shift in state policy away from reliance solely on

demand management to control wages indirectly and towards direct government involvement with wages through incomes policies.⁵¹

As parties which were linked directly to private capital, working class resistance put direct government control of wages through an incomes policy beyond their grasp. As a social democratic party, however, the Labor Party might gain working class compliance with direct government control of wages through an incomes policy. An incomes policy in connection with restructuring to increase productivity rather than devaluation would be used to secure international cost advantages and increased involvement of manufacturing capital with the world market. Moreover, restructuring demanded the control of wages for the success of restructuring. The stabilisation of wages was needed to give breadth to the government's programme for restructuring: rapid and significant wage increases would seriously harm the profitability of many capital units which were actually or potentially supportive of restructuring and move them towards backward capital in its clamour for higher protection and against restructuring.⁵²

The success of the Labor regime's plans for restructuring, an incomes policy and its attempts to restrain cost inflation, depended to a considerable degree on its success in establishing a new form of interest representation, corporatism. Within the formal representative institutions of the state, there existed many impediments to the adequate representation of the interests for restructuring and modernisation, and the enactment of policies of state intervention and restructuring in these particular interests and those of capital as a whole. These impediments were principally constituted by the strength of fractional and sectional interests opposed to restructuring within the state's existing forms of interest representation. Corporatism, like the concentration of executive power, could help to short-circuit the resistance of backward capital to restructuring. The point of developing

corporatist structures was to concentrate some of the functions of interest representation, state intervention and planning into 'corporations' relatively free of the conflicts fractional and sectional interest which are often most pronounced within the representative institutions of the capitalist state.

Corporatism involves the fusion of political representation mediated through a system of public 'corporations' which are constituted on the basis of their members' function within the division of labour and state intervention through these same corporations and/or administrative agencies formally accountable to them. Thus in contrast to the characteristic institutional separation of representation and intervention in parliamentary-bureaucratic systems, corporatism implies their institutional fusion since the formal organs through which political representation is mediated are also responsible for intervention.⁵³

The Labor regime sought to develop a 'tripartist' form of interest representation, which combined corporatism with parliamentary government. This is glimpsed in Cairns' statement of the need for

co-operation between employers and workers, between one section of industry and another and between all these and the government.⁵⁴

These proposals were developed by the Jackson Committee which sought to establish a network of Industry Councils, each consisting principally of an equal number of representatives of government, manufacturers and trade unions. The Councils would formulate policy for their industry and give advice as to the implementation of government policy after receiving an I.A.C. report.⁵⁵

These incipient institutions of corporatism are important to this analysis in two major respects. First, corporatism arises very much out of Labor's subsumption under national popular ideology, in which the solutions to conflict are not to be found in the assertion of the interests of one class over another, but rather in the assertion of a general, common interest held by all members of society. Corporatism is an extension of this ideological universe, and it is through this

ideology in one form or another that Social Democratic and Conservative politicians alike not only seek electoral support but also make sense of their own policies and actions. Second, what is also notable is that corporatism represents a particular inflection of national popular ideology towards policies and general social and economic goals which this thesis has argued are characteristically social democratic. The policies of Social Democratic regimes often contrast with those of conservative regimes in not being content merely to conserve existing industry, but in seeking rather to modify industry to the longer term advantage of both capital and labour. Such policies do, however, require some sacrifices to be made by both. This approach is what constitutes the radicalism of Social Democratic regimes, a radicalism of the longer-term interests of capital as against its short-term, narrow, parochial and immediate interests. The development of corporatist forms of representation could help to counter-act the characteristic weaknesses in the representation of the interests in favour of restructuring. The mediating of the formal institutions of representative government by corporatism could strengthen the programme of restructuring against the entrenchment of opposed interests within representative institutions. In addition, corporatism would help to structure and represent certain immediate interests of the working class within limits which were compatible with the long-term interests of advanced capital and capital as a whole. The process of working class struggle would tend to become clustered around and canalized towards the achievement of certain aims quite compatible with the long-term interests of capital in restructuring. In short, corporatism would assist the government in its attempts to gain the compliance of the working class with its plans for restructuring. This contiguity between the long-term interests of the hegemonic fraction and capital as a whole, and the immediate interests of the working class forms one of the most important bases of the 'unstable

equilibrium of compromise' between capital and labour through which the class hegemony and general interests of capital are principally secured.⁵⁶ Once again, to see the overall effect or potential of the Labor regime's policies in those terms is not to discern a conscious agency or motivation on the part of Labor politicians to these ends. On the contrary, it would be quite incorrect to do so: Social Democrats generally perceive their role as either a neutral one vis-a-vis the interests of capital and labour or as one of actually representing the interests of the working class. Labor policies would quite likely have been seen by members of the government as serving the general interest through modernisation of industry and increased productivity. It was believed that the interests of labour would be served through improved productivity by allowing improvements in the social wage particularly. Securing the interests of labour in this immediate and corporative sense required and was premised on, the healthier development of a capitalist economy, rather than a political challenge to private ownership of the means of production. The development of a restructured, more efficient and more 'humane' capitalism would, while promoting a more dynamic national capitalism in the long term interests of capital as a whole, require sacrifices to be borne by both capital and labour. If restructuring were successful, it probably was believed, the interests of both classes would be rendered compatible and perhaps harmonious. Labor's programme required the continuation of economic growth. But from the middle of 1974 the economy progressively deteriorated, and this tended to undermine the chances for success of Labor's economic and social programme.

Recession and the Reimposition of Trade Barriers, 1974-1975.

From September 1974 the government reimposed high levels of protection through tariffs and import quotas to particular industries and

increased the general level of protection through a currency devaluation. This retreat from restructuring was owed to the effects of world recession, coupled with high inflation and the failure of Labor's attempts to stabilise wages. The recession led to an eclipse of policies of restructuring in the interests of advanced sections of capital and replaced them with protectionist policies in the interest of backward sections of capital. While on the one hand a recession

sharpen the conflicts between advanced and backward sections of capital; on the other, it thins the ranks of the former and swells those of the latter - since it adds to the number of capital firms whose survival is threatened by dwindling profit margins.⁵⁷

The alliances forged to support the interests of backward capital thus gained political predominance during the recession. This undermined the ability of the Labor regime to formulate policies at a distance from these interests and led to the reemergence of allocative trade and industry policies.

The tariff cut and currency revaluations induced a 46 percent rise in the level of imports between 1972-3 and 1973-4, the "largest percentage increase since 1947-48"⁵⁸. This drastically weakened the competitive position of such industries as automobiles, whitegoods, electronics, textiles, clothing and footwear. From April 1974, pressure grew for a restoration of the 25 percent tariff cut, particularly in the textile industry, where manufacturers requested unions to ban clothing imports.⁵⁹ In September import quotas were introduced for many textiles.⁶⁰ In October import quotas were imposed in the footwear industry while the whitegoods industry received quotas in March 1975.⁶¹ In September 1974 the general level of import barriers was increased by a 12 percent currency devaluation.⁶²

The most important reversal of trade liberalisation involved the automobile industry. In July 1974 the I.A.C. released its automobiles report⁶³ recommending abolition of the 1964 local content plans, the

reduction of the industry's tariff from 35 to 25 percent over seven years and the closing down of one of the major automobile manufacturers. Although these proposals were quite favourably received by sections of the Cabinet (particularly Whitlam) and the Economic Committee, they were more than matched by opposition from manufacturers, automotive unions, the Australian Council of Trade Unions, the South Australian Labor government and from within Cabinet itself. A strong movement developed within unions, particularly the Federated Clerks Union, for a ban on automobile imports.⁶⁴ In the government's negotiations with the A.C.T.U. for a social contract in September, the A.C.T.U. demanded import quotas for industries most affected by the currency revaluations and the tariff cut, in return for wage 'restraint'.⁶⁵ The major pressure points for capital appear to have been the Labor government in South Australia, the Cabinet itself and the Standing Inter-Departmental Committee on Assistance to Industry. The South Australian government's intervention on the issue was one of the first instances of state government action over federal trade policy since the 1930s.⁶⁶ The S.I.D.C.A.I. matched the I.A.C. proposals with a plan similar to that of the South Australian government and suggestions made to it by G.M.H. in particular.⁶⁷ The S.I.D.C.A.I. proposed a reduction of local content to 85 percent of a company's entire output. The industry's tariff was to be increased from 35 to 45 percent when the share of finished automobile imports exceeded 20 percent. Despite the Treasury's attempt to mediate the extremes of rationalisation and high protection favoured by the I.A.C. and S.I.D.C.A.I. respectively with the proposal for the Temporary Assistance Authority to administer short-term protection to the industry while the review of its long-term assistance could continue, the S.I.D.C.A.I. proposals were adopted by Cabinet on 12th November, 1974.⁶⁸ In effect, the government's attempt to restructure the industry had concluded by substantially increasing its protection.

Allocative policies of made to measure tariff protection reemerged as dominant within industry policy.

Alongside these conflicts over the restructuring of particular industries ran an inner-Cabinet conflict concerning the overall pursuit of tariff reductions and industry restructuring. This is glimpsed in the conflicting public statements of the Prime Minister and certain Cabinet Ministers, notably Barnard⁶⁹ and Cairns from September 1974. Although Cairns remained committed to an industry policy of rationalisation, he sought a deferral of any further review of the tariff until economic conditions improved. His statement of this view late in September brought him into opposition with Whitlam who maintained a public commitment to continuing tariff reduction.⁷⁰ Nevertheless, Cairns maintained opposition to the continuation of tariff reductions. In October he told the A.C.M.A. of his support for their attempts

to determine more appropriate economic criteria to be used by the I.A.C. and to ensure that ... a broad national industry policy is developed, and to delay the I.A.C. review program until these things are achieved.⁷¹

Responding to the protectionist advance, Rattigan wrote as Chairman of the I.A.C. to Whitlam in November. Rattigan sought to develop a system of long-term and short-term recommendations on industry assistance within each report. This was intended to

separate short-term considerations, arising from cyclical fluctuations in the economy, from the long-run objectives of industry development policy [and thus to] remove pressures which may otherwise develop to settle questions of long-term assistance in response to the pressures arising from short-term changes in the economy.⁷²

In this way, the I.A.C. attempted to bind the government to acceptance of its recommendations on changes to long-term assistance through government acceptance of short-term assistance.⁷³ Whitlam's reply, written late in November after the Cabinet decision on automobiles, settled the issue of further tariff reductions for the remaining duration of the Labor

regime: no more tariff reductions would occur where they were likely to cause or worsen unemployment and dislocation.⁷⁴

Trade liberalisation and an incomes policy had been the keystone of the Labor regime's policies for the promotion of the interests of advanced sections of capital through restructuring. The recession had led many advanced units to join the clamour of the backward sections for higher trade barriers. The government's failure to stabilise wages had the same effect. The government's attempt to directly control wages through a Prices and Incomes policy was lost in the Referendum of December 1973. Consequently, the government attempted to hold down wages through quarterly indexation in July 1974. The aim was to compress wage relativities by granting only partial indexation to wages at the higher end of the scale. However, the Arbitration Commission decided against a compression of relativities and in favour of uniform indexation. At last, the government attempted a 'social contract' by which union restraint on direct wages would be secured through maintenance of the social wage, the imposition of import quotas for industries most adversely affected by the tariff cut, and government and A.C.T.U. consultation on economic policy. However, the A.C.T.U. also required that real wages be maintained through tax indexation and wage rises to cover increases in productivity.⁷⁵ Thus, in the face of near record post-war inflation, the government was unable to prevent "the largest increase in money and real wages .. for some twenty five years".⁷⁶ The Labor regime's failure to stabilise wages was of major significance for its failure to consolidate support around the interests of advanced capital in restructuring. Through the ability of the working class to raise its wages and induce a falling rate of profit, many sections of capital which were actually or potentially supportive of advanced capital's plans for restructuring eventually came to support the protectionism of backward capital.

In its struggle to increase protection levels and prevent restructuring, backward capital was able to command hegemony over significant sections of the working class. Backward capital was able to achieve this because its sectional interest in securing higher protection was contiguous with the immediate interest of its workforce in maintaining its employment. This was seen in the intense trade union activity in industries where employment was most insecure in support of a restoration of trade barriers. Working class insecurity in backward industries provided backward capital with the means for reimposing high protection.⁷⁷ This was particularly so since the reserve army of labour created by restructuring was made chronic by the recession, which seriously decreased the ability of advanced capital to absorb displaced labour and unused capacity. This situation was worsened by the effective lack of an adequate scheme of assistance to labour displaced through restructuring. Thus, the representation of the interests of backward capital is strengthened against restructuring. As the recession deepens, capital as a whole supports the programme of deflation and the disciplining of labour advocated most stridently by backward capital. As Arrighi⁷⁸ writes,

Since they are the most severely hit by the falling rate of profit, the backward sections of capital tend to push for relatively immediate measures. In general, they favour a frontal assault on more or less all levels. At the level of economic policy, they push for deflationary measures, that is to say restrictions on public spending and on demand in general, with the aim of weakening the working class by raising the level of unemployment and underemployment. On the trade union front, they tend to push for a relatively intransigent line and seek a more or less massive intervention by the repressive apparatus of the state (legislative, executive and juridical) to regulate relations between workers and capital in production.

In addition to that of backward manufacturing capital, the Labor regime also faced bellicose opposition from mining and banking capital. Essentially, this arose from the regime's attempt to involve mining capital in the restructuring of national capital. The regime sought in

part to use finance from the regulation of the mining industry, particularly through its quango, the Australian Industries Development Corporation, for the modernisation of Australian industry and to expand the involvement of the mining industry with the manufacturing and processing of raw materials within Australia. However, this aim ran counter to two pronounced features of the mining industry: First, the dominance of imperialist investment within the industry and its often speculative character⁷⁹, and second, its character as international capital with no interest in the development of Australia as a competitive national capitalism. On the contrary, as international capital the mining industry was interested in the extraction of minerals at the least cost and therefore with as little local processing as possible. The opposition of banking capital arose from the government's attempt to 'compete' with it in the provision of investment capital for industry, which the banking sector had traditionally been too pusillanimous and parsimonious to provide itself.⁸⁰ The struggle of these industries against government intervention emphasised ideologies of economic liberalism and the social market. The Labor regime's attempt to restructure and internationalise national manufacturing capital, and to regulate and direct mining capital towards the development of Australia as a more competitive national capitalism was opposed both by backward manufacturing capital and by international mining capital. The unity of these two fractions was conjunctural rather than permanent in character. How the distinct interests of these fractions were represented during the period of Coalition government between 1975 and 1983 is the subject of the following chapter.

The loss of popular electoral support by the Labor regime was based in increasing unemployment (somewhat exclusively attributed to trade liberalisation by the opposition parties, the media and many traditional Labor representatives), high inflation, and high taxation. The latter

factors also reflect capital's desire to reduce wages and to redirect more state expenditure towards private capital. The Labor regime lost popular and electoral support for these and other reasons. But it is the approach of the Labor regime to the politics of power rather than to electoral support which is most relevant here. The Labor regime used its power to attempt to revivify and revitalise Australian capital. While the conservatives had been content to 'conserve', the Labor regime took a longer view and sought certain sacrifices and concessions from private capital, which would however, be of greatest benefit to capital as a whole. Such a policy requiring short term sacrifices from capital, the better to secure its long term interests, places in context the Labor regime's 'radicalism'. This was a radicalism of the long term interests of capital as against the short term expediency of its immediate interests, a radicalism of the longer view, of innovation and improvement rather than of opposition to capitalist power. But with the deterioration of the economy was lost the indispensable precondition for the success of the government's trade liberalising programme, growth. Deteriorating economic conditions made trade liberalisation more difficult to carry out politically, due to the strength of opposition from within capital and the working class. Largely as a consequence of this, the Labor regime eventually was compelled to renounce trade liberalisation in favour of protection.

FOOTNOTES.

1. Aglietta, 'World Capitalism in the Eighties' op.cit., pp. 19-26.
2. Bienefeld and Innes, op.cit., p. 33.
3. Kelvin Rowley, 'Economic Notes', Australian Left Review, May 1972, p. 23.
4. Ibid.
5. Bienefeld and Innes, op.cit., p. 33.
6. 'Towards a Theory of Capitalist Crisis', New Left Review No. 111, September-October 1978, p. 14.
7. Michel Aglietta has emphasised this in his analysis of the 'crisis of fordism' in the United States. A Theory of Capitalist Regulation, New Left Books, 1979, pp. 198-207.
8. Op.cit., p. 33.
9. Arrighi, 'Towards a Theory of Capitalist Crisis', op.cit.; see also Alain Lipietz, 'Towards Global Fordism?', New Left Review No. 132, March-April 1982.
10. 'Towards a Theory of Capitalist Crisis', op.cit., p. 10.
11. Annual Report 1973-74, A.G.P.S., Canberra, 1974, p. 16.
12. Gamble, The Conservative Nation, op.cit., p. 4.
13. 'Democratic Socialist Internationalism', in Ken Gott, Gough Whitlam and Ralph Willis, Reshaping Australian Industry: Tariffs and Socialists, Victorian Fabian Society, Melbourne, 1982, pp. 14-15.
14. Ibid., p. 13.
15. Ibid., pp. 13-14.
16. Ibid., p. 17.
17. Quoted in P.G. Tiver, The Liberal Party: Principles and Performance, Jacaranda Press, Brisbane, 1978, p. 258.
18. Ibid.
19. Wright, Class, Crisis and the State, op.cit., p. 177.
20. 'The State in Post-War Britain', op.cit., p. 47.
21. Quoted in de Brunhoff, op.cit., p. 112.
22. The Jackson Committee was established in July 1974 to advise the government on policies and planning for manufacturing industry, including

- (1) the machinery required for integrating such policies with the Government's general economic, social and regional policies,

- (2) the place of exports and imports in the development of manufacturing industry, and
- (3) the role of firms of overseas origin in manufacturing, and to advise on communication between the Australian Government and the private sector and the State Governments, with respect to the development and implementation of such policies.

Policies for Development of Manufacturing Industry, Vol. 1, op.cit.

A notable aspect both of these terms of reference and of the final report relevant to the concerns of this chapter, is that the Jackson Report gave greater emphasis than any previous industry report to the new forms of institutional arrangement and interest representation required to secure support from within capital and the dominated classes for restructuring. Alongside this is a notable concern with articulating the fractional interests in favour of trade liberalisation and improved productivity (politics of power) with immediate working class interests such as an improved social wage, as well as with issues of nationhood (politics of support).

- 23. Ibid., pp. 8-9.
- 24. Ibid.
- 25. Offe, 'The Theory of the Capitalist State and the Problem of Policy Formation', op.cit., pp. 132-3.
- 26. Esping-Anderson et.al., op.cit., p. 190.
- 27. Poulantzas, State, Power, Socialism, op.cit., p. 169.
- 28. Nicos Poulantzas, Political Power and Social Classes, op.cit. p. 314.
- 29. Ibid., pp. 314-15 and State, Power, Socialism, op.cit., pp. 217-40; Bob Jessop, 'The State in Post-War Britain', op.cit., pp. 54-65.
- 30. C.J. Lloyd and G.S. Reid, Out of the Wilderness, Cassell, Melbourne, 1974, p. 144; A. Reid, The Whitlam Venture, Hill of Content, Melbourne, 1976, pp. 54-5.
- 31. Ibid., p. 56.
- 32. Lloyd and Reid, op.cit., p. 137.
- 33. John Warnurst, Jobs or Dogma?, University of Queensland Press, St. Lucia, 1982, p. 73.
- 34. For details see Lloyd and Reid, op.cit., pp. 161-3.
- 35. Glezer op.cit., p. 111.
- 36. The Commission's role was to advise on assistance to rural, mining and manufacturing capital. Moreover, unlike the Tariff Board the Commission would be able to initiate a review of assistance to an industry quite independently of a government directive if the industry's assistance had not been reviewed for a definite time period. This placed the Commission in a stronger independent position than the Tariff Board had been in requiring a directive

from government before an inquiry could occur. However, the Temporary Assistance Authority could administer temporary assistance for considerable periods before reference to the Commission became mandatory, and the Commission would not need to be consulted on across-the-board tariff cuts. See Industries Assistance Commission, A.G.P.S., Canberra, 1974, pp. 1-2 and P.J. Lloyd, 'Protection Policy', in F.H. Gruen (ed.), Surveys of Australian Economics, Allen and Unwin, Melbourne, 1978, p. 257.

37. R.G. Gregory and L.D. Martin, 'An analysis of Relationships Between Import Flows to Australia and Recent Exchange Rate and Tariff Changes', Economic Record, No. 137, March 1976, p. 1.
38. Ibid.
39. Ibid., p. 21.
40. 'Towards a Theory of Capitalist Crisis', op.cit., p. 111.
41. F. Gruen and H.D. Evans, 'Tariff Policies and the Tariff Board', The Australian Economic Review, 2nd Quarter, 1971, p. 40.
42. A.G.P.S., Canberra, 1973.
43. Previously, Labor's support for increased trade competition and restructuring had emphasised the necessity for tariff reductions to occur on an industry-by-industry basis and over a set time period to allow for adjustment. This was broadly compatible with the strategy of the Tariff Review. See J.F. Cairns, 'Labor and Tariffs', in J. McLaren (ed.), Towards a New Australia, Cheshire, Melbourne, 1972. The decision to reduce all tariffs uniformly and simultaneously contrasted with this emphasis on the gradual reduction of tariffs to particular industries. This reflected pessimism about the ability of the Tariff Review to effect significant tariff reductions in the longer term. The lowering of tariffs and the modernisation of industry needed favourable economic conditions for expansion, particularly a large balance of payments surplus. The deterioration of economic conditions over time, particularly the balance of payments, would increase pressure to maintain high tariffs. Thus, a significant reduction in the general level of tariff protection would need to involve an across-the-board cut executed swiftly in conditions of favourable external balance. Swift executive action was required to lower tariffs before effective opposition to the cut could be organised. In the absence of tariff cuts and greater trade competition, inflation would continue to rise and eventually erode the balance of payments surplus. In the middle 1960s, Corden's review of the Vernon Report described the conditions for significant, swift and general reduction of tariffs in these terms.

It is really only if the external situation develops favourably for one reason or another that free trade versus protection becomes a genuine issue. Normally in these circumstances we allow inflationary pressure to develop and wages and other costs to rise, so eliminating the balance of payments surplus. But if we accept that a move towards free trade were desirable, we might try to prevent some of the increase in costs and take the opportunity to reduce tariffs. Of course the tariff reduction would only be feasible politically and desirable economically (if the

costs of change are to be minimised) in a context of high employment. It follows that our freedom of action on the general level of the tariff is limited by the way the balance of payments evolves. It is limited by factors which have nothing to do with the usual arguments for or against protection. Only a period of external surplus allows us to choose.

'Protection', Economic Record, No. 97, March 1966, p. 134. These conditions emerged in the early 1970s when the level of international reserves increased two-and-a-half fold.

44. For details, see Reid, op.cit., pp. 115-118.
45. Ibid., p. 131.
46. 'The State in Postwar Britain', op.cit., p. 58.
47. De Brunhoff, op.cit., p. 87.
48. 'The Development of Corporatism in Liberal Democracies', op.cit., p. 134.
49. As Bill Warren writes,

even where the basic problem was not one of the cost inflation, this could easily be sparked off or accelerated by sectoral excess demand raising prices of working-class consumer goods and thus setting in motion or strengthening the familiar spiral.
- 'Capitalist Planning and the State', New Left Review, No. 72., March-April, 1972, p. 5.
50. Kelvin Rowley, 'The End of the Long Boom', Intervention No. 6, June, 1976, pp. 56-7.
51. Warren, op.cit., pp. 3-6 and 14; Leo Panitch, 'Trade Unions and the Capitalist State', New Left Review, No. 125, January-February 1981, pp. 30-31, and 'The Development of Corporatism in Liberal Democracies', in P. Schmitter and G. Lehbruch (eds.), Trends Toward Corporatist Intermediation, Sage, London, 1979, pp. 131-4.
52. Arrighi, 'Towards a Theory of Capitalist Crisis', op.cit., pp. 21-2.
53. Bob Jessop, 'Corporatism, Parliamentarism and Social Democracy' in P. Schmitter and G. Lehbruch (eds.), Trends Toward Corporatist Intermediation, Sage, London, 1979, p. 195, and 'Capitalism and Democracy: The Best Possible Political Shell?', in G. Littlejohn, B. Smart, J. Wakeford & N. Yuval-Davis (eds.), Power and the State, Croom Helm, London, 1978, pp. 40-47.
54. Tariffs or Planning?, Lansdown, Melbourne, 1971, p. 63.
55. Policies for Development of Manufacturing Industry, Vol. 1, op.cit., p. 221.
56. Poulantzas, Political Power and Social Classes, op.cit., pp. 190-4.

57. Arrighi, 'Towards a Theory of Capitalist Crisis', op.cit., p. 21.
58. Gregory and Martin, op.cit., pp. 1-2.
59. Glezer, op.cit., p. 127.
60. Ibid.
61. Melanie Beresford, Labour Economic Policy 1972-1974, unpublished Masters Thesis, University of Adelaide, 1975, p. 75, and Glezer, op.cit., p. 236.
62. Gregory and Martin, op.cit., p. 1-2.
63. I.A.C., Report Passenger Motor Vehicles, A.G.P.S., Canberra, July 1974.
64. Glezer, op.cit., p. 166.
65. Beresford, op.cit., p. 78.
66. See John Warhurst, State Governments and Australian Tariff Policy, Australian National University, Canberra, 1980, pp. 26, 29, 69.
67. Glezer, op.cit., p. 165.
68. Ibid, pp. 165-6.
69. See Reid, op.cit., pp. 124-6.
70. Beresford, op.cit., p. 76.
71. Quoted in Glezer, op.cit., p. 128.
72. Quoted in *ibid.*, pp. 129-130.
73. *Ibid.*, p. 130.
74. *Ibid.*
75. See Beresford, op.cit., pp. 138-42.
76. Gruen, 'What Went Wrong? Some Personal Reflections on Economic Policies Under Labor', Australian Quarterly, Vol. 48, December 1976, p. 22.
77. The emphasis which has been placed here on a contiguity of immediate working class interests and the fractional interests of backward capital, the latter being hegemonic, clearly runs counter to the rather jejune conclusion of John Coynbeare

that tariff protection in Australia is a function of the interests of labour groups employed in the protected industry.

'Public Policy and the Australian Tariff Structure', Australian Journal of Management Vol. 3, No. 1, April 1978, p. 57. For an analysis similar to Coynbeare's see Kym Anderson, 'The Political Market for Government Assistance to Australian Manufacturing Industries', Economic Record Vol. 56, June 1980.

78. 'Towards a Theory of Capitalist Crisis', op.cit., p. 18.
79. See Terry O'Shaughnessy, 'Conflicts in the Ruling Class', Intervention No. 10 + 11, August 1978, p. 52n:

between 1966-7 and 1971-2 foreign private investment flow into the minerals sector increased more than threefold, from \$107 million to \$395 million, while income payable overseas increased nearly six times, from \$30 million to \$177 million. By 1972-3 61.8 percent of value added in the mining sector (excluding construction materials, limestone and clays) was under foreign control.

80. See *ibid.*, pp. 52-3.

CHAPTER SIX.THE REGIME OF THE COALITION PARTIES, 1975-1983:THE DYNAMICS OF INDUSTRIAL DECLINE.

During its period of office, the regime of the Coalition parties formulated and enacted policies in a context of the intensification of struggle between capital and labour, and between particular fractions of capital. The reason for this intensification is found in the persistence and deepening of the recession, which has impelled capital in general to reduce real wages and increase exploitation. However, the terms and conditions of this general attempt to recuperate the rate of exploitation were closely related to fractional conflict over an on-going restructuring of the national economy.

In part, the policies enacted by the Coalition regime to increase exploitation were policies forced upon it by the effects on the national economy of the world recession. This is indicated, for example, by the emphasis on sustained deflation which it shared with bourgeois governments elsewhere, even when of a different political orientation, such as the Callaghan Labor government in Britain. Nevertheless, the shift in economic policy towards monetarism was also indicative of a major reorientation within the Coalition parties towards social market ideologies. While this reorientation towards liberal political economy and the social market doctrine was not nearly so decisive as that discerned by several writers concerned with 'Thatcherism' in England,¹ it still provided the main ideological framework through which the regime both formulated its policies and legitimated them to 'society as a whole'.

The ideologies of liberal political economy and the social market posit issues of government in terms of individual responsibility and 'free choice'. It is believed that the natural, unsullied functioning of

the market is what guarantees optimal freedom of choice and provides the sovereign governing mechanism of society in which individual freedom and responsibility are based. On one hand, this defines a minimal role for government in civil and economic life and strong opposition to social democratic notions of a planned or regulated capitalism. The social market doctrine follows the tradition of liberal theory beginning with Locke in arguing that the role of government is simply to provide certain elements essential to a market order, such as sound money, legal enforcability of contracts, the sanctity of private property, and so forth. Since it is the market alone which stands for freedom, government involvement in areas competitive with private enterprise is unacceptable; public industry and public services in health, education, welfare and transport should be removed from the public sector and placed in the hands either of the private entrepreneur or the family. On the other hand, the social market doctrine implies a major role for government in 'defending' the market order and the family against such groups as trade unions which undermine market freedom through strike action, and so forth. While the 'social state' is to be curtailed, the 'strong state' undergoes expansion. Thus, in its concrete application this ideology articulated a concern with free market principles and individual liberty with a conservative emphasis on the role of particular institutions such as the family in maintaining authority and the status quo. Of the two, our main concern is with liberal political economy. By the creation of a freer market economy, mainly through reductions in public expenditure and trade union power, barriers to successful entrepreneurial enterprise could be lowered. Incentives and opportunities could be offered to those entrepreneurs capable of injecting vigour into an economy dominated by monopoly capital. A powerful ideological appeal was thereby made to the petty bourgeoisie and small capital, but the reality underlying this ideology was that the government's measures to create a freer market

would primarily be of benefit to large internationally oriented firms. Indeed, in spite of the interpellation of the interests and aspirations of the petty bourgeoisie and small capital through the discourse of the social market doctrine, the primary aim and effect of social market policies should be seen as making the national economy more suitable and attractive for multinational capital.²

The Coalition regime came to office with an initially strong commitment to the provision of high protection. We are thus confronted with the paradox of a free market government with a policy of protectionism. Closer examination, however, reveals that this is less paradoxical than might at first be thought. The form of tariff protection developed by the Liberal-National Country Party coalition during this period was one predominantly aligned with the interests of multinational capital. Its trade policy was one opposed to that of the Whitlam Labor regime. Labor's policy was based on the notion of a national political economy, of revivifying Australia as a more competitive and distinctive national capitalism, a policy which required certain short-term sacrifices from capital. By contrast, the Coalition's trade policy was that of a liberal political economy and a liberalisation of trade. At the same time, for much of its period of office, the Coalition supported high protectionism. This was a protection which secured short-term, high profits and definitely saved capital from Labor's dirigisme and planning. But it was also a protectionism which, by liberalising at least some trade, offered many smaller units within national manufacturing capital only the prospect of decline. For these sections of capital, although their representatives could only rarely see it, this protection was often more shadow than substance, a protection of short-term profits and deliverance from the bête noire of government planning, rather than protection of either the longer-term viability of these sections of industry or jobs within them. Saving such industries

would have required long-term planning, but would also have engendered their opposition. But since the recession of the middle 1970s, governments of all political hue in the advanced capitalist formations have found that they are unable simply to continue policies of conservation and have instead had to pursue policies of restructuring, largely in the interests of multinational capital. The most expedient way in which a conservative party particularly may do this, is to repudiate planning and allow market forces to do the work of devouring the weaker units. By eschewing planning, such a policy minimises government responsibility for the overall health of the capitalist economy and thus involves fewer political costs, (although its economic consequences might prove momentous).

How then did the Coalition's trade policy favour the interests of multinational firms over local, smaller units? While multinational firms previously had been content to operate almost exclusively within the national market if provided with high levels of tariff protection, in the present period many multinational firms are restructuring their operations to allow for greater involvement with the world market at both ends. This entails, first, an increased level of export activity, and second, an increased level of input sourcing from the low wage formations of Asia. Of the two aspects, the latter, a movement by multinational firms particularly toward the decentralisation of production, is the more significant for, the increased export activity is achieved in the main not by making Australia a producer of say, finished automobiles, but increasingly, by making Australia merely a link in a multinational, global network of production. 'Trade' in this context tends to mean the export of components (rather than finished manufactures) to a plant located overseas and responsible for the succeeding stage of the production process. An international division of labour has developed which is internal to the multinational company. Even where the role of

export is less pronounced and production is aimed at servicing a single national market, the increased sourcing of inputs from the low wage formations of Asia, the decentralisation of production, transforms capital which was previously national in character into international capital. For, while the term 'international capital' has thus far mainly referred to capital which is simply oriented towards international markets (eg., rural and mineral export capital), the concept also includes capital operating through an international decentralisation of production. Such capital may be oriented perhaps only to a single national market, but producing commodities by means of an international division of labour, rather than a centralisation of production within a single national formation. As previously emphasised, in the post-war period protectionism had encouraged direct foreign investment in manufacturing, and a 'centralisation' of production in which U.S. firms with a strong domestic orientation engaged in subsidiary international operations.³ These firms were not yet "truly world oriented corporations".⁴ Thus, their international expansion occurred through subsidiary plants which replicated the structure of the parent company, and which produced finished commodities for a national market. Arrighi⁵ emphasises the passage of multinational firms from centralisation to the decentralisation of production and the creation of an advanced international division of labour in the development of nothing less than a new capitalist world map:

In the first stages of a firm's multinational expansion, when, for example, it is concerned simply to capture a new national market by establishing a plant there, direct investment is attracted by state protection of that market - provided, of course, that the latter is of sufficient size to allow the employment of the techniques of production and distribution which secure the comparative advantage of the expanding firm. After that stage has been reached, however, the protected markets may become too narrow, whether because the overseas subsidiary's production has reached the limits of 'simple expansion', or because the parent company's techniques of production or distribution, or both, have evolved in such a way that they need a larger scale of production.

At this point, it becomes necessary to export to other national economies the commodities or, still better, the profits which have been produced by the subsidiary. (...) This limit becomes 'absolute' when the multinational expansion of the firm does not have a purely 'extensive' character (multiplication of branches with a similar structure) but acquires an 'intensive' character, creating a more or less advanced division of labour between the parent company and the subsidiaries themselves. In this third phase, international movements of commodities and money are nothing other than movements internal to the multinational capital (and essential to its reproduction).

The precise character of this component of manufacturing as international capital needs to be understood. In particular, it must be seen that in regard to trade policy, the interests of international manufacturing capital still stood in opposition to those of international capital based in the rural and mineral export industries. The international character of rural and mineral export capital is based on its high levels of dependence on export markets. For this basic reason, rural and mineral export capital maintained a position in opposition to protection, for protectionism increased costs and reduced income within these industries. The international character of sections of manufacturing capital is a more complicated matter, involving an advanced international division of labour arising from the decentralisation of production. However, international manufacturing capital retained a predominant interest in the Australian market, and protection remained pivotal to its profitability. The developing international character of some sections of manufacturing capital and the particular form of trade liberalisation which it sought, made no concessions to the interest in the general reduction of protection of rural and mineral export capital.

At the same time, the regime of protection demanded by international manufacturing capital reduced protection for some of the more vulnerable sections of national manufacturing capital. International manufacturing capital demanded both protection for its own operations and a limited liberalisation of trade to allow for importation of cheap components and increased export activity. As well as its own protection, international manufacturing capital sought selective openings in the tariff wall to

allow for the cheapened sourcing of imported inputs and to facilitate exports, openings or exceptions which would adversely affect particularly those smaller local firms to which multinational subsidiaries had previously assigned a linkage in their production processes. The disappearance of these linkages into the low wage formations of Asia would lead to the disappearance also of many of the firms which depended on a system of production centralised within the social formation. In general, the Coalition regime tended to provide protection for weaker industries only where such industries were not subject to pressures for the decentralisation of production, particularly by multinational firms. In industries dominated by multinational firms which were in the process of decentralising their production, the Coalition regime supported decentralisation. This is evident in such policies as the 1978 Export Complementations Plan, which allowed the sourcing of cheap components in proportion to the volume of exports achieved. The interests of manufacturing capital became differentiated between its national and international components.

It may be asked why was the Coalition regime supportive of decentralisation? The answer is twofold. In supporting a degree of decentralisation of production, the regime was merely supporting the claims of the dominant component of manufacturing capital. But more than this was involved. The ideologies of the social market and liberal political economy tend to view the economy as a collection of individual firms, rather than being based on a nation state, a national economy. The development of enterprises and firms is not to be harmonised with the aims of a national political economy of the kind represented by the post-war social democratic consensus. Rather, the policies of the nation state are to be tailored to the needs of the largest firms in particular. The Coalition regime was committed, at least initially, to the provision of protection. However, in many instances this was not a protection which assisted the interests of small

and medium national capital. One is reminded of Gramsci's description of the state structures of 'Americanism':

The state is the liberal State, not in the sense of free trade liberalism or of effective political liberty, but in the more fundamental sense of free initiative and of economic individualism which, with its own means, on the level of "civil society", through historical development, itself arrives at a regime of industrial concentration and monopoly.⁶

However, the government's commitment to protection even in this form was from the first placed under considerable pressure, on the one hand from the staunchest ideologues of economic liberalism and the social market within the coalition parties, and on the other hand from the enhanced position of mining capital within the power bloc. The mining industry had grown dramatically from the early 1970s as a site of foreign investment and as a source of exports. It gave renewed vigour and leadership to the interests of international capital as a whole. As international capital, the mining industry had an interest in extracting raw materials at the minimum cost and consequently, in the reduction of protection. Trade policy and the future of tariff protection remained central to fractional dispute between mining and manufacturing capital, while government policy attempted to hold the ring with respect to this conflict. How it did so is the subject of the following pages.

Trade Policy Under the Coalition Regime, 1975-1979

In contradistinction to the keynesian demand management policies of the Coalition regime during the 1960s and the Labor regime's corporatist incomes and trade and industry policies, the policies of the Coalition regime between 1975 and 1983 centred on monetary management. The central aim of monetary policy was the prevention of wage increases and the use of a flexible exchange rate policy was of vital importance within this strategy. With the failure of the Labor regime's attempt to stabilise wages through an incomes policy,

Direct pressure upon wages to reduce relative costs was thus to be replaced by action on the exchange-rate, which would indirectly affect the level of wages.⁷

Action to reduce the level of wages in the national income was necessary to restore an equilibrium favourable to investment. While this policy of wage reduction could help to restore the profitability of capital in general, its objective was particularly to

favour international commercial competitiveness, at the price of a transfer of resources from consumption to domestic investment, which amounts to a tightening of financial constraints upon domestic consumption.⁸

Devaluation would improve competitiveness and profitability only if accompanied by stringent action on costs, particularly wages. If the working class was able to respond to the increased prices caused by devaluation by increasing wages, then the object of devaluation - a redistribution of income away from labour and towards capital - would be undermined. Moreover, while such fractions as banking and commerce do not compete against imports, they would lose income through rising costs caused by devaluation. As the Australian Financial Review⁹ commented,

a devaluation would be pointless, and indeed positively harmful, unless it were accompanied by a deliberate policy of reducing real wages.

The devaluation which occurred on 28th November 1976 was the largest in Australian history. Accompanied by some minor tariff reductions, the devaluation began at 17.5 percent and was later downwardly revised by 5 percent.¹⁰ The effect of devaluation was reinforced by continued currency depreciation over the following two years.¹¹

Devaluation was indeed accompanied by action to lower wage costs. While the government's position on wage adjustment after devaluation was a contradictory one,¹² the Arbitration Commission firmly refused to include in its indexation of wages, any adjustment to compensate for price increases brought about through devaluation.¹³ This allows some

decipherment of the relationship between the regime's anti-inflationary ideological posture and its policies. Devaluation was intended to improve the competitiveness of exporting and import-competing industries, while allowing them to increase prices and thus to effect a redistribution of income from labour to capital. Devaluation was the basis for a rise in prices and a reduction of real wages. Government policy was thus not strictly anti-inflationary but rather was intended to allow price increases without however allowing a wage - price spiral. Devaluation improved the competitiveness¹⁴ and profitability of import-competing and export capital. Thus, government policy was able, for a period, to mediate the conflict of interest concerning trade policy between manufacturing and mining capital. For the remaining years of the decade, devaluation and depreciation of the national currency provided the basis for relative harmony between the interests of mining and manufacturing capital.

The devaluation provided greater flexibility, allowing the Coalition regime to restore a plenitude of tariff and quota protection to manufacturing capital. In the administrative structure of the new regime the I.A.C. was brought under the Department of Business and Consumer Affairs. The minister issued new formal guidelines to the Commission on the conduct of its industry inquiries in April 1976, requiring the I.A.C. to note the "policy on tariffs and assistance set out in the Government Parties' Manufacturing and Industrial Development Policy Statement of November 1975".¹⁵ Under these guidelines the I.A.C. was in general unable to release its reports prior to a government decision on its recommendations.¹⁶ However, the return of allocative trade policies is most evident in the regime's policy on temporary assistance and in its response to the I.A.C.'s Textiles, Clothing and Footwear Report of 1977.

The government had come under manufacturing pressure for a liberalisation of temporary assistance after a wave of applications were

rejected by the Temporary Assistance Authority in 1975. The issue was placed with the Standing Committee on Industry Assistance.¹⁷ Since the Whitlam-Rattigan correspondence of late 1974, the I.A.C. had sought sole responsibility for official advice concerning both short-term and long-term assistance. This stance was reiterated with specific proposals in the I.A.C.'s 1975-76 Annual Report.¹⁸ This arrangement would lead to greater difficulty for manufacturing capital in securing temporary assistance than would the status quo. While Treasury supported the Commission's claims for exclusive jurisdiction over temporary assistance,¹⁹ in general S.C.I.A. divided along quite different lines. One position supported the status quo in which the provision of temporary assistance was limited by the overarching jurisdiction of the I.A.C. The opposed position, advanced by the Department of Industry and Commerce and its Minister Robert Cotton, would give the T.A.A. almost exclusive responsibility for temporary assistance and would revise T.A.A. guidelines so as to require it to be guided by the government's assistance policy instead of Section 22 (1) of the I.A.C. Act, which requires T.A.A. decisions to have regard to the efficiency, competitiveness and future of the industry. Under the system operative before 1977, the provision of temporary assistance carried with it the obligation to refer the industry to an I.A.C inquiry. In addition, the T.A.A. was not allowed to recommend import quotas,²⁰ while the government could only accept or reject T.A.A. recommendations, having no discretion to amend them,²¹ and the government could impose import controls as temporary assistance only if the T.A.A. had not previously opposed them.²² It can be seen then that benefits to manufacturing capital were rather difficult to obtain from within such a system of temporary assistance. But the arrangements finally adopted, being more similar to the Department of Industry and Commerce proposals than to the other proposals, were more favourable to the claims of manufacturing

industry for protection: the link between temporary assistance and the I.A.C. was loosened, more freedom was given to the government to represent the interests of manufacturing capital, to allocate protection against the Temporary Assistance Authority's advice, and to extend the breadth of available protection.

The government eventually accepted the S.C.I.A. proposals to widen the range of protective measures which the T.A.A. could recommend, to give government discretion to vary T.A.A. recommendations and to liberalise the requirement of an automatic I.A.C. inquiry after the granting of temporary assistance. Henceforth, an industry could receive temporary assistance for two years in four before an I.A.C. inquiry became mandatory. Although it was to remain under Section 22 of the I.A.C. Act, the T.A.A. became the body with nearly exclusive responsibility for the administration of temporary assistance.²³ High protectionism had returned and memories of the allocative trade policies and direct lines of representation between manufacturing capital and the Department of Trade and Industry in the previous Coalition regime must certainly have bulked large when S.C.I.A. admitted that the new temporary assistance arrangements "would...increase the exposure of the Government to industry pressures".²⁴

The episode following the temporary assistance amendments decisively confirmed the allocative character of government trade policies for the remainder of the decade. The I.A.C.'s report on Textiles, Clothing and Footwear was tabled in August 1977 and recommended the withdrawal of all quotas by 1981 and a reduction of the industry's rate of tariff protection to the average for manufacturing industry.²⁵ The Prime Minister rejected the recommendations in an address to the N.S.W. Chamber of Manufactures which stated:

We are well aware that a reference to the I.A.C. can destroy confidence to invest in the industry involved...Indeed, under present circumstances, with the present reputation of the I.A.C., the long-term reference is likely to kill investment plans in this industry.²⁶

Fraser announced the withdrawal of the remaining metal-product references from the Tariff Review, in line with requests from the M.T.I.A.²⁷ An inquiry into the future of the I.A.C. was established; in September the government suspended the Tariff Review completely,²⁸ while the continuation of quotas for the automobile industry was announced in October and increased Textiles, Clothing and Footwear protection was announced in November.²⁹ The Inquiry into the I.A.C. resulted in amendment of the Acts governing the I.A.C. and T.A.A., requiring them to consider levels of assistance needed to provide "increased opportunities for employment and investment" in the case of the I.A.C. and to "maintain the existing level, or a previously existing level, of activity and employment in the industry"³⁰ in the case of the T.A.A. In general, this period saw the consolidation of allocative trade policies into the form of industry-specific or 'sectoral' government policies. This was specified as being the government's approach to difficulties in the automobiles, electronics, domestic appliances and textiles, clothing and footwear industries, in its White Paper on Manufacturing Industry.³¹

The combination of currency devaluation and high tariff and quota protection produced a conjuncture quite favourable to manufacturing capital (that is to say, one in which prices and profits could be sustained regardless of diminutive rates of productivity growth). Whether or not profits could be maintained in this manner depended on the government's ability to prevent wage increases. Together deflationary policies and the recession affected wage rates by reducing the 'rigidity' of the labour market. The increased unemployment would provide a means with which to 'discipline' the work-force into accepting wage reduction. In this connection, wage indexation provided a steady reduction of real wages. The Arbitration Commission generally set wages at a level somewhat below the rate of inflation. Thus a steady reduction of real wages was effected, in the 'national interest'. Against the background

of devaluation, continued exchange-rate depreciation,³² sustained wage reduction³³ and increased tariff and quota protection, the competitiveness of manufacturing capital against imports greatly improved during the remainder of the decade.³⁴ Protectionism helped to sustain profits generated through high and rising prices, unmatched by comparable wage increases. As Haig³⁵ argued at the end of this period in an article concerned with manufacturing profits and investment,

In recent years the share of profits has been excessively high, and increasing profits have had a greater impact on rising prices than has wages. In historical perspective, profits and not wages are currently excessive.

These policies were then indeed successful in sustaining prices and profits in spite of diminutive rates of productivity growth. However, these profits remained vulnerable to any increase in trade competition induced by exchange-rate variations and to wage increases. Moreover, these policies so relatively favourable to manufacturing capital confronted mining and rural export capital with the possibility of a 'scissors crisis'; that is to say, a gap between the increasing prices of industrial inputs and labour-power obtained from within internal markets and the diminishing prices and demand for minerals and agricultural commodities on international markets.³⁶ So faced with rising costs and falling prices, mining capital would commence an intensive programme of cost minimisation aimed particularly at reducing the protection of manufacturing capital.

Relative Industrial Decline becomes Absolute.

The years since 1979 have been a trajectory from relative to absolute industrial decline. Gamble³⁷ states that such industrial decline involves

high and rising unemployment, and stagnant or falling output, and the progressive run-down of all those industries unable to compete internationally.

'Industrial decline' is a complex category which is not reducible to a unilateral tendency towards de-industrialisation as it applies to such formations as Britain.³⁸ Industrial decline is a by-product of the changing role of the nation-states of advanced capitalism in the organisation of production and markets. Industrial decline emerges from a deepening international recession and a new international division of labour involving the shift to decentralised production, combined with deflationary policies and faltering internal demand, the loss of home markets to import competition from the low wage formations of Asia, industrial rationalisation and rising unemployment. Such a decline of industry weakens labour and leads to the failure of much national capital, alongside a restructuring of other national capitals into international capital. This increasingly international orientation is discernible in the movement of many Australian firms into the low wage formations of Asia³⁹ and the restructuring of the subsidiaries of multinational firms towards a new international division of labour. A new world map is being adumbrated by multinational capital in particular, in which previous tendencies supporting the 'centralisation' of production within particular national formations are replaced by tendencies towards a 'decentralisation' of production in which

the big multinational company promotes its own more or less advanced division of labour, which tends to cut across the territorial division of the world into states and nations.⁴⁰

Beyond the provision of high protection levels, the Coalition regime had no strong concern to maintain within Australia much of the economic activity being lost to the Asian free trade zones. Indeed, it generally acted in support of tendencies toward decentralised production. At the same time, generous protection and other assistance was provided to many such firms and industries. The liberalisation of trade required by decentralised production could be achieved by allowing exceptions to tariff protection, such as the Complementation Scheme provided to the

multinational automobile manufacturers. This is accompanied not only by a serious weakening of labour but a weakening also of many smaller firms based on the home market. As Arrighi⁴¹ has argued,

On the one hand, the import of commodities from the less developed areas, where the relation of forces is more favourable to the capitalists, stimulates the processes of restructuring of capital which raise the level of concentration, division and mechanisation of labour. On the other hand, the opportunities presented to large industrial complexes to decentralise production on an international scale (and hence compensate for the fall of the rate of profit in one nation with higher rates of profit in others) puts them in a financially and economically stronger position with respect to other, smaller complexes which can only operate on a national scale. This fact also reinforces the tendency towards concentration in advanced capitalist areas.

National backward capital, that capital able only to compete at the national level and behind a very high protective carapace, suffered at the hands both of decreased demand and increased import competition, finding itself thus less able to compete even at the national level.

In addition, mining capital contributes significantly to industrial decline in Australia through its effects on the trade balance. Accumulation within mining capital undermines the efficacy of the tariff wall, by encouraging an exchange-rate unfavourable to manufacturing capital. A cause of the deteriorating competitive position of manufacturing capital within the Australian market since 1980 has been the tendency towards exchange-rate appreciation attributable to the growth of mining exports and investment.⁴² The growth of mineral exports increases the surplus on balance of payments, causing a tendency towards exchange-rate appreciation which cheapens imports and reduces the effective level of tariff protection. The growth of mining capital causes the exchange-rate to be higher than it would otherwise be. Currency devaluation offers only a temporary respite from this problem. Devaluation will either cause inflation or increase the balance of payments surplus, leading again to currency appreciation.⁴³ These forces operated between 1980 and 1982 to produce a conjuncture which was

very unfavourable to manufacturing capital. Over 1980-81 the exchange-rate was appreciated by 11 percent. This was associated with a massive inflow of foreign capital to finance the investment phase of the export boom.⁴⁴ The currency appreciation promoted an increase in imports, a reduction of exports and consequently an increased deficit on balance of payments. This serious balance of payments pressure, worsened by a collapse of international prices and demand put economic policy on a sharp deflationary turn.⁴⁵ 1980-81 saw the export boom at its zenith, although its nadir was soon to follow. Private foreign capital inflow soared to \$6,444 million, an increase of \$4,594 million on the previous year. The currency appreciation contributed to a \$2,772 million fall of net exports in 1979-80 prices while investment increased by \$2,292 million.⁴⁶ It has been estimated that the deflationary impact of this balance of payments position was approximately \$500 million excluding multiplier effects.⁴⁷ This deflation dramatically deepened the crisis of company failure, rationalisation and unemployment within manufacturing between 1980 and 1982. Many sections of national capital previously able to compete only at a national level and behind a high tariff wall thus suffered at the hands of both decreased demand and increased import competition, and found itself unable to compete even at this level. Through the balance of payments, the growth of mining capital resulted in a movement in economic policy away from devaluation and price inflation and towards a rising exchange-rate and severe deflation. These general effects were in part associated with a realignment of demand away from the national market and towards the international market. Bienefeld and Innes⁴⁸ have emphasised this in their article on capital accumulation in South Africa:

What becomes increasingly evident is the fact that international capital, meaning that capital which is directed to accumulation through international surplus value, presents a common front in South Africa, as elsewhere, in the sense that its interests demand policies which ensure the possibility of such accumulation. Internal activities can only yield such

incomes if these are backed by international commodities. Hence, when external markets cannot be further increased (through devaluation - L.W.) balance of payments crises increasingly demand general deflation as a cure.

A sharp deflationary turn replaced the emphasis of previous policies on devaluation and depreciation. This sharpened deflation accelerated the tendency to de-industrialisation: as general demand fell, import competition and the amount of surplus capacity increased, forcing many companies into failure and others to accept a lower rate of profit. Adjustment to this situation exceeded former attempts to prevent wage increases through monetary policy to include in addition a further rationalisation and intensification of production. Rationalisation is a response to the problem of surplus capacity or the 'overaccumulation' of capital, in which output and investment are too high in relation to the rate of profit. Import competition may be too high or general effective demand too low to generate profits sufficient to sustain the former scale of investment. Thus, rationalisation is disinvestment to reduce costs and restore profitability. Examples of rationalisation include plant closures, scrapping of capital equipment, retrenchment of labour and shortened working weeks. Little or no reinvestment in plant or machinery occurs; the only significant change to existing production and labour processes is thus a reduction of scale, "a simple reduction in total capacity".⁴⁹ Rationalisation and the retrenchment of labour shifts the balance of class forces clearly in capital's favour. The actuality or possibility of a major retrenchment of labour allows capital to impose an intensification of work on the remaining workforce.⁵⁰ Intensification is an attempt to increase labour productivity without major new investment. Intensification is intended to increase output per worker either by reducing parts of the working day not spent in production or by increasing the technical division of labour and small amounts of low level mechanisation.⁵¹ The following passage from Rowthorn⁵²

elucidates how the application of deflationary policies exerts a restraint on inflation and encourages rationalisation aimed at placing the full burden of recession onto the working class:

Demand functions as a regulator of class conflict. On the workers' side a low level of demand isolates militants from the mass of workers and strengthens the hand of 'moderate' leaders against dissenting elements. On the employers' side it reduces their ability to raise prices and may force them to revise downwards their target profit margins. So demand exerts a discipline which undermines the power of organised labour and big capital, and prevents them from pressing home their rival claims. If the two sides are really determined it may require a severe economic crisis to bring prices under control, resulting in huge surpluses of labour capacity. In the longer run, however, capitalists can escape from this situation by scrapping equipment and rationalising their production methods so that excess capacity is eventually eliminated. This throws the full cost of adjustment onto the working class, and involves the creation of a permanent reserve army of unemployed labour, sufficiently large to cow workers into submission and force them to accept the burden of taxes and import costs and provide a substantial surplus for profits. The required amount of unemployment may be much higher than the rather small, 'natural' rate envisaged by the monetarists.

The use of deflationary measures and an overvalued currency to restrain inflation shifted the conjuncture to one unfavourable to manufacturing capital. However, circumstances for mining capital had also reached a nadir. Prices and demand for many mineral exports fell simultaneously. Further action by mining capital to minimise costs would hence certainly be aimed at reducing protection of manufacturing capital. Protection increased mining capital's cost of production by raising the price of equipment and labour-power bought from within the home market, while mining received income at a lower rate, world prices on the world market. The position of mining capital in urging tariff and quota reductions had previously been a moderate one and the conflict between manufacturing and mining over protection had remained somewhat latent over much of this period. Currency devaluation and depreciation between 1976 and 1979 had tended to reconcile mining capital to a gradual rather than sudden process of tariff and quota reduction. With the collapse of world demand in 1981, the need for action on costs, particularly the

tariff, became more immediate. The deepening of the recession, deteriorating balance of payments and sharper deflation tended to bring the proponents of the social market and economic liberalism in both parties and their particular policy concerns more directly into line with general government policy. This lent government policy in this conjuncture an even stronger emphasis on the social market doctrine than previously. There was a redoubled emphasis on deflation, further reduction of the social wage, 'deregulation' of the market and the development of comparative advantage through trade liberalisation.

Initially, the government's consideration of trade liberalisation was furtive. Statements by senior ministers appeared to prefigure government acceptance of tariff and quota reduction. During May 1981 the Liberal Party backbench led by Peacock and Steele Hall instigated an examination of protection. The Cabinet monetary policy committee was commissioned to examine tariffs, while a secret advisory committee was established to evaluate the connections between protection and macro-economic policy. This committee's recommendations remained confidential, but it did consider the option of a 15 percent general tariff reduction.⁵³ However, public knowledge of this preempted any emulation of Labor's 1973 tariff cut. In addition, Treasury advice in this period favoured the reduction of protection.⁵⁴

The importance of wage reduction in the Coalition regime's strategy has previously been emphasised. This differs from the Labor regime's policy, which rather sought to stabilise the wages share of national income through an incomes policy and later a social contract, in the general context of productivity growth. As the recession deepened the Labor regime advanced a policy of wage reduction through wage indexation. In the context of worsening productivity, the Coalition regime intensified the policy of wage reduction through indexation and general deflation. Real wage reduction assumed ever greater importance

as the recession worsened. Against this background the government liquidated wage indexation in July 1981 and adopted a posture of non-intervention in the wage struggles between capital and labour in particular industries. The government's direct role regarding wages would be confined to national wage cases, the question of working hours and cases affecting the 'national interest'. Instead, wages would largely be determined through direct struggle between capital and labour within particular industries, that is, through a system of decentralised collective bargaining. The main contribution of government to the prevention of wage increases was to be an intensification of deflation,⁵⁵ ie., the provision of a general environment which would discourage wage increases through a weakening of labour. Decentralised collective bargaining offered two advantages. First, it would allow significant wage reduction to occur in industries where labour was weak, the more so since sharpened deflation would significantly contribute to a further weakening of labour in those industries affected most adversely by the recession. Second, the international character of mining capital and the dependence on the national market of national manufacturing capital helped to undermine capital's unity over its primordial and seminal class interest, the level of wages. Wage indexation had required the government to police the pace and extent of wage increases in all industries and to take an interventionist role against any 'excessive' increases. However, the obduracy of government policy and action against wage increases in particular industries was often detrimental to capital intensive firms anticipating benefits from an immanent export boom. To these industries, higher wages and shorter hours represented a smaller cost than obduracy in the face of trade union veto power. Through the abolition of wage indexation, it was intended that wage rises would be confined to booming industries without a drift to the labour intensive industries facing increased import competition. Thus both the abolition

of wage indexation and the advent of decentralised collective bargaining were premised on a much closer integration of the national economy with the international economy. In this connection, the government foreshadowed its reference to the I.A.C. on general tariff and quota reduction with the threat of tariff reductions against particular industries which were too easily pressured into accepting wage increases or shorter working hours. In March 1981, the government actually threatened use of an I.A.C. reference on the chemical industry against I.C.I. over its negotiations with trade unions concerning introduction of a 35 hour week.⁵⁶ Thus trade liberalisation was pressed into the service of a general class strategy of weakening organised labour and prevention of wage increases. However, its price would be an accelerated de-industrialisation. This strategy would replace direct government intervention against trade union power. As Andrew Gamble⁵⁷ has written of Britain, the use of de-industrialisation to 'discipline' labour and reduce wages shifts state policy away from tactics of direct confrontation and destruction of trade union power towards the need rather to 'outflank' organised labour.

The industrial decline is inexorable and no determined attempt made to reverse it. Trade union membership begins to fall and the unions are outflanked rather than confronted, their rank and file demoralised and divided by the deflationary policy. The problem of the strength of the British working class is dealt with by shifting the economy away from those sectors where union strength is greatest.

It should not be thought that the positive aim of this policy was de-industrialisation; rather, de-industrialisation would be a result of such policies, which were themselves the result of many determinations. Similarly, this policy should not be interpreted as the unilateral attempt to serve the interests of mining capital in the reduction of protection. This was a factor, although a key one, among others. The pre-eminent concern of such policies was decisively to weaken labour, to establish a new form of the politics of power in which the demands of

labour with respect to wages and social services could be circumscribed and in which the social democratic consensus about state policy could be broken. This policy offered the possibility of altering the balance of class forces to the acute detriment of labour while also reducing the attendant risks of this policy for the capitalist class by minimising the political involvement of the repressive apparatuses of the state in the achievement of these aims. The general policy of deflation was supported almost throughout the power bloc, although small capital as well as labour paid its price. However, a policy of trade liberalisation might well split the power bloc. All fractions would welcome a weakening of labour. But what would be the cost to at least some sections of capital if a major liberalisation of trade were the means?

It should be noted that this attempt to alter the prevailing form of the politics of power towards trade liberalisation began from a rather slender basis of political support and few efforts were made to expand it. The beneficiaries of trade liberalisation included international capital comprising mining and rural export capital, alongside elements of trade and finance involved with the export of minerals and primary produce. This position found much support within the Country Party, while within the Liberal Party support for trade liberalisation was more diffusely based. Although support for the interests of mining capital was an element in support of the position of free trade forces within the Liberal Party, these forces tended also to be concerned with the general intensification of the centripetal forces of recession and the broad ensemble of concerns of liberal political economy with the trade balance, the need for increased trade competition to weed out the 'lame ducks' of national manufacturing capital, and once again, to discipline labour. But it should again be said, this was a comparatively slender social basis from which to alter the prevailing politics of power, particularly with unemployment at record post-war levels and with the insecurity of

much existing employment, particularly within manufacturing. However, there was nothing furtive about the government's consideration of trade liberalisation by this time. The shift towards trade liberalisation was led by the most prominent Dry in Cabinet and minister for Industry and Commerce, Sir Phillip Lynch. In 1979 the Crawford Committee⁵⁸ had recommended that the I.A.C. be allowed to resume the Tariff Review and be commissioned to report on appropriate policies towards a general reduction of protection. The government delayed until, in the immediate aftermath of the August 1981 Budget, it sought I.A.C. advice concerning approaches to reductions in protection, bugetary assistance to industry (particularly investment and depreciation allowances) and export incentives.⁵⁹

In addition, the report sought early in 1979 into post-1984 assistance for automobiles was tabled in June 1981. The report recommended that in the longer term the automobile industry's assistance be reduced to the average for manufacturing industry. The first stage towards this was to involve the abolition of the import quotas which gave the industry a guaranteed 80 percent of the national market under the 1974-1984 plan, a reduction in two phases of the industry's 60 percent tariff to 50 percent by 1989 and a further review of assistance in 1988.⁶⁰ The automooile industry was again to be the focus of a general struggle around trade policy.

Various social forces supported high levels of protection for the industry, each acting in a distinct manner to secure this aim. The Liberal state government of South Australia and the Labor state government of New South Wales became significant for the representation and organisation of the industry's interests in the maintainence of tariff and quota protection, in relations both with the I.A.C. and S.C.I.A. Unce again, the fragmentation of the Australian State into state and federal apparatuses provided an important fulcrum for the

organisation and representation of fractional interests. As had occurred in 1974, there was an intensification of trade union activity around protection, as the fractional interests of the industry were imbricated with the interest of its workforce in maintaining its employment. Cooperation between capital and labour within the industry was perhaps most intense where smaller, more marginal firms were involved and where employment was least secure. Finally, the automobile manufacturers deployed direct lines of representation to the executive state apparatus (the Cabinet and S.C.I.A.)⁶¹. The outcome of these centripetal actions was favourable to the multinational automobile manufacturers, but were relatively unfavourable to labour, employment, and smaller national firms within the industry. Hence, free trade forces, the labour movement and marginal firms within the industry were to a considerable extent defeated by multinational firms within the industry. The decision to retain high protection levels was principally due to pressure from the multinational automobile firms and government fear of the electoral consequences of wholesale disinvestment within the industry. The multinational automobile manufacturers secured high protection on terms most favourable to them, but this did not confer a similar degree of protection either of jobs or more marginal firms within the industry. The new arrangements were particularly favourable to G.M.H.⁶² The 80 percent quota on imports would be replaced by a tariff-quota combination. A 150 percent tariff would apply on imports exceeding the quota, with this tariff decreasing eventually to 125 percent in 1992. The previous tariff level of 57.5 percent would continue to apply to imports within the quota. G.M.H. and Ford increased their share of this quota. There would be a continuation of the 85 percent local content requirement to qualify for export facilitation. Finally, in line with G.M.H.'s submissions in particular, export facilitation was widened to apply from 7.5 to 15 percent of total sales. This arrangement was a reciprocal one allowing an increase in the

duty free sourcing of components from the low wage formations of Asia in proportion to the industry's level of export activity.⁶³ G.M.H.'s latest investment had been a Melbourne engine plant through which it planned to source components from Asia and export 90 percent of its output to Britain and Europe, where assembly of the automobiles would be completed. The passage towards decentralised production and a stronger international orientation required for the multinational automobile manufacturers, maintenance of protection alongside the suspension of tariff quota protection for the purpose of sourcing and exporting components (the Export Complementarity Plan) and the importation of capital equipment under the investment and depreciation allowances. This arrangement combined protection of the local market with a higher level of importing and exporting activity, with consequent reductions in local content.⁶⁴ Under more centralised production, multinational firms had assigned a link of their production process to local capitalists. Under decentralised production, however, many such links would be exported to the low wage formations of Asia, resulting in a further decline of national capital, alongside employment loss and a general weakening of labour.

A result unfavourable to free trade forces, labour and small capital alike. During the campaign to retain tariff and quota protection for the industry, the smaller components manufacturers did recognise a distinction between their own interests and those of the multinational firms within the industry, emphasising the importance of the local components industry and the need for policies to protect it rather than simply to protect big capital. Likewise, at least some trade union representatives, particularly the A.M.W.S.U., were aware that the defense of labour could not simply echo the claims of the multinational automobile manufacturers, and were opposed to the sourcing of imports and export plans as well as wholesale tariff reduction (while it should also

be noted that other unions, notably the V.B.E.F. put a position which merely supported the claims of the multinational firms). These forces, however, were not sufficiently strong, nor in a position, to press these claims as superordinate to those of the multinational firms. As the dominant force within the power bloc, big multinational capital was best able to secure its interests. However, the weaker forces of labour and small capital did, as might be expected, influence ALP policy.

A U-turn occurred also with respect to the reference on general reductions in levels of protection. The period between the commissioning of the I.A.C. reports and their appearance in March 1982 saw the evanescence of the 'resources boom' apparition. At the same time, a worsening of de-industrialisation and rationalisation dramatised the general issue of tariff and quota reduction. The automobile and textiles, clothing and footwear industries had succeeded through pressure on S.C.I.A. in gaining exemption from scrutiny under the general review.⁶⁵ When in July 1982 the government announced that no general reductions in tariff and quota levels would take place, it was because

the capacity of the community to accommodate the economic and social consequences of such unilateral reductions is necessarily reduced in periods of subdued economic activity - and at a time when our own exporters are facing increasing restrictions on their access to overseas markets.⁶⁶

The pre-eminent consideration underlying this decision was the likely electoral impact of wholesale de-industrialisation. The government had already commenced a steady depreciation of the national currency.⁶⁷

The maintenance of quota protection would help to insulate industries such as automobiles, whitegoods and textiles, clothing and footwear from the effects of further exchange-rate appreciation. The government had at last refused a wholesale de-industrialisation through general trade liberalisation. The prevailing politics of power had been reasserted and the volte face was complete.

From 1977, the A.L.P. had begun to advance policies combining protectionism and an industrial corporatism based on the contiguity of the fractional interest of manufacturing capital in securing adequate protection with the interest of its workforce in maintaining employment. The A.L.P. advocated rejection of the I.A.C.'s Textiles, Clothing and Footwear report in 1977 and the establishment of a Textiles and Clothing Authority to replace I.A.C. jurisdiction over assistance to the industries.⁶⁸ During the 1980 election, the A.L.P. advocated the establishment of a Motor Vehicle Manufacturing Industry Authority to again replace the I.A.C.⁶⁹ In addition, the A.L.P. began to draw a strong net over the M.T.I.A. Lionel Bowen, Chairman of the A.L.P. Industry Policy Platform Committee, made an address to the M.T.I.A. in which can be glimpsed a 'tri-partist' form of interest representation combining corporatism with parliamentary government, in which the imbrication of the interests of manufacturing capital and its workforce provides a fulcrum with which to arrest the industrial decline:

The M.T.I.A. will have to wake up and realise that the survival of many of its members now depends on co-operation with the metal trades unions under the planning umbrella of a Labor Government. (The M.T.I.A. should understand) where its interests really lie and cease being out-manoeuvred by the Fraser Government and the rural and resources lobby.⁷⁰

This corporatist approach to trade policy was finally enshrined in the A.L.P.'s Prices and Incomes Accord with the A.C.T.U. This was a corporatism unlike that of the Whitlam Labor government which was directed towards the revivification of Australian industry, while the later form of corporatism was in many respects intended merely to arrest the decline and ease job loss for, as Gramsci⁷¹ argued,

the corporative trend is also dependent on unemployment. It defends for the employed a certain minimum standard which, if there were free competition, would likewise collapse and thus provoke serious social disturbances.

This corporatist structure of interest representation emerges clearly in

A.L.P. policy on the question which along with trade policy is crucial to the attempt to arrest industrial decline. This is the question of the relationship of wage levels to productivity. The A.L.P.'s Prices and Incomes Accord with the A.C.T.U. has many of the broadly corporatist characteristics described by Leo Panitch⁷², who argues that the effect of corporatism on trade union policy is

the introduction of capitalist growth criteria within the formulation of union wage policy, the central aspect being the recognition that profit is the condition for further economic growth, including that of wages. Of course, to cast the matter simply in terms of profit is too narrow. Macro-considerations for the economy as a whole enter into the formulation of wages policy via union participation in corporatist structures. Thus the maintenance of full employment, the avoidance of inflation, even the rationalisation and concentration of industry, become explicit concerns of unions in formulating wage demands.

This is the relationship of class forces which corporatism seeks to attain. This is not, however, how one would write a complete history of corporatism in advanced capitalist formations, since its structures have frequently proven unstable and brittle in the face of the conflicting demands made on them.⁷³ Nevertheless, the application of social market policies and tendencies towards economic liberalism and de-industrialisation under the previous Coalition regime, in weakening both labour and large sections of capital, have created the preconditions for what may yet prove to be the success of industrial corporatism within the Australian formation.

This Chapter has examined the main tendencies regarding protection and trade liberalisation during the latest period of Coalition government. The main features of this period are continued deterioration of the international and domestic economies, which has weakened the positions of backward national manufacturing capital and labour particularly; the rise of international mining capital with its adverse effects, through the exchange-rate, on manufacturing capital, and the failure of the mining industry to press its claims for the general

reduction of protection; the dominance of international manufacturing capital seeking maintenance of high protection for its own operations alongside some trade liberalisation to allow cheapened sourcing of components from the low wage formations of Asia and increased export activity; finally, the increased allegiance of the Coalition parties to ideologies of economic liberalism and the social market. The intensification of class and factional struggle seen over this period weakened labour and much backward national capital. The most important factors in this weakening of labour and national manufacturing capital were recession, the pursuit of deflation, increased import penetration and the liberalisation of trade in some areas, all promoting company failure and rationalisations. It remains to be considered what a government succeeding the Coalition regime and bearing the appellation 'Labor' did either to improve the position of the working class, or to continue policies detrimental to that class.

FOOTNOTES

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2. This exposition of the social market doctrine has relied primarily on Gamble, 'The Free Economy and the Strong State', op cit., 'The Decline of the Conservative Party', op cit., and 'Thatcher-Make or Break', op cit. An account of the rise of social market ideologies in the Australian Liberal Party is given in Marian Simms, A Liberal Nation, Hale and Iremonger, Sydney, 1982, Chapter 6.
3. Giovanni Arrighi, The Geometry of Imperialism, New Left Books, London, 1978, p. 137.
4. Ibid.
5. Ibid, pp. 134-5.
6. Gramsci, op cit, p. 293.
7. De Brunhoff, op cit., p. 91.
8. Ibid, p.89.
9. A.F.R., 8th September, 1976.
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12. Ibid, p.21.
13. Australian Industries Development Association Bulletin, September 1977, p. 10.
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17. Its report stated that the impetus for consideration of the issue had been "Criticisms by industry, especially during the first part of 1975, of the mode of operation of the T.A.A." Australian Financial Review, 28th January, 1977.
18. A.G.P.S., Canberra, 1976, pp. 15 and 123.
19. A.F.R., 28th January, 1977, Rec.1,B.
20. A.F.R., 28th January, 1977, para. 44.
21. A.F.R., 28th January, 1977, para. 44.
22. Glezer, op cit., p. 157.
23. See the Government's White Paper on manufacturing Industry, A.G.P.S., Canberra, May 1977, p. 24, and Australian Industries Development Association Bulletin, March 1977.
24. A.F.R. 28th January, 1977, para.48.
25. Glezer, op cit., p. 151.
26. Cited ibid, pp. 151-2.
27. Ibid, p. 151.
28. Warhurst, Jobs or Dogma, op cit., p. 59.
29. Ibid, p. 60.
30. Cited in Glezer, op cit., pp. 154 and 157-8.
31. Op cit., pp. 24-6.
32. Perkins, op cit., pp. 29-31.
33. Ibid, p.24.
34. Rowe and Forster, op cit., pp. 24-5.
35. 'Profits and Investment in Manufacturing - A Contrary View', Australian Bulletin of Labour, Vol. 6, No. 2, March 1980, p. 117.
36. The declining competitiveness of rural and mineral export capital at the end of the decade is examined in Rowe and Forster, op cit.
37. 'Thatcher-Make or Break', op cit.
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40. Arrighi, The Geometry of Imperialism, op cit, p. 143.

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54. Richardson, op cit., p. 13.
55. R. Schneider and D. Keegan, 'Wages: Canberra Backs Out', The Australian, 28th August, 1981.
56. Warhurst, Jobs or Dogma?, op cit., p. xvi.
57. 'Thatcher-Make or Break', op cit., p. 17.
58. Report of the Study Group on Structural Adjustment, Vol. 1, A.G.P.S., Canberra, March 1979, p. 59.

59. The I.A.C. reports to emerge from this reference were Approaches to General Reductions in Protection, 2 March 1982, No. 301, A.G.P.S., Canberra, 1982; Certain Budgetary Assistance to Industry, 26 March 1982, no. 302 A.G.P.S., Canberra, 1982; Export Incentives, 28 February 1982, no. 300, A.G.P.S., Canberra, 1982.
60. I.A.C., Report, Passenger Motor Vehicles and Components - Post 1984 Assistance Arrangements, 24 June 1981, no. 267, A.G.P.S., Canberra, 1981, pp. 185-6.
61. This led the I.A.C. to complain in general terms of

the increasing tendency of witnesses to withhold evidence during the public inquiry process, preferring instead to make representations to the Government after the Commission's final report has been submitted.

Annual Report 1981-82, A.G.P.S., Canberra, 1982, p. 59.

62. See 'G.M.H. Lays Down Its Terms for Survival', The Australian, 28th August, 1981.
63. The government's arrangements for post-1984 automobiles assistance are summarised in I.A.C., Annual Report 1981-82, op cit., pp. 103-118.
64. This is in many respects similar to the terms negotiated by the multinational automobile manufacturers in the peripheral formations of Western Europe, as noted by Lipietz op cit, pp. 45-46:

Once again, Ford made the 'break-through' by signing an agreement with Spain that laid the basis for a new conception of relocation. This involved not merely import-substitution for an inadequate local market, or the use of the country as a base for re-exporting operations, but a combination of the two. On the one hand, Spain would provide an expanding local market despite the relatively low norms of working class consumption; on the other hand, it would accept a reduced rate of integration (so that production segments became less dispersed) in return for a clear commitment to produce and re-export in massive quantity a certain number of components. Thus, in the 1972 'preference agreement' or 'Ford law' lowered the minimum rate of integration from 95 to 66 per cent, while Ford undertook to re-export two-thirds of output and to increase its sales in Spain by no more than 10 per cent. At the same time, the government accorded major facilities for the importation of machine-tools. When General Motors also set up local factories, Spain became the great 'region III' of the European motor industry. In Portugal, Renault negotiated a variant of the 'Ford law', expanding and building four engine and vehicle plants (13,000 new jobs). In effect, the government extended a certain protection to the Renault subsidiary, whose share of the internal market rose from 12 to 30 or 40 per cent. But three-quarters of the 300,000 locally produced engines were re-exported to Northern Europe. More generally, it has been estimated that, in ten years' time, this new relocation strategy will encompass 15 per cent of world output. The resulting loss of jobs in the industrial heartlands will be partially offset by a rise in tertiary, conceptual employment. But if

output remains constant, the balance-sheet will be extremely negative.

65. I.A.C., Approaches to General Reductions in Protection, op cit., pp. 141-2.
66. 'Statement on Taxation and Industry Assistance Measures', Prime Minister's Media Release, 19th July, 1982, cited *ibid*, p.4.
67. Richardson, op cit., p. 9.
68. Warhurst, Jobs or Dogma?, op cit., pp. 63-4.
69. *Ibid*, p. 68.
70. 'A.L.P. Woos Captains of Industry', Australian Financial Review, 27th October, 1981.
71. Gramsci, op cit., p. 294.
72. 'Trade Unions and the Capitalist State', New Left Review, No. 125, January 1981, p. 33.
73. *Ibid*, p. 35.

CONCLUSION

The Hawke Labor government was elected in 1983 largely to restore economic growth. A major element of its programme for economic growth was its commitment at least to arrest the process of industrial decline, while some, such as Bowen, Minister for Trade, vaguely favoured an extension of this commitment into one of re-industrialisation. This commitment to reverse industrial decline was perhaps the major concern of the Prices and Incomes Accord between the A.L.P. and the A.C.T.U., which included an undertaking to maintain trade barriers at least while unemployment remained high. While the government is still in its early life, the emphases of its economic strategy thus far indicate a repudiation of re-industrialisation. Rather, Labor under Hawke appears prepared to go further than its predecessor in attempting to restructure the Australian national economy along lines which correspond objectively to the interests of the largest and usually foreign capitals.

The Hawke regime is seeking a restructuring of manufacturing industry much more toward perceived sectors of high technology and growth potential. The 'white heat of technology' which held a sanguine Harold Wilson in awe with the promise of securing growth within the enfeebled English economy of the middle 1960s, today influences many of Labor's major policy makers. This shift to promotion of high technology has been encouraged by policies advanced by the Minister for Industry and Commerce, Senator John Button, and the Minister for Science and Technology, Barry Jones, in particular. For example, in September, 1983, policies were announced to support 'sunrise' industries, including increased loan and development capital to be made available through the Australian Industries Development Corporation, and major taxation incentives for technological innovation.¹ This was also a motive in Button's review of the I.A.C., which, as an institution imbued with a

free market ideology, was unprepared to give advice which was appropriate for the encouragement and assistance of priority areas of investment. The review of the I.A.C. was intended to reshape its approach so as to provide advice and information needed for an interventionist strategy seeking to direct resources for new investment away from enfeebled sectors of manufacturing and towards high technology. The I.A.C.'s recommendation for reduced assistance to manufacturers of computers and robots in October, 1983 exemplified this issue.² The perspective adopted within these policies is the opposite of conservation, envisaging as they do increased and continuing job loss in industries dominated by backward capital, but seeking to expand employment in newer, more advanced areas involving high technology.³

In August, 1983, the movement of the government toward lower protection provoked conflict between Cabinet and the Industry Committee of Caucus. The Caucus was conveying not merely its own misgivings, but those too of the Metal Trades Industry Association and metal unions, that the A.L.P.'s industry policy was not being implemented. The Industry Committee attempted, with little success, to limit Button's field of action to the protectionist priorities of the A.L.P. Industry Policy.⁴ In the following month, Hayden described existing trade policy as "embalming geriatric industries in the forma dehyde of protection". He continued:

My view is that fundamentally our economics have got to be right. I don't mean tinkering with budgets, I mean the structuring of our industries.⁵

In response, Bowen argued that Australian manufacturing was not highly protected, since legitimate international comparison needs to take account of non-tariff forms of protection.⁶ Late in November, the Director General of the General Agreement on Tariffs and Trade, Arthur Dunkell, urged Australia to reduce its trade barriers unilaterally and to

waive stipulations for overseas competitors to reduce trade barriers comparably and simultaneously. This proposal was rejected by Bowen.⁷ Finally, during his late 1983 tour of Asia, Hawke gave his imprimatur to the case for restructuring and trade liberalisation.⁸ Hawke repeated this during his visit to Japan early in 1984. Even though greater immediate job loss would be the cost, restructuring was the only medicine sufficient to restore the patient to health and to secure the general interest in growth. There is every reason to believe that the present government will go considerably further than its predecessor in reorienting the Australian national economy toward the international economy. For, it can be said of this Labor government more than any other, that whatever appearance of 'radicalism' it might still hold for some, it is a radicalism which seeks to rationalise and improve the status quo, rather than pose any political challenge to it. While the government has provided limited term protection to the steel industry, for example, it is the context of a definite shift to lower protection in the quite near future, alongside increased government assistance intended to promote technological innovation, productivity growth and greater international competitiveness. As Button explained in Parliament,

The Government came to office undertaking that there would be no general reduction in protection in the period of the current economic downturn...and that in the longer term the Government would look to a more general reduction in protection at the same time, or subsequent to setting in place a number of more positive industry assistance measures, which the Government is in the process of doing.⁹

The shift away from the conservation of industry is also evident in issues of monetary management and the exchange-rate. True, the government effected a 10 percent devaluation of the national currency in March, 1983, within days of its election to office. This was not, however, a devaluation intended to protect industry. Rather, it was intended to encourage the return of foreign money capital which had left

the country during and shortly after the election, sensing the opportunity to speculate against the Australian dollar. In short, this was a devaluation in favour of the foreign money markets rather than national manufacturing capital, and in the following months there was a steady appreciation of the currency to its pre-devaluation level. In December 1983, the government announced far-reaching measures of 'deregulation' of the money markets and banking. First, the Australian dollar was floated, in contradiction of A.L.P. policy. Second, the government liberalised conditions of entry and operation of foreign banks.¹⁰ These deregulatory measures are intended to lay the basis for a major centre of international finance located within Australia, as British sovereignty over Hong Kong passes over to the Peoples' Republic. A further rationale of the float was to give the government greater control of the money supply and inflation by reducing the effect on the national economy of speculative money movements, and forcing speculators to speculate against each other, rather than the national currency. The float prompted protest from the A.L.P. Caucus Industry Committee Chairperson, Dr. Andrew Theophanous, who emphasised the float's effect on manufacturing industry. By making imports cheaper, the revaluation likely to accompany the currency float would further undermine competitiveness and investment in manufacturing. He continued:

This could undermine the production process inherent in the Government's industry policy, further reducing employment in manufacturing.¹¹

Rather than short-circuiting the effects of speculation on the national currency, Theophanous correctly argued that the float might supply speculators with "a decisive influence on Australia's monetary system".¹² This is then a government which is not prepared simply to conserve, one which is prepared to go further towards a 'free market' than its conservative predecessor. As Alexander Downer, spokesperson for

the Australian Chamber of Commerce aptly put it:

A government has at last had the courage to drag Australia into the mainstream of the world economy and by doing that it will benefit business, employees and ultimately the unemployed.

It is ironical it has taken a so-called social democratic Government to take this step, while for years the free enterprise parties have resisted.¹³

It is a rare thing indeed, to find representatives of capital themselves glimpsing and articulating the positive role of social democratic reform from the point of view of the class interests of capital!

This thesis has revealed that the shape of Australian trade policy has never been a question merely of narrow 'economic' issues. Rather, trade policy has been shaped by the balance of class forces and interests, and the particular forms of their representation at the political and ideological levels. The changing forms of Australian trade policy are inseparable from the conflict between the interests of different fractions of capital, and the particular forms of political and ideological hegemony exercise by capital over labour and other subordinate groups within the economy and society of Australia. The present reorganisation of the Australian economy and society overseen and encouraged by a Labor government is one which decisively favours the interests of big and multinational capital to the acute detriment of labour, the social movements, and small capital. Once again, the logic of the market is sovereign: what cannot show a profit should not exist. This reorganisation cannot effectively be resisted by labour from the corporative and economist position which it traditionally has held. What is required to make trade, industry and other state policies more adequately secure the interests of labour and the social movements is a major shift in the balance of class forces toward labour in Australia. Such an alteration of the balance of class forces would be reflected predominantly in an extension of democracy and collective decision-making

down to the workplace and locality, and the exercise of greater mass control over the policies of government. An example would be where a large company is required to secure the approval of its workers and the government for its future investment plans. This would be a condition for the provision of such public assistance as tariffs. Similarly, the provision of public assistance could be the fulcrum for an extension of the public ownership of industry. Private capital would be adequately taxed, transfer pricing made illegal, and attempts to withdraw capital from productive investment or moved off-shore, prevented. The provision of public assistance may then be a quid pro quo for expanded democratic control. An incomes policy and the stabilisation of wages is also likely to be the price paid by labour in this negotiated balance of forces between the principal classes. This would in turn necessitate guaranteed levels of government spending on welfare, social amenities, public education, and so forth. Tony Benn¹⁴ has described to Eric Hobsbawm his view of democratic socialism in Britain:

Now you ask what democratic socialism is. It is an attempt first to find answers to the current problems of the crisis by defending working people against the policies of the government. It tries, through struggle, to generate a grass-roots leadership and a perception capable of carrying forward a policy that will reconstruct, and in parallel transform, the power relationships in industry and in society, not just as between capital and labour but as between government and governed. It is both a democratic and socialist campaign that we are engaged in launching.

A democracy, one should add, that would help to organise labour as a class, rather than its dissolution and decomposition into the anonymous monads of the bourgeois body politic. This would offer to the Left a chance to develop the forms of political intervention by the labour and social movements upon which a mass socialist movement could develop, rather than socialism itself. It is possibly the beginning of a 'historical bloc' (Gramsci) of social forces organised around labour, capable eventually of laying claim to the leadership of society. It is a

strategy which pushes back the frontiers of control and decision-making by private capital without however, eliminating most of the powers of private capital or the private ownership of industry, commerce and banking, from whence these powers arise. It is a strategy to alter the balance of forces to the advantage of labour within what remains a capitalist social formation. Finally, however, it is only in a socialist society that decisions about trade policy, like other state policies, can be made to fully enhance human capabilities, rather than the service of profit and private capital.

FOOTNOTES

1. See Ian Cannon, 'High tech fillip to reshape industry', Australian, 27th September, 1983; John Durrie, 'Sunrise tax package is key element in Government's two tier industry policy', Australian Financial Review, 15th September, 1983; Brian Coombe, 'Venture capitalism no game for the faint of heart', Australian Financial Review, 4th October, 1983.
2. See David Potts, 'Now its the IAC's own survival that's at stake', Australian, 24th October, 1983; 'Industrial expert to investigate IAC's role', Australian, 4th August, 1983; Deborah Snow, 'IAC receives ministerial blast over policy on new technology', Australian Financial Review, 28th September, 1983; John Durrie, 'IAC's Hitech hardline', Australian Financial Review, 19th October, 1983, 'Call seeks to widen IAC research role', Australian Financial Review, 13th October, 1983, and 'Industry and Commerce urges "dismantling" of IAC', Australian Financial Review, 2nd November, 1983; Robert Bowden, 'Government slams IAC over protection', Australian, 2nd November, 1983.
3. Cannon, op.cit.
4. See Peter Gibson, 'Button under fire for "ignoring party policy"', Australian, 17th, 1983.
5. Deborah Snow, 'Hayden's Industry Policy Blast', Australian Financial Review, 13th September, 1983.
6. See 'Hayden took long-term view of protectionism, says Button', Australian, 14th September, 1983; 'Protectionist charge unjustified - Bowen', Australian, 15th September, 1983; Deborah Snow, 'Two Schools of thought in the Government on protection', Australian Financial Review, 14th September, 1983, and 'Australia Least Protective', Australian Financial Review, 15th September, 1983.
7. See Lim Say Boon, 'GATT Chief warns Australia on protection', Australian Financial Review, 30th November, 1983; Robert Bowden, 'Bowen rejects call for unilateral tariff cuts', Australian, 1st December, 1983.
8. See Brian Hill, 'Hawke echoes Fraser with Free trade call', Australian, 23rd November, 1983.
9. See 'Hayden took long-term view of protectionism, says Button', op.cit.
10. See David Potts and Ian Perkin, 'Dollar expected to float up by 2 percent today', Australian, 12th December, 1983; Editorial, 'Payments balance and the float' Australian Financial Review, 14th December, 1983; P.P. McGuinness, 'Gambling on the Dollar', Australian Financial Review, 17th October, 1983; Edna Carew, '\$A Sledgehammer', Australian Financial Review, 7th October, 1983, and 'Exchange rate changes whet market's appetite for financial reforms', Australian Financial Review, 21st November, 1983; 'Wage indexation and the Dollar', Australian Financial Review, 26th October, 1983; various articles on the float, Australian Financial Review, 12th December, 1983.
11. 'Why didn't the Treasurer ask us - MP?', Australian, 12th December, 1983.

12. Ioid.
13. Quoted in Potts and Perkin, op.cit.
14. See Martin Jacques and Francis Mulhern (eds.), The Forward March of Labour Halted?, Verso Editions and New Left Books, London, 1981, p. 89.

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