This is the published version:


Available from Deakin Research Online:

http://hdl.handle.net/10536/DRO/DU:30073111

Every reasonable effort has been made to ensure that permission has been obtained for items included in Deakin Research Online. If you believe that your rights have been infringed by this repository, please contact drosupport@deakin.edu.au

Copyright: 1999, Australian Manufacturing Workers’ Union Victorian State Office
What *kind* of open Australia?
Lindsay Tanner's book *Open Australia*, published in February 1999, and embraced with much fanfare in the media, especially by pro-business commentators, represents a disturbing departure from the policies of the Left and from the kinds of policies now needed to advance the interests of Australian workers.

The effective argument of this book is that globalisation is happening to such an extent and so inevitably that unions and Labor governments must abandon their traditional aspirations to substantially moderate and restrain the inequalities and injustices which the free market generates – and, moreover, move away from a class based approach. Government must play a much weaker role than in the past – be a mere “facilitator” to make the market economy more efficient. To facilitate means to make easier. The question which Tanner’s analysis unfortunately begs is: what should government make easier? Should they for instance make it easier for employers to exploit workers, or easier for workers to protect, improve and better control their wages, hours and other working conditions?

The following passage from the book in relation to industrial relations is typical of the book’s general tone that because change is happening we must largely surrender to it, rather than fundamentally intervene in and shape it. Tanner writes (at pages 139-140) that

Australia’s traditional industrial relations system is beginning to unravel. Within little more than a decade we have moved from a fully centralised system of comprehensive awards prescribing most terms and conditions of employment to a world of enterprise bargaining, individual contracts and simplified awards performing a largely residual role.

As union officials often point out, some of these changes occurred under a Labor government. Yet although this agenda of deregulation and decentralisation has clearly been influenced by right-wing ideological imperatives, it is largely a response to the impact of technological change and the new economy.

The Australian award system in the 1980s reflected the workplace and production process of the 1950s…In the one-dimensional world of the industrial age, this comprehensive prescription was sustainable. Now the diversity, flexibility and changing skill requirements of the new economy are undermining the award system.

In response, he only wants “to sustain the safety net function of the award system” (p 141; my italics) and pays mere lip service to the goal of “sustaining an industrial relations system which reduces inequality and prevents exploitation” (p 142).

**Technological determinism**

In his version of the changes that have taken place in industrial relations, as in so many other areas, Tanner attributes a great deal to technological change.
For example: “globalisation is an essentially unavoidable reality driven by pervasive technological change” (p 12); the “apparent loss of regulatory power by national government is primarily driven by technological change” (p 93); “technological change has made the price for crude subjugation of the market too high” (p 55). He uses the obvious fact that many new technologies have emerged as a pretext to abandon all sorts of fundamental political goals.

Is it really technological change which is driving de-industrialisation and closures e.g. of Gloweave (pages 88-90)? The Textile, Clothing and Footwear (TCF) Union says drastic tariff reduction was the crucial factor in that closure and challenges Tanner’s other assertions that “the threat of cheap labour undermining western living standards is exaggerated” (p 89) and that “cheap foreign labour is not quite the threat to Australian jobs that it is made out to be” (p 90). The rapid growth in the numbers (now estimated at 300 000) of garment outworkers inside Australia using very basic technology due to the much lower wages they can be paid in our newly “flexible” labour market is absent from Tanner’s analysis. The extent of the accuracy of his broader claim that “many of the manufacturing jobs lost in the eighties were destroyed by technological change, not tariff cuts” (p 110) would also be queried by many other unions.

Were the Hawke and Keating governments’ policy decisions in the 1980s really “driven in the most part by technological and structural change” (p 103) as he claims? The constant parading throughout the book of examples of the dazzling array of changes and new gadgets emerging with the spread of information technology tends to distract from some more fundamental features about the context of their introduction and application.

Tanner acknowledges that to some extent the “agenda of deregulation and decentralisation has...been influenced by right-wing ideological imperatives” but tries to play down the extent to which it has been a politically driven strategy reflecting the dominance of New Right or neo-liberal ideas and to play up the view that it is the natural course of economic evolution. Tanner follows and endorses the line of senior Australian newspaper journalist Paul Kelly, and right-wing New South Wales union officials Michael Costa and Mark Duffy, that the policy changes of the 1980s were inevitable responses to external events and influences.

Tanner regularly refers to the industrial world disappearing (e.g. “as the industrial world fades”, p 98), overlooking the crucial fact that while the nature of the work has changed the new areas of work are also themselves “industries” (as he himself elsewhere refers to them), the unequal class relationships of industrialism are essentially still there and therefore the past Labor and Left goals of making these relationships more equal – even though they were pursued in the past – remain acutely relevant.

Tanner says that “Labor requires a new...philosophy which is universal rather than class-based” (p 98). Should class, albeit in changed forms and identities, really no longer form the basis of our philosophy given that the most disadvantaged members of society need a special voice and extra attention
which will be lost in an amorphous “universal” approach? The fact that the manual or blue-collar working class has long been shrinking in relative size does not mean the end of the need for a class approach, as the white-collar working class in clerical, sales and services jobs has been rising at the same time.

Industrial relations

Tanner also uses the word “flexibility” without identifying who the flexibility is for. He apparently believes that “part-time, casual and temporary employment have flourished, partly in response to greater needs of flexibility in the production process, partly reflecting employer and employee demand, and partly in response to the needs of a massively increased number of post-secondary students” (pages 118-119). He makes no mention of the fact that the particularly rapid explosion of casual employment in Australia in the last decade (it has doubled to 26 per cent of all employment, giving Australia the highest rate of casual employment in the OECD behind Spain) is because labour market deregulation has occurred, and that it reflects the increased power of employers to impose precarious employment on workers, which suits the employers’ needs but is hurting workers.

It is in the name of “flexibility” that employers have used their growing power in the less regulated labour market to impose excessive, unpredictable and increasingly unpaid working hours on employees. Yet Tanner continues to misrepresent and attack in an extraordinarily prominent way the genuine and energetic attempts by many on the Left and the huge effort now being put in by numerous unions to tackle the growing unfair distribution of, and stress at, work as one element of a multi-faceted strategy to tackle unemployment and unfair industrial relations. He ignores the mounting evidence that the problem of increased and unpaid overtime is far more widespread than among managers and professionals (see for example Australian Centre for Industrial Relations Research and Teaching, Australia at Work, Prentice Hall, 1999, p 111) and continues to criticise the idea of a “mandated reduction in working hours” (p 120) even though this was never in fact advocated by those in the ALP who successfully sought inclusion in the new 1998 platform of a variety of more sophisticated measures for a fairer distribution of work.

Contradictions in economic policy

There are some fundamental contradictions in Tanner’s approach to economic policy. He says he supports the strengthening of public sector employment in depressed regions, and parts of the book profess support for greater public investment in infrastructure (esp. pages 129-133) and more resources for schools (Chapter 5) but Tanner is elsewhere unwilling to face up to and act for the fiscal outlays that such commitments actually require. He has for instance argued against some of the most important measures which are actually needed to tackle unemployment, declaring that:

Previously useful mechanisms such as monetary and fiscal policy now have limited impact because of internationalisation. Unduly low
interest rates are likely to diminish saving and provoke a capital flight. High budget deficits will tend to produce similar effects” (“Populism and Rationalism”, May 1997, pages 1-2.)

What principal economic policy instruments then are we left with? Despair?

Industry policy

After noting that “between 1988 and 1996 Australia’s trade-weighted average tariff fell from 19 per cent to 5 per cent”, Tanner asserts that “contrary to popular mythology, similar reductions have occurred in most of our Asian neighbours over this period” (p 66). (His documented source for this assertion is a Ross Gittins newspaper article, “Tariff Myths Down for the Count”, Age, 18 September 1997.) Hidden in the book’s endnote is an acknowledgement that “administrative and other non-tariff barriers are still common in our Asian neighbours”.

Even on the figures Gittins uses, however, the overall trade weighted tariff in China stands at nearly four times the level of Australia’s. Tim Colebatch, The Age Economics Editor, has consistently and meticulously documented how Australia unilaterally reduced tariffs at a much more rapid pace than other nations in the 1980s and early 1990s, and the dislocation which this caused, particularly in the area of textiles, clothing and footwear, where there have been massive job losses in Australia as tariffs have been cut to the advantage of imports from China.

Colebatch (e.g. in The Age, 17 September 1997) has also pointed to OECD figures showing that Australia has suffered the largest decline in manufacturing output and employment of any Western nation in the 25 years since Australia’s program of particularly rapid tariff reduction commenced.

Such evidence cannot be lightly written off as “popular mythology”.

Tanner puts forward some good ideas about a more sophisticated industry policy role for governments in enhancing “quality, innovation…marketing and management skills” (p 111) and says that “industry policy should focus more on…factors…such as research and development” (p 108); however, he opposes tax concessions (p 110) and supports criticism of the former Labor government’s Research and Development tax concession.

In a particularly obvious offering to the economic “rationalists” he also rejects the (AMWU-initiated) policy which the ALP took to the 1998 election to replace the notorious Productivity Commission with a new National Development Authority, in favour of keeping – and merely tinkering with – the existing Productivity Commission (p 112).

In his tendency to set up a dichotomy between “old” and “new” jobs the substantial overlaps between the new information technology industries and what has conventionally been called “the manufacturing sector” are also lost sight of.
How to respond to Hanson

At the very time in 1997 when leading ALP figures were supporting the efforts of the TCF unions and local municipal councils from areas employing large numbers of TCF workers such as Melbourne’s northern suburbs to stop further rapid tariff reduction – a campaign which succeeded in forcing the Howard government to reject the Productivity Commission’s preferred recommendation and freeze tariffs at their present levels until 2005, similar to what had earlier been achieved in the automotive industry – Tanner circulated a paper ("Populism and Rationalism") suggesting that Labor’s focus on preserving these tariffs created “a serious risk that Labor will become prisoners of populist nostalgia such as that peddled by Pauline Hanson”.

Also in that paper, Tanner declared that

we must avoid becoming economically irrational, lapsing into mindless populism…If we adopt such a stance we will be virtually indistinguishable from Pauline Hanson on economic issues. We should not delude ourselves that there is no link between her virulent racism and economic nostalgia. The two are very closely related, and difficult to separate…[we want] new ideas and initiatives, not a trip down memory lane arm-in-arm with Pauline Hanson. ("Populism and Rationalism", pages 1, 9.)

Naturally people concerned about the job losses which would result from further rapid tariff reduction for TCF workers – many of whom were migrant women from non English-speaking backgrounds – objected to his outrageous suggestion that they were colluding with racists by seeking to protect those jobs. Accordingly, the language is toned down a bit in the book, but the essential argument remains the same and remains wrong.

A much better analysis of the relationship between Pauline Hanson’s economic and racial policies, and how to respond to them, has been put forward by Judith Brett who emphasises that, while in 1996:

Labor did not convince blue-collar Australia of its cultural agenda of multiculturalism and racial tolerance …it has not convinced them of its economic agenda of deregulation, internationalisation and privatisation, either. What they see is declining income, rising unemployment and an increasingly uncertain economic future. This provides an opening for Labor to start to rebuild its support among working-class Australians without having to concede any cultural ground at all. Economic policies clearly distinguished from Mr. Howard’s in giving a positive role to government in building industry and providing employment would quickly win back much of the support it lost. (Age, 11 October 1996.)

In the 1998 election One Nation captured more than 8 per cent of the primary vote in the House of Representatives. This surge of support for the new One Nation party, compared with the modest improvement in Labor’s own primary vote, confirms the strong undercurrent of dissatisfaction with the mainstream
political system and the policies which have been pursued by both major parties. The ALP needs to better recognise this, and its deep and wide-ranging causes, if that undercurrent is not to gather further momentum, and in particular the ALP needs to absorb the research evidence which is starting to emerge that support for One Nation is coming from blue-collar workers, people living on the fringes of urban areas,

Mainly men over 50…and people with little or no tertiary education. Most of them have jobs but fear losing them. In short they are the classic cast-offs of the new global economy – information-poor people who occupy none of the symbolic, transportable and uncommonly well-paid professions such as law, high finance and various consultancies – and have little chance of ever catching up. (R. McGregor, “The Great Divide”, Weekend Australian, 4-5 July, 1998, reporting on the findings of Murray Goot, which are set out in detail in Goot’s Chapter, “Hanson’s Heartland: Who’s for One Nation and Why”, in R. Manne (ed.), Two Nations: The Causes and Effects of the Rise of the One Nation Party in Australia, Bookman, Melbourne, 1998, pp 51-74. See also R. Davis and R. Stimson, “Disillusionment and Disenchantment at the Fringe: Explaining the Geography of the One Nation Party Vote at the Queensland Election”, People and Place, Vol. 6, No. 3, 1998, pp 69-82.)

Tanner readily dismisses alternative views as “populism”. This can very easily become an elitist label to tag other people’s different views. When there is public support for something you disagree with, you call it “populist”; when there is public support for your own views, you call them democratic.

At times he acknowledges that “our elite media appear to have little understanding of the causes of the Hanson phenomenon and little direct experience of the realities of life experienced by those who support her” (p 27) and correctly says that to see off the One Nation Party we need “coherent strategies for dealing with the economic problems which strengthen its support” (p 28). Yet in the very same breath he himself dismisses the views of One Nation voters as “deeply irrational” (p 27) – rather than sufficiently acknowledging that Hanson is gaining support because the ALP really did move away from a focus on jobs and security in the 1980s and early 1990s. There is nothing irrational about people who have lost their jobs, and been unable to find new ones, protesting about the failure of the political parties they have traditionally supported to do more to alleviate their plight.

**Inconsistencies and imbalances**

This book shifts in style from narrow economic analysis and jargon (e.g. at p 100 of the book it says that one of the main things to determine public ownership is “the externalities associated with production and consumption of the product”), to detailed prescriptions in particular portfolios, including education; communications and information technology (this section has one of the most solid and worthwhile sets of proposals although Tanner’s support for selling off further components of Telstra at p 179 will be highly contentious given the damage Labor’s equivocations on privatisation have already done to the ALP’s ideological coherence and ability to hold core supporters;
environmental issues (where Tanner maintains a position consistent with his long-standing record) to broader, more readable cultural diversions.

Tanner says that "multiculturalism" was inaugurated in the 1980s and early 1990s (p 20) when in fact it was officially inaugurated in 1973 following mass migration of people from non English-speaking backgrounds over the preceding decades. The lack of a true historical perspective in his analysis more generally can be seen in statements such as "we are witnessing the gradual emergence of new Australia and the slow decline of old Australia. The Anglo Australia of factories and farms is giving way to a multicultural, cosmopolitan Australia of offices and cyberspace" (p 22). In fact, people from non "Anglo" backgrounds have long been very disproportionately represented in the workforce of Australian factories. Some things that have in fact been happening over decades are put together in Tanner's analysis with newer developments and made to seem as if they are all happening just now, crowding in on us and irrevocably constraining our current political choices.

He says that at the 1996 Federal election "Labor made the fatal mistake of campaigning as the architect of change" (p 20) thus alienating traditional supporters, but then advocates exactly the same kind of approach, to an even greater extent, in the future.

He embraces the concept of "post-materialism" which was developed in the early 1970s to describe the phenomenon then of people increasingly voting according to issues beyond their immediate material well being (this having been largely satisfied) and says the concept now has "increasing importance" (p 79). Arguably however this concept has been rendered out of date by the return of major material grievances – in particular the return of entrenched high unemployment – since the early 1970s, which is particularly hurting the kind of people from Labor's traditional constituency some of whom are now (together with aggrieved former supporters of the National Party) registering a protest vote for the One Nation Party.

The book describes lots of economic, social and cultural changes along much the same lines that earlier writers like Barry Jones in Australia and Robert Reich in the US have long been doing.

We can agree absolutely with Tanner's support for higher immigration to make Australia a stronger nation and to build a more sound long-term employment base, and there is much merit in many of his proposals for political reform, including of ALP internal structures. We can agree with the focus on measures to boost demand in depressed regions and to promote labour intensive green jobs. We can agree with his support for the proposed Tobin tax on international financial transactions; and his in principle view that "Australia should be a vigorous proponent of fair international regulation" (p 115).

We can also agree with his supporting the work that has been and is being done to broaden out the conventional measures of economic growth and progress beyond the narrow and misleading GDP. But how about supporting
some broader measures closer to home when it is harder and counts for more – such as the way the Budget deficit is measured. The American economist Professor Robert Eisner for instance makes the point that the apparent size of a Budget deficit for a given financial year is, in its real economic effect, reduced greatly in size (and often turns out to be a surplus) once adjusted for the effect of inflation. There is a pressing need for more meaningful measures of national government expenditure which factor in the positive employment and other real economic outcomes of outlays, and the negative effects of Budget cuts on jobs and services.

Instead, however, Tanner tends to use the need for international action as an excuse not to take action nationally – e.g. he states that

The focus of economic debate has already shifted to the international level. The current threat of deflation, and the need to reinflate much of the global economy, is being addressed internationally. The larger economies are now so interdependent that unilateral national action is increasingly hazardous…Parties of the left should seize the opportunity to pursue an international regulatory agenda rather than lapsing into the nostalgia of national sovereignty politics. As the capacity to modify market outcomes and restrain the power of capital at the national level gradually recedes, social democratic parties have no choice but to internationalise their efforts” (pages 116-117).

They do however have a choice to do much more than just internationalise their efforts. The need for greater international efforts should not be exclusive of more concerted regulatory, interventionist actions nationally and – crucially – at the local level as well, as John Wiseman indicates in the concluding chapters of his recent book (Global Nation? Australia and the Politics of Globalisation, Cambridge University Press, 1998).

Tanner creates a totally unacceptable and grossly oversimplified choice between Paul Keating or Pauline Hanson (pages 38-39), which puts nearly the entire Left together with – or indeed even represented by – John Howard in the irrelevant middle. He wrongly poses the central question today as being whether Australia is to be an open or closed society, when in fact the real question is what kind of open society Australia is to be. There are no serious proposals to close Australia off from the rest of the world or to spurn outside ideas or influences, but there are still aspirations and good ideas about how to make Australia fairer, more equal and to tackle exploitation elsewhere, and there is a protest vote against the major parties’ failure to bring such concerns to the centre of their policy priorities. The issue is how we shape, guide and strategically intervene to promote some kinds of positive change and discourage other, negative changes.

Tanner asserts that the trends towards “increased income inequality…throughout the western world…were moderated significantly by the policies of the former Labor government” in Australia (p 69). In some policy areas this is true – such as in social security where the introduction of the Family Allowance Supplement moderated rising market-driven income
inequality. However in other areas of policy it is quite untrue: including many of the major macro-economic policies from 1983-90, and the shift to a radically more deregulated labour market in the last phase of the Keating government.

The book jumps around a lot criticising other people’s attempts to deal with these difficult issues without itself offering a better alternative.

**Economic “rationalism”**

Tanner says that

The facile notion that the Australian economy is a static entity in the process of being subjected to various ‘economic rationalist’ policies should be dispensed with. The policies described as economic rationalism are essentially a response to these changes, not their cause. They are occurring in various forms throughout the world, and in part are unavoidable (p 94).

He takes the view that “whereas the Liberal Opposition was ideologically committed to economic rationalist policies, an essentially pragmatic Labor Government was driven to this position by overwhelming changes in the global economy” (endnote 81, p 227), thereby rejecting the work of others which has shown the extent to which that position was in fact taken largely as a result of the ideological capture of the senior public service (See M. Pusey, *Economic Rationalism in Canberra: A Nation Building State Changes its Mind*, Cambridge University Press, 1991) and the lack of developed Left alternative strategies.

Tanner also ignores the significance of the fact that the neo-liberals were able to actually claim the mantle of economic “rationalism” with little effective opposition. To describe a particular group as “rationalists” suggests that there is only one type of rationality, when in fact people can come to widely varying conclusions on the basis of equally rational arguments. It also implies that opposing groups are irrational.

Many neo-liberals who have styled themselves as economic “rationalists” do not really see it as irrational that officially nearly one tenth (and on broader measures one fifth) of the nation’s workforce are unable to contribute to its paid productive output. Indeed many see it as a rational thing because it helps control wages and impose work discipline on those who do have jobs. Socialists on the other hand view such languishing of human resources and talents as fundamentally irrational as well as immoral.

**Tackling unemployment**

Tanner notes that “the future of mass employment lies largely in human services” and that “most of these services are delivered by the public sector which is struggling to keep pace with mounting demand” (p 127), without even acknowledging that the reason these public sector services are struggling to keep pace with mounting demand is that they have been cut to the bone by
governments, not because of technological change, but rather to gratify the overarching ideological quest for budgetary cuts.

His response to the crisis in our hospitals, community service delivery agencies and under-resourced home and community care programs is not to restore adequate funding (which is also a key necessity in order to make serious inroads into unemployment) but rather just to say that “increased private involvement in the human services sector is probably inevitable, and may enhance its job-generating effects if a public framework of access and equity can be maintained”(p 127).

In reality, there are many areas of human need which are not going to be adequately serviced by the private sector because they are not inherently profitable, and accordingly there has to be a commitment to deliver more services through the public sector both to meet the needs of our people, and to boost employment.

Where to now?

The ALP under Kim Beazley in its first phase of Opposition in 1996-98 built on and consolidated the partial movement back to some of Labor’s policy traditions which was taking place in some areas in the 1992-96 phase of the Labor government – placing emphasis on full employment as the paramount objective of economic policy, supporting greater public investment in health and education, picking up many of the Left’s positions on industry policy and also, significantly, returning to a strong commitment to centralised wage-fixing.

This approach, and Kim Beazley’s personal embodiment of a more humane and caring Labor style than Paul Keating, aided the ALP’s recovery of some support at the 1998 election following the heavy defeat in 1996. Tanner however appears to be fundamentally uncomfortable with this approach, rebuking it as “populist” and preferring to go back to much the same agenda which Labor adopted in government in the 1980s and early 1990s.

More generally, a view seems to have taken hold in various quarters in Canberra since the 1998 election that, having had a brief dalliance with Labor’s core supporters and their concerns since 1996, it is now time to get back to the serious business of implementing the neo-liberal agenda and giving the people what is good for them – whether they like it or not. If this attitude is allowed to prevail it will create very serious setbacks to the progress Labor has made since 1996, and substantially lengthen our likely time in Opposition.

What the ALP should now do is develop further, more thoroughly, more credibly and more innovatively in the direction it was taking from 1996-98 in its next phase, and not revert to the 1980s policies, if it is to continue to rebuild support and create the kind of open Australia that many in the Left have always striven for: one of fairness, equality, decent public services and resources and the fullest possible employment.