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Public's view of the politics of privatisation comes full circle

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The days when Qantas flew the flag as an iconic government business and public service still inspire public nostalgia.

AAP/Paul Miller

Sometimes in politics Newton's Third Law – for every reaction there is an equal and opposite reaction – is applicable. Australia has a long history of public ownership, but it also has a long history of advocacy for privatisation. By the 1970s, the very success of the advocates of public ownership undercut their support. Now the recent success of advocates of privatisation has undercut their case.

In the 19th century, Australia developed a large publicly owned infrastructure sector, which later historians described as “colonial socialism”. State railways and post offices were the largest employers in the colonies. Their existence shifted Australian politics to the right.

In the United States, a populist politics developed in which small producers, especially farmers, campaigned against the power of big business. The US led the world in the development of anti-trust laws. In Australia, the existence of state enterprises meant that small producers inclined to the political right: farmers saw unions and state employees, not banks and merchants, as their enemies.

The existence of a large public sector also shaped the ideologies of the Australian left. Labor did not call for the breaking up of large-scale enterprises, as did American progressives.

Instead, the ALP advocated the conversion of private monopolies into public ones. A 1913 referendum to empower the federal government to do this received over 49% of the vote.

Political expediency prevails

Labor's commitment to public ownership was tempered by expediency. The federal government, with limited responsibilities at that time, could dream of state socialism. State Labor governments wanted private investment and jobs.

In NSW, a Labor government assisted BHP to set up a works at Newcastle in 1912 rather than establish state business as per party policy. The same government pursued options for a public-private partnership in infrastructure provision.

State Labor governments did not push out the frontiers of public ownership, but they were strongly defensive of government business enterprises.

One reason for this was industrial relations. In the private sector, management was autocratic; "hire and fire" was the model. State enterprises offered instead bureaucratic stability.

Many left-wing radicals were unhappy with the hierarchical structure of the public sector and championed ideals of industrial democracy, but Labor governments were uninterested. Instead, Labor governments made **ad hoc interventions** in public enterprise management, a pattern that established a patron-client relationship between Labor ministers and a grateful workforce.

Conservatives largely accepted the existence of public enterprises. While fearful of communism, they were not interested in mounting a radical challenge. It was only in the early 1930s that a free market critique briefly surfaced, when Frederick Eggleston's **State Socialism in Victoria** pioneered the advocacy of privatisation.

Rise of the bureaucratic state

In many aspects the post-war years were the high point of public ownership, even if Labor's initiatives during the Curtin and Chifley governments were limited by European and British standards. Trans Australia Airlines (TAA) and Qantas became icons of the left.

Public ownership could also gain support from the new and higher profile of the bureaucratic state in Australia. The Commonwealth service had been revitalised during the war. Those involved in enterprises such as TAA and Qantas saw their role not as merely to run a business but to provide a public service.

This aspiration meshed with the traditional Australian veneration of technical expertise, which made **John Monash** and **John Bradfield** household names. Many public enterprises were highly innovative, compared to a private sector that was often inward-looking and conservative. Public opinion was strongly supportive.

For a time, large-scale bureaucratic enterprise, public or private, seemed the economic wave of the future – to the concern of liberals such as **Frederic Hayek**.

Self-sown seeds of destruction

The golden age of public enterprise contained the seeds of its own destruction. Engineer managers could be indifferent to consumers and they tended to play down the importance of

human resource management. Rapid productivity growth due to technological innovation, as in telecommunications, obscured overstaffing.

Those state enterprises that faced undemanding consumers, such as railway workshops, sometimes sank into a **dispiriting lassitude**. The dream of public enterprise as public service seemed far-fetched by the 1970s as “public servants” defined themselves as workers.

Discontent with the performance of state enterprises, especially Telecom, provided a **popular constituency** for privatisation, as Andrew Norton has argued. Labor governments in the 1980s were torn between a sentimental attachment to public ownership, particularly among party activists, and public misgiving at their performance.

The initial government response was to pledge reform while retaining public ownership. The merger of Telecom and the Overseas Telecommunications Commission to form Telstra sought to establish a state enterprise champion. New managers were imported from the private sector or overseas such as Frank Blount in Telstra.



Once a state enterprise was run just like a private sector business, as the Commonwealth Bank was, privatisation seemed logical. AAP/Sergio Dionisio

The success of the reform project undercut popular support for privatisation, but it actually bolstered elite support. Labor governments changed tack to support privatisation. If state enterprises were to be run just like the private sector, there seemed little point in keeping them in public hands.

When Labor did continue to oppose privatisation, as with Telstra after 1996, it was on the grounds of the anti-competitive implications of a privatised Telstra.

Public enterprise reform and privatisation ended the economic rents that some workers had been able to extract. Gone were the long lunches and the early Friday knock-off, but many of these rents – as David Peetz has noted – were simply redistributed to a new managerial class. Public opinion grew increasingly sceptical.

Tide of opinion starts to turn again

This experience revealed a fundamental problem with the 1980s and 1990s project of economic modernisation, one championed by Paul Keating and still deeply popular among the left of the Australian political class. The removal of economic inefficiencies also impacted on the political system as whole.

The secure unionised jobs of the old public sector had been secured at a cost, but it was utopian to expect that after privatisation a government would find some other way of defending the economic security of manual workers.

By the 2010s, technological change and globalisation threatened to undercut the conditions of many service workers as well. A Keating-style program of market forces plus redistribution may no longer be enough to counter growing trends towards inequality within capitalism. As a result, some of the left have advocated “pre-distribution”: a renewed attention to pre-tax and welfare incomes.

The long counter-revolution since the 1970s has reversed the post-war trend of equality. Australian capitalism has become more like the version that prevailed before World War Two. One consequence of this has been to strengthen popular support for public ownership as a bulwark against market forces.