

The Transformations of Australia's Labor Market Since 1983: From Social Democracy to Regulatory Capitalism?

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'Regulatory Capitalism' and other Conceptualisations

The era of political economy in much of the developed western world since the late 1970s/early 80s has been characterised as 'regulatory capitalism' by Levy-Faur, Braithwaite, and others and contrasted with the postwar era that preceded it. According to this reading, in the period from the 1970s crisis of the social market economy and provider state, until the early-1990s, states unwound their ownership of key assets and their market controls in favour of 'neo-liberal', 'de-regulation' solutions to stagflation problems in order to promote efficient markets and rational (i.e. marketised and individualised) allocation of social as well as private goods and services. But after the global recession and collapse of communism of the late 80s/early 90s, states began to facilitate a *formal* institutionalisation of the self-regulating system of free market regulation. This brought into being not so much a regulatory state system as simply 'regulatory capitalism' as a formally self-regulating system of markets and behaviour. The state's agencies also became formally regulated, at least in part, by this private/public mixed regulatory system. Thus the distinction between state, capital, and market dissolved somewhat. We can call this whole process "the rise of the regulator". Jordan and Levy-Faur have compiled some significant data to show this rise ¹, which helps give the lie to the claim that the period since the mid-1990s has been a neo-liberal one in the sense of unregulated market freedom. The global currency market and the New York financial bubble have been exceptions rather than typical of market regulations and the Plaza and Louvre Accords of the 1980s seem to be from a different era. No such accords to try to manipulate exchange rates have been attempted in the more recent past. In any case, the financial crisis of 2008-09 has occurred in spite of a seemingly strong

¹ See the Preface to Braithwaite, 2008, where this data is summarised

regulatory system in many countries. This is a clear indication of forces at work in markets other than formal regulation.

Thus, from a somewhat different point of view, whatever conceptualisation we make of the post-1970s era in *formal* political economy, we should approach the history in terms of the evolution of the complex interconnections between formal and *substantive regulatory systems* of political economy² or, to put it in more detail, the complex relations between public policy and rule-making, privatised self-regulation, private investment decisions, and the longer-term and deeper path dependencies of cultural, economic, social, and institutional history. The history of the Australian labour market in this era is a good case in point and the analysis here explores the relevance of various concepts about the intersection of state, market, culture, and path dependencies to try to understand what has happened and is happening in the new crisis context of 2008-09.

In common with some other developed countries but to a greater extent than most (excepting New Zealand which has had an even bigger transformation), Australia's labour market has experienced major structural transformations since the 1980s. From a union density of over 50% in the early 80s, the rate has fallen to about 20% at the same time as the structure of employment and economy have also been transformed. Moreover, the regime of labour market regulation has been reformed several times, sometimes radically.

For most of the 20th Century since 1904, Australia had an almost unique nationally "centralised" labour market regulatory system, based on compulsory (that is judicially framed and enforced) conciliation, arbitration, and wage setting. The Court of Conciliation and Arbitration and its successor institutions under slightly different names have played a central role, some would say THE central role, in economic and social regulation in Australia until at least 1996. As such it was a lynchpin of Australian society as much as the Australian economy. This powerful institution was the site of most dispute settlement, wage and conditions setting, and in general the bargaining over economic shares to labour and capital. The system was significantly reformed (but not destroyed, as in New Zealand) in the 1980s as the Hawke/Keating Labor Governments implemented several contrasting forms of experimental changes. First they attempted to implement a partial version of formalised corporatism that was an even more centralised form of labour market regulation then hitherto, as part

² The formal/substantive distinction is owed primarily to Polanyi (1944) and his argument about the embeddedness of economy in society and is similar to the government/governance distinction. However, the latter does not fully capture the important distinction between formal, publicly-stated, rules as enshrined in state and legal systems, and informal systemic social relations, including networks and power structures, that also regulate/control political economies and societies.

of a strong incomes and investment policy and including a move away from craft unionism to industry super-unions. Later they took the view that flexibility rather than corporatism was the new key to economic growth and therefore weakened the centrality of the system and experimented with a partial form of de-centralised enterprise bargaining.

In 1996 and even more so in 2005 the new-right Howard Government³ moved further towards a regulatory capitalism market structure, in which most markets, including the labour market, have their efficiency and freedom from monopolistic or interventionist tendencies ensured either by legislated or voluntary regulators. In 2009 the Rudd Labor Government legislated a partial move back towards the mixed enterprise and nationally centralised system of the sort that was introduced in the early 1990s by the Keating Labor Government.

Overlapping impetuses for all these experiments since 1983 and the growth of uncertainty in industrial relations came from deeper structural changes and crises that were occurring in the real Australian economy, as well as global ideological developments and a rapid shift in geo-political and geo-economic realities in the Asia/Pacific region.

This paper examines the non-linear dynamic produced by the conflict of formal reform, substantive socio-cultural structures, and institutional path dependency, and discusses the extent to which Australia's public policy and economic history have produced a regulatory capitalist outcome in the 21st century and then perhaps a partial shift back towards a social market (or social democratic) system, the signs of which are at best yet very limited. The question of the impact of the global economic crisis and further economic change on the labour market are discussed at the end.

The Origins of Labourist-Protectionism and the Centralised IR System

After the gold rushes of the 1850s and reinforced by successive natural resource export developments Australia was the richest society per capita in the world. The highly prosperous settler economy had emerged as a peculiar mixture of *laissez faire* and "colonial socialism" with its development of a rudimentary "provider state" model out of the foundation as a penal service economy for the British Empire. The integrated public/private economic and state structure continued as a path dependent

³ The Howard Coalition of Liberal and National Parties was more neo-Conservative than Neo-Liberal, especially in cultural/ideological, geopolitical, and social commitments, but espoused what can be understood as a form of neo-liberalism or perhaps best called "economic rationalism", because of the emphasis on so-called "market choice", with regard to the labour market.

institutional arrangement well into the 20th Century and its echoes can, perhaps, be discerned still in culture, ideology, and institutions.

By the 1870s a chief policy preoccupation was of how to generate employment for the highly urbanised population and immigrant inflow that was dependent upon the very productive and efficient resource export sector. Like all resource-dependent (or resource-cursed) rich economies at that time (or since), the problem was of how to transfer the export wealth into a diversified and developed urban economy and society. Government policy centred on protection of manufacturing in most colonies (except NSW, whose politics was dominated by free trading pastoral and mining interests) and the nascent labour movement concentrated on trade or craft unionism as the means to redistribute the benefits of national wealth into high material living standards, especially for skilled workers. Labourism⁴ was a successful strategy in its own narrow terms while ever the economy delivered full employment, expansion, and surplus wealth for redistribution.

However, the severe economic and social crisis of the early 1890s depression, in which occurred a series of bitter and protracted strikes, verging on armed conflict in places, and a collapse of almost the entire banking system, shook this ‘paradise’ to its foundations and became an epochal moment in Australian political economy and society. From this episode sprang the Australian Labor Party, centralised industrial relations regulation, women’s suffrage, Federation of the Australian states, nationalistic culture, and, by the early 20th Century, a coherent general regime of political economy that aimed to ‘civilise capitalism’ away from the causes of the financial, industrial, and social turmoil and degradation of the 1890s. The defeat of the strikers and of their power to enforce closed shops and collective bargaining by a combination of employer associations and state power, in a climate of severe unemployment in 1890-94, motivated unionists and some liberals in Australia and New Zealand to believe that the capitalist economy could not be ameliorated by union power alone in the interests of working class prosperity while ever the state was controlled by nakedly capitalist interests. Unlike many other parts of the industrial or industrialising world at that time, the only strategy they developed was one of organised political mobilisation for governmental capture via *electoral strength* in the expectation of then using state power for labourist outcomes. This was a resolutely reformist rather than revolutionary strategy, led by and controlled by unions who were focused on bargaining over wages and conditions within a liberal

⁴ Labourism refers to the strategy of organised labour concentrating mainly or wholly on wages and conditions of work rather than wider political and social issues. In a context of universal malehood suffrage from the 1860s, secret ballots, and legal unions, the constitutional battle had been won to the satisfaction of most workers and liberals. The issue was then how to share the spoils and to deliver a kind of ‘working man’s paradise’.

democratic society. Labour unions were hegemonic in organising the working class. No space for significant extra-union political organisations opened in Australia during the long boom of 1860-1890 nor during the bitterness of the class conflict of the 1890s and no form of unionisation other than craft and trade unions were able to gain a significant foothold in the labour landscape. The colonial Labor Parties that were formed in the early 1890s were always the creation of the unions. Union leaders were on the whole imbued with a post-Chartist reformist ideology of justice and egalitarianism via workplace struggles, aided by the state if they could capture it peacefully.

When it became clear that the greatly altered labour market conditions in the depression of the early 1890s would prevent the militant closed shop strategy from succeeding, the unions saw an advantage in an electoral strategy to try to legislate for national and industry collective bargaining via state institutions that would have the power to enforce agreements and protect workers from predatory capitalists. The almost immediate influence of Labor Parties at the state level initially⁵ and later at the Federal level after 1901 meant that centralised industrial relations in the form of institutions for conciliation and compulsory arbitration were legislated in coalition with so-called 'Harmony Liberals'. The Liberal ideology centred on the role of the state in providing welfare and justice in the interests of social stability at the same time as protecting the economy and society from harmful external forces of economic, social, ethnic, cultural and geopolitical power. This kind of 'liberal interest' dominated most Australian states and the early Federal Parliament and was able to form a more or less united Lib-Lab front with Labor against large landed, mining, and foreign industrial interests until 1908.⁶ The free trade, *laissez faire*, interest was not able to command significant support until the 1970s and always remained subservient to liberalism within the united anti-Labor coalition until the 1980s.⁷

The Court of Conciliation and Arbitration enacted by the Federal Parliament in 1904 was a key component of the Lib-Lab strategy, along with industrial protection, White

⁵ It is usually reckoned that the first elected working class government in the world was in Queensland in 1899. After Federation the first national (but minority) Labor Party government was in office for four months in 1904. The first majority Labor government nationally came after the election of 1910.

⁶ In 1908 the unofficial Lib-Lab coalition of Alfred Deakin dissolved and Labor took office, prompting the centre-right groupings of Protectionists and Free Traders to coalesce under a Liberal Party banner.

⁷ By the early 1920s a powerful consensus had emerged around labourism, the centralised IR system, protectionism, and organised rather than free markets. The attempt by the conservative Bruce Government in 1929 to undermine or destroy the centralised system resulted in his disastrous electoral failure. The full expression of protectionism was later called "protection all-round" in the 1950s and 60s.

Australia immigration policy, and social welfare provisions, many tied to employment, to regulate capitalism in the interests of Labourism and social harmonisation. Elsewhere, this has been described as the ‘Labourist-Protectionist’ regulatory regime of political economy.⁸ At the time Liberals and Labourists believed they were creating a working-man’s paradise. The role of the state as economic and social mediator and protector was, then, a key dynamic in Australian public policy since the beginning of the Federation in 1901 and the centralised industrial relations system has more or less survived until the present although in greatly altered form.

The so-called “Australian Settlement”⁹ that had emerged in the first decade of the 20th Century, especially during the time of the Fisher Labor Governments of 1908-09 and 1910-1913, had certain features of later social democratic regimes in other places so the question arises of the status of Australia as an early (perhaps the first) form of Social Democratic Welfare Capitalism, from which a divergence has occurred since the 1980s. This issue is germane to understanding the present and future prospects of social democracy in an Australia that has supposedly become a model of regulatory capitalism of a post-social democratic and neo-liberal kind. The rest of the paper discusses these issues through a series of questions about labour market regulation and the conceptualisation of Australian political economy.

Labourist-Protectionism as Social Democratic Welfare Capitalism?

As Frank Castles has argued at length, a “wage-earners welfare state” emerged in Australia in the first decade of the 20th Century.¹⁰ This was based on the centralised industrial relations system, which was underpinned by a culture of fairness, egalitarianism, harmony, and redistribution via the wage bargain and its associated welfare implications. Full employment and very high male labour force participation were essential to maintaining the best outcomes from the system, which was supplemented by an increasing range of state-provided welfare measures. Was this form of welfarism a special kind of social democratic welfare capitalism?

Social democratic welfare capitalism can be conceptualised as an abstraction from a combination of empirical description and generalisation from actual cases of capitalism that is defined essentially by the following features.

⁸ Lloyd 2003

⁹ The idea that a “settlement” or historic compromise around protectionism and arbitration occurred in Australia in the early 20th Century has been much debated but there is no space to examine that debate here.

¹⁰ A good summary of Castles’ argument is in Castles, 2002.

- The government/state/market relationship is one in which the establishment of equality, justice, efficiency, and investment is a public/private co-operative developmental project requiring a degree of national planning, or at least agreement about key goals, and Keynesian-type fiscal policy to ensure full employment. Corporatist consensus and co-operation (but not authoritarianism in any strong sense) by capitalist, labour, and civil society interests are significant underpinnings that are mediated via pluralistic parliamentary democracy.
- Regulation of industrial relations via state-established or state-supervised collective bargaining at industry and/or national level which aims to civilise or institutionalise conflict, maintain and raise standards of living and work for workers and families, equalise standards throughout the society, and reduce societal inequality.
- Extensive social welfare provisions that rely upon a provider/investor/redistributive state.
- High and progressive taxation at sufficient levels to maintain a capacious state for provision of welfare and investment and maintenance of public infrastructure.
- Provision of welfare, services, and investment activities from a social/market mixture that aims at allocative efficiency within an egalitarian and inclusive framework.

Like all models of capitalism, there are both conceptual difficulties with this list and, moreover, insofar as there are real world instantiations of the model, contradictory tendencies within SDWC political economies and societies. Nevertheless, the model is capitalist rather than socialist in any strong sense that verges towards communism, in the sense that private property is still dominant, private investment and consumption decisions are paramount, the capital/wage labour relationship is the dominant form of economic exchange, which remains fundamentally unequal ; and capital accumulation from private profit still drives the behaviour of the owners of capital. But the public, non-profit sector can be as large as the private sector and the level of taxation and the size of the public (non-profit) sector can be at least half or more of all economic activity. This rough equality of socialised and privatised sectors is a hallmark of social democratic welfare capitalism in its most developed form. And, furthermore, it is important to emphasise the role of liberal democratic processes in organising the society although some liberals have always criticised the relative lack of individualism, personal freedom, and public criticism of the fundamental institutional structure of consensus and co-operation.

Compared with other models of capitalism, SDWC places definite limits on the power of capital but in some places where it has been developed it's clear that capitalists have not only been happy to co-operate with social democratic states and labour interests but have been very comfortable with a lack of market freedom. Protectionism, tolerance of cartels and monopolies, and market distortions of various

sorts have obviously not undermined the rate of return on capital and that rate has been important to the public/private investment climate.¹¹

Australia in the early 20th Century had some of these features in a rudimentary form and the rhetoric of the time by Liberal and Labor thinkers was that a consensual society was being built, partly as a deliberate response to the conflicts of the 1890s. The class-divided society could be ameliorated and a new kind of society built by institutions created precisely for that purpose, most notably:

- centralised collective bargaining and enforcement through the Court of Arbitration and its radical Harvester Principle of 1907, which directly linked industrial protection, employment, and high wages in a redistributive welfarist strategy;
- the Commonwealth Bank as a ‘people’s bank’ that ensured and mobilised savings for national investment via government bonds;
- welfare provisions such as the baby bonus, old age pensions, and compulsory accident insurance.

The idea of the state as provider and redistributor was firmly entrenched in Australia and the vigorously democratic politics was largely a contestation over controlling the state in order to refine its interventionist capacity. Thus Australia exhibited some basic features before the First World War and more so in the 1920s of what developed into a more all-encompassing structure in northern Europe in the post-war decades. But the settler capitalist foundation, the continuing dependence on resource exports for wealth creation, and the Anglo-Liberal ideological and cultural tradition blunted the social democratic agenda compared with Europe in later decades.

Furthermore, the negative side to this Australian model, much debated in the 1920s and perhaps shared by other SDWC states to varying degrees, was about the growing inefficiency and non-viability of the protectionist framework, by then encompassing all sectors of economy and society. The comparative lack of interest by most governments in promoting efficiency via competition in any market came to a head in 1928-29 with the defeated attempt to undermine the centralised IR system. The depression of the 1930s temporarily derailed the wage-earners welfare system but the full-employment war economy of 1939-45 and the ideological framework of Labor after the Depression and war experience, of national planning and nationalisation of key economic sectors, including banking, promotion of full employment, and improved social welfare system, looked set to move the SDWC model to a new level in the post-war era. The failure to move to this new level of a more mature form of SDWC can be attributed in part to the federal constitutional structure of Australia, which has limited the capacity of national governments to carry through extensive social democratic reforms because of both the limited jurisdiction and incapacity of

¹¹ cf Swenson 2002

federal governments to persuade all sectional interests to co-operate.¹² The hostility of the High Court in 1947 to Labor's nationalisation of banks was a good example. Furthermore, a majoritarian, two-party system and Senate obstructionism has always meant the centre-left struggles to gain office and use it effectively for major reforms that threaten capitalist interests. The loss of office of the Labor Party in 1949 and its continuing inability to overcome a gerrymandered electoral system and a Cold War ideological battle until 1972 meant that 23 years of conservative rule placed any further significant development of the welfare state into abeyance. But the conservative coalition governments did maintain the status quo of Labourist-Protectionism more or less intact (thus conforming their commitment to the status quo or path dependency of labourist-protectionism) so that by the time Labor came back in 1972 there was a foundation to build on and a strong program of reform in their platform. The Whitlam government (1972-75) moved in many ways to bolster SDWC both economically and culturally, including national medical insurance and public physical infrastructure, despite frustration by a hostile senate. But the program was just beginning when the global recession of 1974 removed the social democratic ground from under the government's feet.

Responses to the Crisis of the 1970s: An end to SDWC?

The crisis decade of global capitalism in the 1970s had major ideological and regulatory effects in Australia. Stagflation impacted the Whitlam Government severely in the sense that while it had a large social democratic and progressive agenda, which it began to implement, it lacked intellectual and power resources to deal with the economic crisis beginning in 1974. The subsequent conservative Fraser Government (1975-83) had even less intellectual capacity but began to turn to neo-liberal thinking under the influence of Reaganomics and Thatcherism. The Labor Party then, shocked by the electoral hostility of 1975 and 1977, also drifted with the new tide in that rightward direction, while also trying to hold onto something of social democratic corporatism under the influence of its labourist legacy and trade union roots, and so when re-elected in 1983, following Fraser's abject failure in the face of the early 80s recession, had a mixed bag of ideas about how to cope with the rapidly changing world of the 1980s.

On the one hand, the new Hawke Government (1983-91) adopted a half-hearted corporatist labour and incomes and industrial relations policy (known as The Accord) that was essentially aimed at convincing capitalists to raise their investment rate by increasing the capital/wages ratio to more profitable levels. Part of this strategy was to co-opt the union leadership to central decision making and real wage reductions while buying peace with "social wage" improvements to the welfare system. Rapid

¹² See Castles and Uhr

employment creation, still central to the wage-earners welfare system, was supposed to occur through capping wage inflation. While there were real improvements in both welfare and employment the real rate of unemployment, when a detailed measure includes underemployment and hidden unemployment, remained much higher than in the 60s and early 70s.¹³

On the other hand, and in seeming contradiction to corporatism, the process of marketisation and privatisation of many spheres of state and private activity began. A strong wind of anti-state, pro-market, ideology blew through the whole economy. Almost all Government Business Enterprises, of which there were many and which had acted as “provider state” market leaders and regulators (and sometimes monopolists) in many sectors, such as banking, aviation, telecommunications, railways, electricity, insurance, even state universities to significant degree, and other sectors, were privatised. The old protectionist system was all but destroyed. Social democratic rhetoric was jettisoned although the welfare transfer system had been improved in terms of its total transfers and efficiency and the re-establishment of national medical insurance had been an essential progressive innovation. The vestiges of a practical strategy of egalitarianism to reduce, in effect, the Gini Coefficient through wages and welfare were openly abandoned on the alter of neo-liberal rhetoric of “trickle down” and “a rising tide lifts all boats” philosophy. “Efficiency”, “flexibility”, “openness to Asia”, and “good service culture”, were now the keys to a prosperous future that would overcome the stagflation of the 70s and early 80s and restore full employment.

By the time of the change from the Hawke to the Keating Labor Government in 1991 the economy again fell into a severe recession. The last vestiges of informal corporatism in the industrial relations system were abandoned and the institutional centralisation that had persisted in a marginalised sense was further undermined. Reform of IR took the route of enterprise bargaining, which was still collective bargaining, and an opening of the possibility of individual bargaining. The Accord as a national agreement withered and died. Some employers seized this opportunity to attack unions and force employees onto individual contracts. With hindsight, it can be seen that this was the beginning a new era of labour market regulation.

The 1990s-2000s Liberalised Labour Market in Australia: Neo-Liberal Rhetoric or Re-assertion of Capitalist Prerogatives?

¹³ See Ramsay and Lloyd 2009. The data there shows that at the peak of the economic cycle in 1990, the hours-based measure of real unemployment was still at about 10%, down from 17% in 1983.

The Howard industrial relations changes of 1996 went significantly further and stripped away much of the power of the Australian Industrial Relations Commission (AIRC) to regulate the labour market through bargaining and arbitration. The latter power was effectively killed after 92 years of central significance. Union rights in workplaces were severely reduced for the first time. Now the labour market was to be much more “self-regulated” although the legal framework was still very extensive. Enterprise (collective) and individual bargaining, within the rules of the Workplace Relations Act, became the norm although national bargaining via the AIRC still took place annually for low-paid workers who were still employed under national awards. A new institution – the Office of Employment Advocate – a government agency rather than independent authority, was established to oversee individual employment contracts to ensure their “fairness” according to the law and to police the anti-union provisions against explicit and implicit closed shops and “pattern bargaining” by unions. In 2005 Howard went further with the Work Choices Act that further attacked collective bargaining and further weakened union representation. The concept of “choice” rhetorically enshrined the vulgar neo-liberal idea of “rational choice” as the driver of economic exchange, including employment, as a freely-negotiated form of market exchange in which buyers and sellers supposedly meet each other with equal power.

We could see Work Choices, then, as driven by a neo-liberal agenda of “efficient” markets but beneath the rhetoric it’s clear that long-held hostility to union power by small business and large-scale mining interests, in particular, lay behind the Howard agenda of finally remaking Australia into a capitalist economy and society that was free from a “bloated state”, “welfare scroungers” and “political correctness”. Even national medical insurance was threatened with replacement by market-based privatised insurance. Public institutions that were equated with “cultural elitism”, by which was meant multiculturalism, republicanism, and progressive thinking, such as universities, the ABC, historians, areas of the civil service, the AIRC, and immigrant and Aboriginal-support groups, were denigrated and financially reduced. So this was an agenda of Neo-Conservatism which aimed to restore the prerogatives of small and large capital and wage war on progressivist enemies. Conservatism met Neo-Liberalism in an unholy alliance that was held together and was able to persist thanks to the economic boom, rising house prices, the cold war type fear of terrorism and illegal immigration, and the illusion of near full employment.¹⁴

But socio-political hostility to Work Choices drove the Howard Government from office in 2007 in a major political landslide. Remarkably, Mr Howard lost his own

¹⁴ Neo-Conservatism also drove the Howard foreign policy, which could be described as “all the way with GWB”.

seat in Parliament, only the second Prime Minister to do so after Stanley Bruce lost his seat in the 1929 election fighting on the same issue of abolition of the centralised labour market system! The deep attachment of the Australian polity to labour market justice, equality, and collective bargaining, was once again demonstrated or at least that conclusion was widely drawn.

Regulatory Capitalism and SDWC? 1990s-2000s

The concept of “Regulatory Capitalism” with its analysis of the marketised state as at least compliant with capital or perhaps dissolved into capitalism, is reminiscent of Marx’s analysis of the bourgeois state as being “but a committee of the bourgeoisie”. That is, the argument tends towards the view that mature, post-industrial capitalism is becoming a system in which the “old” political economy distinctions of government/state/market/civil society/capital/labour, as describing real spheres of organisation and behaviour, are dissolving and markets with their formal regulators as their policing agents, are somehow expanding in scope and pervasiveness so as to become in the future the only fundamental structure. In this new world, politics, as in the Marxist socialised future, would not be necessary for there would be no autonomous state to capture, and, instead, there is only the task of administration left, in the sense of regulation. Of course the task of regulation must be open to scrutiny and policing also, so there would have to be a hierarchy of regulation. The guardians would have to be guarded. Thus instead of the socialist paradise or even the social democratic vision, in which working class power would expand organisationally and financially and take over all of capital, à la the socialist revolution or (more pertinently) the social democratic Meidner Plan, or some such socialisation via union funds, and capitalism would thus dissolve perhaps into the public, non-profit sector, we have instead the opposite. Regulated markets will expand to incorporate all behaviour and the public/private distinction of investment and ownership would dissolve into a fully privatised realm of decisions and consumerism that is transparently policed by the “regulocracy”.

These two visions – regulatory capitalism and social democratic takeover – are actually not so far apart in reality. Each sees capital as constrained by powerful forces that are not themselves directly capitalist but which operate in “the public interest” of both capitalists and non-capitalists to regulate capital, labour, and consumption. In both, the distinctions between state, capital, labour, and even civil society are blurred at least. One possible way in which the concepts could be combined is through the socialisation of investment via the socio-economic directedness of pension funds, which are now of enormous financial size in many countries. There is not the space here for a discussion¹⁵ but this issue has become

¹⁵ But see Ramsay and Lloyd, 2009 and Clark, 2000.

much more alive in the context of the present global crisis in which the value of pension funds, funds which “belong”, in many cases, to the individual contributors, have had enormous erosion of their value, thanks to the failure of regulation of the financial and asset bubbles. As argued by Ramsay and Lloyd, the use of these funds for the socialisation of investment via an active state would have the potential, within the right policy framework, of achieving full employment as well as protecting them from the sort of erosion we have seen in the global crisis. An active state, controlled by democratic government and acting in the public interest is a concomitant of this vision of SDWC.

Back to the Future in 2010? Neo-SDWC or Neo-Regulatory Capitalism?

The regulation of capitalism clearly failed in the 2000s. Regulatory capitalism as a coherent system that was supposed to make markets operate efficiently and produce optimal outcomes in investment, production, and consumption, failed to prevent old-fashioned speculative greed from severely damaging the quality of life and life chances of millions of people. And, furthermore, despite 17 uninterrupted years of economic expansion since 1992 in many countries, the problem of unemployment has persisted in all OECD countries. The capitalist system, however we conceptualise it, has not worked in the interests of all the people of western countries, let alone in developing countries. And, furthermore, the state and its public agencies and services have actually not been incorporated into the private market system. Large-scale, non-profit, non-marketised, public services (in health, education, welfare, transport, and other areas) still persist throughout the developed world and in some places such public sectors require taxation levels of half of GDP.¹⁶

The Rudd Labor Government that swept to office in Australia in 2007 has reformed the industrial relations system once again, moving it back to a mixture of centralisation and enterprise bargaining to begin in 2010. This reform restores a powerful, central, independent authority – Fair Work Australia (FWA) – whose function will be to facilitate collective bargaining and enforce the labour market’s statutory obligations and the negotiated agreements. A large inspectorate will investigate workplaces to ensure compliance. The role of unions in entering and recruiting in workplaces have been partially restored. Minimum wages will be set by the FWA after submissions by interested parties. In all, the reform moves the system back more or less to where it was in 1993 and emphasises “fairness and efficiency”. Thus the social democratic characterisation of the system depends in part on the practical workings of the collective bargaining framework and the minimum pay system. Compulsory arbitration of disputes has not been restored. But it is probably

¹⁶ Cf Sen, 2009

correct to say that the FWA will make Australia more or less unique again in terms of centralised labour market regulation.

The concept of “fairness” is a hallmark of the Rudd Labor Party ideology and represents a rhetorical departure from the egalitarianism and class consciousness of the Labor Party of old. Rudd’s personal credo, articulated at length in an unusual degree of intellectual seriousness, combines Keynesian social democratic thinking, Christian charity, and liberalism.¹⁷ These elements seem to be motivating the government’s response to the present crisis in terms of the redistributionist stimulus, the reform to industrial relations, and the mooted reforms and improvements to welfare and education.

The SDWC potential of socialised investments, including by pension funds is also now being widely discussed. In the context of the failure of regulatory capitalism, insofar as it existed, both to achieve full employment during the boom and prevent the disastrous bubble and crash, this is again a genuine agenda item rather than merely a debating point.

Conclusion

Throughout this Australian history we can discern the shifting dynamic between institutional path dependencies (especially the centrality of state intervention), cultural continuities and commitments to egalitarianism and co-operation, public ideologies (not always coherent), formal reform and, and the path of economic development, including, crucially, economic shocks of both supply and demand types. On the later topic, it’s clear that ad hoc reactions to shocks or the inability to respond adequately have played a significant role in this history as have more careful responses and other longer forces. The long-term effects of reactions to shocks have depended on both their degree of intellectual framing and far-sightedness. Reactions to the great shock of 1890-94 played out over the following two decades in a profound way because of the ideological, cultural, and politico-constitutional context. Conservative and even *laissez faire* reactions to the 1930s depression would doubtless have had very long-lasting effects if World War Two had not intervened and established an economic and social climate for more social democratic policies which, nevertheless, could not be well established because of the politico-constitutional, economic, and geo-political context of the immediate post-war years. The long boom of the post-war decades was dependent on the supply-side shock of the Korean War and its successive waves of resource wealth up to the 70s. The 1970s stagflation shock had very long-term effects because it contributed to the de-legitimation of Keynesian interventionism and its social democratic framework. The

¹⁷ Rudd 2009.

1991-2 recession simply cemented the shift to more privatisation and competitive markets. Finally, in the 2008-09 crisis, we are seeing a widespread disenchantment with the lack of an organisational and socialised foundation for economic behaviour. That is, an epochal shift, comparable with the 1970s and early 80s, may be happening in which all markets, including labour markets, will be seen as requiring greater central regulation that bring them closer into line with social needs. Another way to express this is in terms of the Polanyian understanding of economies as embedded within societies and that the past decade or two could be seen as a period in which economic behaviour and its market contexts were de-linked to a significant degree from their close connections with social organisation and politics.

A fundamental concern for advocates of SDWC is how the interrelationship between individual, society and economy are best administered within a democratic political framework. Polanyi provides invaluable insights to this very dilemma. A notion essential to Polanyi, and one that we defend, is not that a democratic political economy should be without markets, but rather it should be one in which society and politics are not subordinated to the market mechanism. As Polanyi argued, the economy should serve the people and their natural environment, not the other way around. Polanyi deplored not so much the *market mechanism* as *market domination*, which not only reduced people to objects of exchange, *à la* Marx, but disintegrated the cultural and social environment that helped sustain civil human relations. This pessimistic view of capitalist relations had a positive juxtaposition inasmuch as ‘human society would have been annihilated but for the protective countermoves [the state and organised labour] which blunted the action of this self-destructive mechanism’ (Polanyi, 1944: 38).

A second implication of Polanyi’s work is that economies cannot be independently self-regulating entities, *a la* Regulatory Capitalism. Polanyi argued that all modes of production, including *laissez-faire* capitalism, are intricate economic systems constructed and sustained by *state regulation*:

free markets could never have come into being merely by allowing things to take their course... *laissez-faire* itself was enforced by the state. The [1830s and 1840s] saw not only an outburst of legislation repealing restrictive regulations, but also an enormous increase in the administrative functions of the state, which was now being endowed with a central bureaucracy able to fulfil the tasks set by the adherents of liberalism...*laissez-faire* was not a method to achieve a thing, it was the thing to be achieved. (Polanyi, 1944: 139)

Polanyi highlights the paradoxical need for a strong state under *laissez-faire* capitalism when he argues that ‘while *laissez-faire* economy was the product of deliberate state action, subsequent restrictions on *laissez-faire* started in a spontaneous way. *Laissez-faire* was planned; planning was not’ (1944: 141).

Accordingly, the innate regulatory nature of capitalism ensures that there are winners and losers between individuals and classes, and, as such, economic distribution and exchange are always contested and open to change. Locating politics and employing it to the macro-economy, therefore, is of fundamental importance to SDWC. The re-activation of politics and democratic government would seem to be essential steps for not just for the “civilising of capitalism” but for the overcoming of economic crises and the longer term steps towards a national and global commonwealth built out of the social movements of democratic populations exercising their potential for collective, organised agential power through governments that control the bureaucratic, regulatory, financial and economic powers that are necessary to establish full employment, welfare, and the just society. The capitalist-market economic system is not, somehow, an end in itself but has to be understood as the material component or sub-system of a just society. If that society is not or cannot be built because of some fundamental disjuncture in the form of an irreconcilable conflict between economy and society then we would descend into a Neo-Hobbesian nightmare out of which various horrors might emerge. The recent decline in the agency of the western social pillars of the past century – the workers movement, the bureaucratic welfare state, the organisations of voluntaristic civil society and social capital – has indeed brought the terrors of a non-state multitudinous world to life again.¹⁸ But the multitude cannot build a new society, only the organised democratic people can do that so a way has to be found to harness that agency.

¹⁸ Hardt and Negri 2004. See Bull’s several critical essays.

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