

# The Australian 2004 election: the secret of Howard's "success"

## Part 2

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*This is the conclusion of a two-part article by Nick Beams on the Australian federal election. Part one was published on November 3. The ballot, which was held on October 9, saw the reelection of Prime Minister John Howard's Liberal-National Coalition with an increased majority.*

Under the incessant pressures of globalised production and the international financial markets, the Hawke-Keating Labor governments scrapped the system of national economic regulation, which had prevailed since the beginning of the twentieth century, to give free rein to the operation of global market forces. This brought the destruction of working conditions, the lowering of real wages, the introduction of the "user pays" principle into health and education, coupled with tax concessions to the wealthy and business. The overall impact was a massive redistribution of wealth. In 1982-83 the share of gross domestic product going to wages was 63.3 percent. By 1996 it had fallen to 57.8 percent, while the profit share over the same period rose from 12.1 percent to 16.3 percent.

The chief mechanism through which this wealth transfer was carried out was the Prices and Incomes Accord between the Labor government and the trade union bureaucracy, under the leadership of the Australian Council of Trades Unions (ACTU).

Such a program, however, could not be carried out peacefully. As in other major capitalist economies, most notably Britain and the US, the decade of the 1980s was characterised by a ruling class offensive aimed at the suppression and atomisation of any independent movement of the working class. The significant feature of the Australian experience, as opposed to Britain and the US, where Reagan and Thatcher spearheaded the attack, was its implementation by a Labor government, working in the closest collaboration with the trade union bureaucracy.

From the betrayal of the South-East Queensland Electricity Board workers (SEQEB), through to the smashing of the Builders Labourers Federation, the destruction of coal miners' working conditions and the use of the military to break the pilots' strike in 1990, the working class suffered a series of bitter defeats. Through the Accord, the unions were transformed into organisations for the subordination of the working class to the demands of the global market for "international competitiveness."

### The collapse of social reformism

The period of the Hawke-Keating government saw the collapse of the program of social reformism, which had formed such a crucial component of the outlook of the broader labour movement for the previous eight decades. The demise of this program was to have a far-reaching impact on political psychology and consciousness.

From the beginning of the twentieth century, social reforms had been viewed by wide sections of the working class, not merely as ends in themselves, but as part of a broader struggle for socialism. While this perspective was often somewhat ill-defined, workers saw it as involving the democratic control of the economy either through regulation, or by direct public ownership of the major economic and financial institutions—the so-called "commanding heights."

Even as late as 1974-75, the president of the ACTU, Bob Hawke—anxious to maintain his credentials as a left-winger—was proclaiming that it was "abhorrent" that a small group of "monopoly capitalists" could determine, in the interests of profit maximisation, what would be available for the mass of the Australian people. Hawke maintained that he was a "socialist", always would be, and that he would support the "collapse" of the capitalist system, provided it was succeeded by "democratic socialism".

In 1974, Hawke advocated the nationalisation of the oil industry—an industry, he said, that always paid least attention to the interests of the public. Little more than a decade later, he headed a government that carried out the privatisation of the Commonwealth Bank and the government-owned airlines.

Politically, the most significant outcome of the Hawke-Keating government was not the winding back of previous social gains, but the crisis of perspective that it revealed in the workers' movement. The "socialist" outlook that guided the activities of the most militant workers, and that had played such a decisive role in shaping the labour movement, was marked by a fatal flaw. It was grounded on a nationalist outlook. Socialism was not conceived as arising from a unified struggle of the international working class on the basis of a common perspective, but as developing within the confines of the national state.

The predominance of this outlook was due, above all, to the defeat of the internationalist perspective of the Left Opposition led by Leon Trotsky, and the coming to power of the Stalinist bureaucracy in the Soviet Union, with its perspective of socialism in one country, and the national road to socialism.

Insofar as the ruling classes in the major capitalist countries pursued a program of national economic regulation in the post-war period, this national-based "socialist" perspective seemed viable, and illusions in it remained widespread. But with the accelerating globalisation of production and finance from the 1980s onwards, it rapidly disintegrated. The collapse of the Soviet Union, which gave apparent credence to the claim that there was no alternative to the dominance of the "free market" and the profit system, brought its ultimate demise. The result has been significant changes in the political psychology of millions of working people.

In his analysis of the coup of Louis Bonaparte in December 1851, Marx

explained that the social basis of the new regime was the French peasantry.

Analysing why the peasantry had elevated to political power a man he described as a “grotesque mediocrity”, Marx explained that, insofar as millions of families lived under common economic conditions, which separated them from other classes, they constituted a class. However, insofar as there was merely a local interconnection between them “and the identity of their interests begets no community, no national bond and no political organisation among them, they do not form a class.”

Of course, there is a vast difference between the French peasantry of the nineteenth century and the mass of working people in the twenty-first century. However, Marx’s remarks are nonetheless insightful, inasmuch as he was seeking to explain how it was that political power had been placed in the hands of such a man as Louis Bonaparte.

There is an objective identity of interests in the working class—the broad mass of wage earners, whether in professional or industrial employment, manufacturing or service industries. But, insofar as this identity is not manifested in a political organisation, based on a clear perspective and program, individual workers do not see themselves as part of a broader movement striving for the reshaping of society. They did so in the past. But no longer. The old program of the labour movement has disintegrated, along with the organisations based upon it, and a new political outlook has yet to develop. This deep-going crisis of perspective in the workers’ movement is the secret of Howard’s victory and the real basis of his government.

## The demise of Labor

Labor has responded to its defeat, and the Liberals’ interest rate scare campaign, by re-examining its economic program. But the aim of the re-examination is not to expose the real causes of economic insecurity among millions of ordinary people, much less develop a policy that represents their interests.

How could it be otherwise? Any genuine assessment of why people responded to the interest rate scare would very quickly reveal the economic insecurities and inequality that dominate the social existence of working people the world over. It would show, for example, that in Australia the much-vaunted expansion of employment is a fiction. Despite more than seven years of “strong” economic growth, of the 1.3 million jobs created since 1996, some 700,000 have been part-time, and 400,000 casual. It would show that half of all workers—around 4.1 million people—earn less than \$650 a week, or \$33,700 a year, and that more than 2 million people earn less than \$400 a week. It would show that part-time employment is growing at three times the rate of full-time work.

Such an analysis would also reveal that the dubious prosperity of the past decade has been based on the accumulation of an ever-greater mountain of debt—which, at a certain point, must collapse. It would establish that only two roads open up: either the development of an independent movement of the working class, based on an international socialist perspective, which begins to make decisive inroads into capitalist property and strives to end the global domination of the major corporations and financial institutions, or a program that completely embraces the demands of the market.

Accordingly, the theme of the Labor election post-mortem is that the party must abandon any last vestiges of ambivalence towards the free market “reforms” that marked the Hawke-Keating years and fully embrace the new demands of the dominant corporate and financial interests.

Significantly, the representatives of the trade union bureaucracy have

been among the first into the fray. According to the editorial of the October 15 edition of *Workers Online*, published by the NSW Labor Council, while Howard’s victory was based on a lie, it was not all of Howard’s making. The issue of economic management that had determined the election result “was allowed to grow a life of its own because of a lie we perpetuated over the last eight and a half years. That lie is based on the failure of both the ALP and the union movement to own the tremendous economic achievements of the Hawke-Keating Accord years. This was an era when the Australian economy opened up to the world—driven by a partnership between a social democrat party and organised labour, something that did not happen anywhere else in the world.”

The Labor Council continues: after the defeat of the Keating government in 1996, “the ALP determined that it had got too far ahead of the electorate and reverted to a more economically conservative agenda” while the unions “entered a period of denial where they seemed to give up on the benefits of economic reform and mount a campaign to wind back the changes, even as the benefits began to flow.” Consequently, Labor had to come to terms with its recent history, while the unions needed to “reclaim our positive agenda based on the acceptance that change is inevitable.”

Former Labor frontbencher Lindsay Tanner, who declined to be part of Latham’s shadow cabinet team after the election, claimed that the issue for Labor was to decide where the party stood. It had to become the “party of competition, the open international economy integrating into the world economy with an appropriate industrial relations framework and safety net, and the party of productivity, the party of economic growth, the party of ensuring that people get economic opportunity.”

Latham did not disagree. The party, he said, should have worked harder to “promote the benefits of the reforms of the Hawke and Keating governments” and claimed them “proudly as Labor initiatives that we’d promote into the future.” Now it was necessary to “move forward with a new agenda for economic reform, consistent with those values about competition, about productivity, about growing the market economy and building incentive and participation into the Australian economic framework.”

In other words, in order to win office in the future, Labor must prove itself to be even more responsive to the demands of the financial markets than the Liberals—a perspective made even clearer in the first major statement by the new Labor industry spokesman Stephen Smith. Hailing a report by the Productivity Commission, which called for a new wave of “competition reforms,” he pointed to remarks by its chairman to the effect that “the government has been complacent about the next level of productivity gains we have to make in Australia.” The report, Smith argued, would enable Labor to keep the government “up to the mark” and “further develop its policies in this area.”

While the party leadership has responded to the election debacle by emphasising the need to move even further to the right, critical comments have been forthcoming from former MP Barry Jones, due to become the party’s national president in November. The ALP had fought the election on the terrain chosen by Howard, he wrote. There had been no debate on Iraq, the missing weapons of mass destruction, or the issue of “truth in government”.

“On the social and intellectual agenda Labor was indistinguishable from the Coalition. We fought on a very narrow agenda. Given a choice between two conservative parties, voters reasonably chose the real one.”

The ALP, he concluded, should not be “simply a machine that organises election campaigns every few years—it needs to provide the spiritual, ethical and intellectual nourishment to the Australian people, on an ongoing basis, and promote a creative, generous nation. Labor must promote an inclusive agenda, not an excluding one. Currently, there is a significant disenfranchisement of our traditional vote, people who feel

lonely and alienated from the Party they have always voted for. If we do not bring them home, the Party's heart and mind will die."

The truth is that the Labor Party is already dead and has been for some time. Its near-record low vote on October 9 did not come out of the blue, but was the culmination of a continuous decline since the election of the first Hawke government in 1983. At that time almost one in two voters gave their support to Labor. Today it is barely one in three.

The demise of the Labor Party is rooted in objective processes. Its program of social reform, which won support from the working class and from those sections of the middle class and intelligentsia who believed that certain restraints should be placed upon the profit system, in the interests of social need, has been shattered by the globalisation of production and finance.

Jones and others insist the crisis of the Labor Party arises from a clash between its old working class base and layers of the liberal intelligentsia, who want it to advance a more humane social and political agenda. In fact there is no clash at all. The Labor Party's support for the Iraq war, its silence on the lies of the Howard government, its support for the incarceration of refugees and asylum seekers, are in no way separate from its socially regressive economic policies. All these policies are simply different sides of the same reactionary agenda.

Contrary to the media pundits, Howard's election victory did not connote support for the invasion of Iraq, indifference to the government's lies or the confidence of a prosperous and contented electorate in the coalition government's economic and social policies. Rather, it signified that the deep-going concerns of millions of people could find no outlet within the framework of the two-party system.

It has underscored the significance of the insistence of the Socialist Equality Party that the revival of the working class movement will not take place through the old organisations—the Labor Party and the trade unions—but depends on the reintroduction of a socialist culture, grounded on an international perspective and aimed at the abolition of the capitalist profit system itself. As the SEP election statement put it, "there is no substitute for the painstaking, patient and principled struggle to construct an independent, mass socialist party of the working class." That is the primary lesson of the Australian election result.

*Concluded*



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