

Australia: 1975 documents underscore right-wing character of Whitlam government

Mike Head

11 January 2006

While revealing little new by way of detail, the 1975 federal cabinet documents released by the National Archives of Australia on January 1 confirm the anti-working class character of the Whitlam Labor government, which was dismissed by Governor-General Sir John Kerr in November 1975.

Over the past 30 years, Kerr's undemocratic removal of the government from office in the "Canberra Coup" has helped sustain the myth that Whitlam's administration was one of bold and progressive social reform, which was ousted because its measures became a threat to corporate interests.

The cabinet documents, released under the "30-year" rule, shed some light on the reality. Having come to office in 1972 amid an upsurge of the working class that had begun in the mid-1960s, Whitlam's government sought ways to contain the movement, in order to satisfy the demands of business.

Among the government's best-known reforms had been the abolition of student fees for tertiary education. The documents show that by mid-1975, less than two years after the fees were scrapped, Treasurer Bill Hayden, backed by Whitlam, recommended the re-imposition of fees as part of a long list of cuts to welfare, education, health, housing and Aboriginal programs.

Fearing what Hayden termed "the likely adverse political repercussions," the cabinet's "razor gang" refused to endorse his specific proposals, opting for less visible means of slashing the projected record budget deficit. While agreeing to Hayden's target of almost halving the looming deficit to \$2.5 billion, the committee balked at his "painful decisions" for fear of popular opposition.

Youth and working people in Australia had regarded Labor's 1972 election victory, ending 23 years of conservative Liberal rule, as an opportunity to push ahead with long-suppressed social and economic

demands—better wages and conditions, alleviation of poverty, universal health insurance, access to higher education, provision of public housing and legal aid, basic democratic rights such as abortion and no-fault divorce, and the withdrawal of troops from Vietnam.

After initially making concessions to head off this movement, Whitlam's government confronted an historic global economic downturn. US President Nixon's August 1971 decision to remove the gold backing from the US dollar ended the post-World War II Bretton Woods system of regulated currencies and sparked an international inflationary spiral, followed by the quadrupling of oil prices and the deepest recession since the 1930s.

In Australia, the official unemployment rate rose to 4.5 percent by December 1974, nearly three times the 1.8 percent recorded a year earlier. Throughout the post-war period, until 1971, the rate had not exceeded 1 percent.

Labor's initial bid to impose a wages freeze, via a December 1973 referendum to give the federal government power to control prices and incomes, was defeated. Over the following 12 months, strike activity rose to its highest level since 1919, producing the largest wage rises in Australian history.

"In 1974, there was a wage explosion," Labour and Immigration Minister Clyde Cameron informed cabinet in February 1975. "For the year to the end of October Quarter, average male minimum award wage rates rose by 33 percent and female wage rates by 45 percent; on the other hand prices as measured by the CPI rose by 16.3 percent to the end of December."

Increasingly, Whitlam's government was preoccupied with stemming this "explosion" while simultaneously slashing social spending to win back corporate support. "The economic situation is very bad" with "no quick solutions," warned Deputy Prime Minister Jim Cairns, who was then the Treasurer, in his opening cabinet

submission for 1975.

Cairns declared the need to “curb excessive increases in wages and salaries” that he blamed for driving down the company profit share of gross domestic product from 15 percent in the September quarter of 1973 to 9.6 percent a year later.

Cairns said business was alarmed at the rapid growth of social spending as the government tried to both meet its policy promises and offset the slump. Budget outlays had risen by 20 percent in 1973-74, by 32 percent in 1974-75, and were headed to soar a further 42 percent in 1975-76. “In the eyes of many businessmen increases of 30-40 percent in Budget outlays are seen as bad for business,” he wrote.

Whitlam had given Cairns, the leader of Labor’s “left” faction, the Treasury post at the end of 1974 in an effort to use his support among workers to impose the cuts and reverses demanded by business. But in his second cabinet submission for 1975, in May, Cairns warned that open talk of “wage restraint” would produce only “resistance and antipathy from unions”. He called for a “campaign of public education” to convince people of the need for austerity, while still holding out the promise that the government would not “surrender any significant part of our major social programs and cultural advance”.

Cairns’ submission was met with a stinging rebuke by John Menadue, the head of Whitlam’s Prime Minister’s Department. “What the Treasurer’s submission does not make clear, in our view,” he wrote, “is that containment of the present excessive rate of monetary growth requires a substantial reduction in the prospective budget deficit”.

Just three weeks later, Whitlam sacked Cairns and installed Hayden as Treasurer. The following month, in mid-July, Hayden told cabinet that the “simple Keynesian world” of boosting government spending to try to offset recessions no longer existed. He then produced his hit list to cut another \$681 million from social spending.

There is no doubt that Hayden had Whitlam’s backing. Earlier, the prime minister had circulated other options, outlining cuts to 50 programs totalling \$2 billion. They also focussed on social welfare, education, health and housing, as well as grants to the states, which were responsible for providing basic services.

Although cabinet’s Expenditure Review Committee declined to recommend Hayden’s proposals, cabinet ultimately adopted sweeping measures to attain the \$2 billion target, including an across-the-board squeeze on public sector administrative expenses, travel and overtime.

On the same day that Whitlam replaced Cairns with Hayden, he sought to further appease financial circles by dumping Cameron, another key “left,” as labour minister in favour of James McClelland. On Cameron’s advice, the government had adopted a “plateau” model of wage indexation designed to cut the real pay of workers on above-award wages, in the name of protecting workers on the minimum wage.

However, in April 1975, the Conciliation and Arbitration Commission rejected plateau indexation. Instead, it ruled that all wages should be pegged to the consumer price index, in return for a pledge by the Australian Council of Trade Unions (ACTU) to suppress all demands for higher pay. This pact with the ACTU effectively sidelined Cameron. His successor, McClelland, saw the wisdom of collaborating with the union leaders to police workers. He recommended dropping the plateau indexation plan, in order to prevent “industrial relations strains” and “resort to industrial action”.

In the end, although media editorials generally praised the August 1975 budget as “realistic,” the removal of Cairns and Cameron left the ruling class unconvinced that Labor could impose its measures on working people. In October 1975 the Liberal-National Party opposition parties refused to pass the budget in the Senate, starving the government of funds. A month later, on November 11, Kerr invoked the “reserve powers” of the British monarchy to terminate Whitlam’s commission as prime minister and appoint Liberal leader Malcolm Fraser in his place.

To this day, Whitlam has defended his government’s efforts to meet the demands of big business, expressing anger that he was ousted before having the opportunity to implement his budget plans. In comments to the media at the launching of the 1975 documents, he lionised Hayden as a “very good Treasurer” and boasted: “The budget by Hayden provided the essential framework for the Fraser government. It was stalled by the Liberals in the Senate not because of any shortcomings ... but because of its economic and political merits. No changes were made in it until late 1976.”



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact