THE BOOM, THE LEFT AND CAPITALISM

Ashley Lavelle

Across the political spectrum it is widely accepted that the expansion of the Australian economy over the past 15 years has reduced the salience of class and economic issues. In 2007, then-Prime Minister John Howard alleged that "working families have never been better off" (cited in Maiden 2007: 5). While the ALP chastised Howard for neglecting poverty and inequality (eg Swan 2005), the party’s political strategy in recent years has targeted ‘aspirational’ voters, partly on the basis of the belief that growing prosperity weakens public support for traditional social democratic policies.1 Indeed, ALP Senator Stephen Conroy (2005) argues that the party’s biggest challenge is a ‘demographic’ one: higher incomes and living standards for tradespersons and increased levels of education for children from working class families have transformed these erstwhile ‘true believers’ into ‘middle and upper class families’. Similarly, one of the most recent leaders of the union movement to join the parliamentary wing, Bill Shorten, declared in rather Blairite fashion in his maiden speech that ‘old class war conflicts should finally be pronounced dead’. The ‘old divides’ no longer exist; now the real conflict is reflected ‘within business, unions, the community and politics’, and between ‘those who are stuck in a business-as-usual routine and those that pursue innovation, knowledge and creativity’ (House of Representatives Hansard (HRH), 14 February 2008: 330; italics added). Frontbencher Lindsay Tanner’s call for more policy emphasis to be

1 Traditionally, such a policy focus has included spending on pensions, unemployment relief and public health and education, investment in infrastructure and publicly owned enterprises, and policies aimed at reducing workers’ exploitation (Kerr 2001: 4).
placed on ‘relationships’ underlines the extent to which Labor sees no
unfinished business in terms of economic redistribution: Australian
‘society is wealthier than ever before, but we’re still…totally neglecting
the health of our relationships’ (Tanner 2003: 10). Elsewhere, he
invokes ‘rising affluence’ as the key challenge in the 21st century for
Labor, as it raises questions about its raison d’être (Tanner 2005).

Clive Hamilton (2006) has been among the most prominent
contemporary exponents of the view that growing affluence renders
obsolete traditional Left emphases on capitalism’s engendering of
economic suffering and inequality. He writes of ‘the extraordinary
success of capitalism in delivering undreamt-of wealth for ordinary
people’. The Left should largely forget about poverty and inequality and
focus on issues such as alienation and the quality of life in order to
develop a ‘politics that would help people to step out of the gilded cage
and experience true autonomy and authentic lives, a politics for a society
in which citizens are committed to “a rich life rather than a life of
riches”’(Hamilton 2006: 2).

What unites these different positions is a belief that the boom has
reduced the importance of class and economic questions. As is shown
below, such a belief is based on an overstatement of the strength of the
boom, a neglect of the extent to which inequality and poverty have
continued throughout the boom, and an assumption that the expansion
will continue indefinitely.

The Boom in Historical and International Perspective

Former Liberal Treasurer Peter Costello presided over what he described
as ‘the longest period of expansion in the history of Australia’ (cited in
Lees 2006). Yet, a more careful analysis of the boom in historical and
international perspective casts it in a less glorious light. Australia’s
average economic growth rate in the 1990s was slightly better than the
1980s, about the same as the 1970s, but much lower than the 1960s and
lower than both the 1950s and 40s (see Tables 1 and 2 below; see also
Treasury Department 2001). The 1990s figure is also only just above the
20th century average of 3.4 percent (Treasury Department 2001). From
the beginning of the present upturn after the 1991-92 recession through to 2005, the growth rate averaged 3.8 percent (IMF 2005: 12). Again, this is not significantly above the norm for the 20th century.

The boom’s most impressive years were in the second half of the 1990s when the economy grew on average by 4.5 percent per year (see Table One). In contrast, in the first six years of the 21st century, according to Labor Prime Minister Kevin Rudd, the Australian economy grew on average just less than three percent per annum, ‘making it the worst decade for economic growth since the 1930s’ (Rudd 2007: 4). What is certain is that the performance of the economy on average in the first half of the 2000s was worse than the second half of the 1990s, and worse than the 20th century average (see Treasury Department 2001; 2006a).

| Table 1: Australian Economic Performance, 1960s-1990s (Annual Average (Percent)) |
|---------------------------------|----------|----------|----------|----------|----------|----------|----------|
| Australia                       | 1940s    | 1950s    | 1960s    | 1970s    | 1980s    | 1990s    | 1990s    |
|                                 | 3.8      | 4.2      | 5.3      | 3.5      | 3.3      | 3.5      | 2.5      | 4.5      |
| Real GDP Growth                 | 1990s    | 1st half | 2nd half |          |          |          |          |
|                                 |          |          |          |          |          |          |          |
| Sources: Gruen and Stevens (2000, 3); Treasury Department (2001); Treasury Department (2006a) |

| Table 2: Australian Economic Performance, 2001-2007 (Percent) |
|---------------------------------|----------|----------|----------|----------|----------|
| Australia                       | 2001     | 2002     | 2003     | 2004     | 2005     | 2006     | 2007     |
| Real GDP                        | 2.2      | 4.1      | 3.1      | 3.5      | 2.5      | 2.7      | 4.4²     |
| Source: IMF (2006, 26); IMF (2007) |

It is also the case that the current boom does not constitute a return to the peak performance of the 1950s and 60s – during which growth averaged 4.2 percent and 5.3 percent respectively (see Table 1 above) – which makes the achievements of the 1990s and 2000s look rather

² Projected figures.
unimpressive. Like other advanced capitalist nations, the post-war boom ended in Australia in the 1970s and the economy has never recaptured its ‘golden age’ glory. As the data below shows, the years 1974-75 saw the commencement of a period of declining growth, high inflation, and high unemployment. Between mid-1974 and early 1975 alone the unemployment rate rose, on a seasonally adjusted basis, from one and a half to four percent (Boehm 1979: 30). The current unemployment rate of just over four percent therefore does not represent a transcendence of the problems ushered in by the end of the post-war boom. Even former Reserve Bank governor Ian Macfarlane (2006a) concedes that ‘the effects of the big rise in unemployment and inflation in the 1970s have not fully passed out of our economy’. While the official figure of just over four percent unemployment achieved in May 2007 was as low as that witnessed in 1974, this must be set in context for, as Treasury Secretary Ken Henry reports: ‘From the end of the Second World War until 1974, the unemployment rate never rose above 3.2 per cent’ (Henry 2007: 1, 3).

When Australia fell into recession again in the early 1980s the slump was compared to the Great Depression (Clark 1982). Something of the dramatic transformation in economic conditions post-1974 is evident in Tables 3 and 4. Referring to the strong growth of the post-war period, former ALP deputy leader Tom Uren accurately predicted that ‘[w]e will never see those conditions again’ (cited in ALP 1979, 331).

<table>
<thead>
<tr>
<th>Table 3: Australia’s Economic Performance, Pre and Post-1974 (percent)</th>
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</thead>
<tbody>
<tr>
<td>GDP</td>
</tr>
<tr>
<td>Inflation</td>
</tr>
<tr>
<td>Unemployment</td>
</tr>
</tbody>
</table>

Source: Bell (1997: 88)

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<sup>3</sup> Annual average calculated from 1960  
<sup>4</sup> Consumer Price Index (CPI) calculated from 1953  
<sup>5</sup> Figures calculated from 1953
Table 4: OECD Economic Performance, Pre and Post-1974 (percent)

<table>
<thead>
<tr>
<th></th>
<th>Pre-1974</th>
<th>1974-83</th>
<th>1974-93</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>4.96</td>
<td>1.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Inflation</td>
<td>4.57</td>
<td>11.1</td>
<td>8.8</td>
</tr>
<tr>
<td>Unemployment</td>
<td>3.28</td>
<td>6.4</td>
<td>7.4</td>
</tr>
</tbody>
</table>

Source: Bell (1997: 89)

Rather than being comparable to the expansion of the 1950s and 60s, as some have argued, the current boom is best seen as part of the period of lower growth and higher unemployment that commenced in the 1970s (see further below). Whatever is said about the length of the current expansion, there remains no comparison with the strength of the post-war boom in terms of high growth rates. Ian Macfarlane, for instance, concedes that the current expansion is the ‘longest since reasonable records have been kept’ and ‘longer than the expansion from 1961 to 1974, though not as fast’ (Macfarlane 2006b; italics added). Comparing the 1992-2007 period with 1961-1974 is somewhat misleading, however, since the 1961 recession was relatively mild compared with its counterpart in the early 1990s. This allowed Windschuttle (1979: 19) to observe that for ‘near thirty years after World War II, the Australian economy went through a long boom which most economists believed represented the permanent attainment of full employment and prosperity’. While the rate of profit – which traditionally, because it reflects capitalists’ propensity to invest, has been considered a reliable measure of the health of capitalism – has risen during the current boom, it has not reached its mid-1960s peak, and indeed was achieved in large part through a ‘war by capital on the working class and its labour market institutions’ (Mohun 2003: 102, 103). In contrast, the post-war boom was more socially progressive than the current one in terms of performance on indicators such as inequality (see below).

6 Calculated from 1960
7 Data from 1960
8 Figures calculated from 1953
Arguably what gives the boom its bountiful image is the explosion in the use and availability of credit that has accompanied it, allowing consumers to buy products to which they would previously not have had access. According to some analysts, personal debt levels as a percentage of income were higher in 2007 than when interest rates were at 17 percent under the Hawke Labor government (cited in Edwards 2007). The result was that the number of bankruptcies in 2007 was at its highest level in 20 years (cited in Long 2007a). Australia has the second highest debt service ratio among OECD countries (ACOSS 2007: 28). Moreover, in 2007 personal debt levels as a proportion of GDP were twice as high as they were in the 1930s. So heavily dependent on these debt levels is the current boom, according to one analyst, that the slackening of demand caused by any reduction in household debts would push the economy into recession (Keen, cited in Hall 2007).

Yet, it is not only the case that consumers are at risk: the lenders, too, are implicated in any fallout. According to economist John Edwards, business lending is considerably stronger than any time since the credit boom of the late-1980s that preceded the early 1990s recession (cited in Long 2007b). It is still too early to tell what impact the US ‘sub-prime’ mortgage crisis will have on the Australian economy, with opinions differing on how far the crisis will spread beyond companies most affected, such as RAMS Home Loan Group, Macquarie Bank and Centro (Wilson 2007; Peel 2007). According to National Australia Bank CEO John Stewart, the honeymoon periods for some $250 billion in sub-prime loans are due to expire in the US between September 2008 and early 2009 (Moncreif and Khadem 2007). Some economic commentators have also warned of the possibility of recession sparked by a tightening of monetary policy by the Reserve Bank (Uren 2007: 33, 34). In light of the aforementioned debt levels, any slump is likely to be devastating.

An additional variable is the state of the Chinese economy, given the demand it has created for mineral commodities and therefore its importance to the Australian boom. The Chinese boom is widely expected to continue, so it is often assumed that the Australian economy, too, will continue to grow even in the event of a US recession. Yet, the Chinese boom cannot go on forever: recall that Japan, Taiwan and Korea enjoyed similarly spectacular rates of growth at different times in the 20th
century before unexpectedly succumbing to crisis (Garnaut 2006). The growth of Japan’s economy in particular led many to predict that it would surpass the US as the world’s largest economy before its bubble was pricked in the late-1980s and subsequently was mired in stagnation for much of the 1990s. The Chinese government has recently attempted to rein in bank lending in an effort to prevent the economy from overheating (Areddy 2007: 21). Social tensions created by the contradictions of rapid industrialisation, potential geo-political conflicts with the US, and the far-reaching consequences of a ‘sub-prime’ inspired crisis in the latter – any of these could conceivably halt China’s boom (see Fenech 2007). Its success hinges heavily on US demand for its manufactured goods, so the strong possibility of a downturn in the latter in 2008 also looms as a threat to China. This point is missed by those who argue that Australia is relatively safe from a US recession because of the former’s growing relationship with China. As these words were written, the US Federal Reserve was busy trying to stave off a US downturn by feverishly cutting interest rates.9

The international environment is therefore of great significance, and here it is important to realise that, globally, the period of the past thirty years has been one of almost continuous decline (Harvey 2006: 42; see also Tables 5-7 below). The post-WWII boom represents the high point in capitalist economic history (Maddison 2001: 125). Global economic growth in 2003 was less than half the worst figure for any year between 1960-73 (Harvey 2005: 155). The fall in growth from 1974 onwards reflected a decline in the rate of profit enjoyed by business internationally (Kidron 2002: 88, 90; see also Frank 1980: 32, 33; Harman 1984; Brenner 2002). According to Stiglitz (2003: 21), the 1990s was ‘a decade in which one economic crisis seemed to follow another – every year there was another crisis’. These successive crises had ‘no counterparts’ during the post-war boom (Brenner 2002: xiv). The first few years of the 21st century saw global growth rates barely average one percent (Harvey 2006: 42).

Table 5: Economic Growth Rates for Six Major Nations  
(percentage increase per year)

<table>
<thead>
<tr>
<th>Country</th>
<th>1950-73</th>
<th>1973-97</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>3.8</td>
<td>2.5</td>
</tr>
<tr>
<td>UK</td>
<td>3.0</td>
<td>1.8</td>
</tr>
<tr>
<td>Germany</td>
<td>6.0</td>
<td>2.1</td>
</tr>
<tr>
<td>France</td>
<td>5.0</td>
<td>2.1</td>
</tr>
<tr>
<td>Italy</td>
<td>5.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Japan</td>
<td>9.2</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: (Kotz 2001: 94)

Table 6: Annual Average Compound Growth Rate of Per Capita GDP

<table>
<thead>
<tr>
<th>Region</th>
<th>1870-1913</th>
<th>1950-73</th>
<th>1973-98</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>1.32</td>
<td>4.08</td>
<td>1.78</td>
</tr>
<tr>
<td>Japan</td>
<td>1.48</td>
<td>8.05</td>
<td>2.34</td>
</tr>
<tr>
<td>Total Advanced Capitalist</td>
<td>1.56</td>
<td>3.72</td>
<td>1.98</td>
</tr>
<tr>
<td>World</td>
<td>1.30</td>
<td>2.93</td>
<td>1.33</td>
</tr>
</tbody>
</table>

Source: (Maddison 2001: 129)

Table 7: Declining Economic Conditions  
(Annual Percentage Change)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>4.6</td>
<td>3.3</td>
<td>2.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Japan</td>
<td>10.2</td>
<td>5.2</td>
<td>4.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Germany</td>
<td>4.4</td>
<td>3.6</td>
<td>2.15</td>
<td>1.9</td>
</tr>
<tr>
<td>Euro-12</td>
<td>5.3</td>
<td>3.7</td>
<td>2.4</td>
<td>2.0</td>
</tr>
<tr>
<td>G-7</td>
<td>5.1</td>
<td>3.6</td>
<td>3.0</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Source: (Brenner 2000: 47)

Growth has been much stronger since 2004, driven in part by China and India’s rising contribution to global GDP and their rapid rates of growth in recent years (Treasury Department 2006b). But the ‘sub-prime’ mortgage credit problems hang like a dark cloud over the world economy. In January 2008 falling sharemarkets in Asia, Europe and North America prompted fears that a US slowdown would drag the rest
of the world economy down with it. This global economic weakness makes China’s success even more critical to Australia’s. But, as we have seen, China itself is hitched to US and global fortunes.

**A New Politics for a New Boom?**

The preceding discussion has implications for claims that the boom has made redundant the traditional Left focus on economic polarisation and disadvantage. The picture of a more limited boom painted above undermines the view that poverty and hardship are a thing of the past: to the extent that reductions in these are possible under capitalism, they are much more likely in times of boom when employment opportunities are greater and incomes are rising. In this sense, strong economic growth is even more crucial in a political context in which mainstream political actors preclude *a priori* means of redistribution, including higher taxes on the wealthy, expanding the welfare state, and nationalisation. Moreover, the different positions on the boom cited above are united in their failure to peer below the surface of low unemployment and strong consumer spending. In the mainstream media and political circles there is an almost Fukuyaman like belief that the age-old injustices of capitalism – which spawned challenges from the Left in the form of Marxism and social democracy – have finally been cured, leaving a need only for some fine-tuning at the edges or supply-side measures such as investment in education and training.

In reality, capitalism is still very much marred by its original faults. Even the picture of a ‘miracle’ economy in Australia, Bramble shows, ignores the evidence of rising labour exploitation since the 1980s, including real wages that have lagged behind productivity increases; there has also been greater casualisation, outsourcing, longer working hours, underemployment, and increased use of temporary work arrangements (Bramble 2004: 11-13). Mohun speaks of nothing less than a ‘war by capital on the working class and its labour market institutions’ (Mohun 2003: 102, 103). While other factors have clearly played their part – including not only demand from China for mineral resources, but also demand created by the Coalition’s diversion of almost $87 billion in tax revenue into tax cuts and benefits (Franklin 2008: 1) –
intensified labour exploitation is important. The share of national income accounted for by profits in 2003-4 was higher than at any time since 1959-60 (Stilwell and Jordan 2007: 5). In other words, the expansion is built partly on good, old-fashioned increases in exploitation.

Far from the boom reversing trends in poverty and disadvantage, a study by the Australian Council of Social Services (ACOSS) found that the proportion of Australians living below the poverty line had risen from 7.6 percent in 1994 to 9.9 percent in 2004, affecting close to two million people (cited in Mitchell 2007: 5). Other data using different measures of poverty put the number at around 3.8 million, or around 20 percent of the population (ACOSS 2007: 12). There is, of course, debate about the merits of the various measures used to define poverty, but most analyses have poverty rising (see Stilwell and Jordan 2007: 84, 85, 88). Some 800,000 children live in families with no parent in work, and Indigenous Australians suffer appallingly low health and living conditions (cited in Swan 2005: 4, 5). Around 100 000 Australians are estimated to be homeless (ACOSS 2007: 30). The West Australian Council of Social Services (WACOSS) reported in August 2007 that the boom in Western Australia was ‘not producing benefits for all Western Australians, and in fact, it is producing adverse conditions for many people who live on a middle and/or low income’. The boom was driving up the cost of living in WA, in areas such as housing, transport, fuel, food and other essentials. According to WACOSS, between 2005-2006 there was a 54 percent increase in the number of needy people turned away by community service agencies (WACOSS 2007: 1, 5). Such agencies in 2006 provided assistance to more than 300 000 people in that State – an increase of 40 000 on the previous year (O’Brien 2007: 4). It is therefore not only the most destitute – the homeless and unemployed – ensnared in this: full and part-time workers make up a quarter of Australians living in poverty (Stilwell and Jordan 2007: 6).

All this is quite astonishing, given the length of the current growth phase. As Pusey (2003: 2) comments on his research into the impact of neo-liberal reforms on ‘middle Australia’, many people believe ‘that this has been the only boom in living memory where the broad mass of the population gets nothing or as little as possible’. The neo-liberal reforms of the past 30 years have, he suggests, ‘mostly produced, or otherwise
abetted, a seismic shift in the distribution of income, power and resources’ from the bottom 70 percent of wage and salary earners to the top 10 percent, and more generally from wage and salary earners to corporations. The current boom’s failure to reduce inequality and poverty – indeed, both have risen – stands in contrast to the experience of the post-war boom, when the gap between the rich and poor was much narrower and middle income earners saw significant increases in real incomes (see Pusey 2003: 6, 22, 23).10 Some 77 percent of Australians believe that the gap between rich and poor is growing, and 45 percent believe that Australia is not becoming a fairer place (ACOSS 2007: 1).

Combined with the data cited earlier, this provides a sense of the class divisions in Australian society. Burgmann suggests that some two-thirds of the Australian population are either required to sell their labour power – whether as white or blue collar workers – are dependants of workers, are unemployed, or rely on government benefits. Far from class analysis outliving its usefulness, she argues that society is becoming more polarised, with middle-income groups declining as a proportion of the population (Burgmann 2004: 64). As Stilwell and Jordan point out, the vast inequalities in wealth and income distribution in Australia are inseparable from the ‘class-based power relationships’ underpinning them. This is one reason why class and economic questions retain their importance in Australian politics.

The redistribution of income from capital to labour that commenced in the 1970s accelerated in the late-1990s (Stilwell and Jordan 2007: 21, 22). Data provided by Stilwell and Jordan show that inequality in both income and wealth distribution is rising (see Chs 2 & 3 especially). Indeed, they argue that the inegalitarian nature of the current boom has more in common with the effects of the Great Depression than the post-war boom (Stilwell and Jordan 2007: 34, 35). Highlights include the extraordinary growth in corporate bosses’ earnings that has dovetailed with the boom: whereas in 1992 the CEOs of the top 51 companies in the Business Council of Australia enjoyed pay packets twenty times the average wage of full-time workers, this rose to 63 times in 2005. Some

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10 Some of the analysis of Pusey referred to here covers the broader period since the end of the post-war boom in 1974, but the comparison between the 1950s and 60s boom vis-à-vis the 1990s and 2000s boom still stands.
Forty-five percent of Australian wealth is owned by just 10 percent of the population (Stilwell and Jordan 2007: 4, 5). As Stilwell and Jordan (2007: 43) write:

Many of the rich have got much richer, benefiting from the high returns to the ownership of capital and from the redistribution of income shares from labour to capital that has accompanied economic growth in the last two decades. At the other extreme, the trickle down from the economic prosperity has been modest, at best.

An interesting yet perplexing question, in light of the above comparisons with the post-war boom, is whether living standards for the mass of the people are higher now than they were when that boom ended and the neo-liberal era commenced in the 1970s. No doubt Hamilton would argue strongly in the affirmative, while, appropriately, adding riders concerning the ‘quality of life’. On the other hand, Burgmann (2004: 64) comments that ‘the statistics indicate clearly that the injuries of class are being felt more keenly in the present than in the immediate post-war period’. No combination of methodologies and frameworks, however, is likely to provide a definitive answer to this question. Perhaps the best approach is the one adopted by E.P. Thompson in his magisterial The Making of the English Working Class. By 1840, according to Thompson, ‘most people were “better off” than their forebears had been fifty years before’, but at the same time ‘intensified exploitation, greater insecurity, and increasing human misery’ amounted to a ‘catastrophic’ experience of the Industrial Revolution (Thompson 1966: 212). There are obviously differences in the periods, but the approach is useful. Many are ‘better off’ now than they were at the end of the post-war boom: in terms of life expectancy, education levels, and greater access to means of communication and overseas travel. But undoubtedly for others – including many blue-collar workers, employees in public sectors, and people in the Third World, the encounter with 30 years of neo-liberalism has also been ‘catastrophic’. This experience has been somewhat softened in Australia because of the boom over the past 15 years. But if the boom has not reversed poverty and inequality – indeed, both have increased – the question is begged as to what will happen when it comes to a halt.
An Everlasting Boom?

Many of the commentators cited above appear to assume ongoing economic expansion, thereby preserving whatever ‘prosperity’ the boom has created. There is nothing novel in claims that the boom has solved perennial questions of economic inequality and poverty: commentators tend to make such statements in the midst of boom conditions only to be repudiated by events. The German social democrat Eduard Bernstein famously argued around the turn of the 20th century that, *inter alia*, capitalism was more stable than revolutionaries thought, that recessions were unavoidable but general decline in capitalism was not, and that there was no inbuilt tendency to greater inequality and class division (Bernstein 1961). Hamilton today writes, *a la* Bernstein, that ‘neo-liberalism has fulfilled its promise of prosperity… It is simply untrue that the rich inevitably get richer and the poor get poorer’ (Hamilton 2006: 34). The impressive strength of the post-war boom led influential British Labour Party politician Anthony Crosland to famously write in the 1950s that social democrats could forget economic and class issues and turn to ‘more important spheres’ like ‘personal freedom, happiness, and cultural endeavour…which contribute to the varied fabric of a full private and family life’ (Crosland 1963: 3, 4, 62, 353). This is, of course, analogous to Hamilton’s call for ‘a rich life rather than a life of riches’ (Hamilton 2006: 2). In Australia, ALP leader Gough Whitlam was convinced that the prosperity associated with the post-war boom obviated the necessity for nationalisation, while his future deputy leader Jim Cairns saw the gains enjoyed by workers as invalidating Marxist analyses of Australian society (Strangio 1999: 42; Strangio 2002: 102). Whitlam’s ‘Program’ had been developed in the context of the economic buoyancy of the 1960s, and was ‘predicated on growth’ (Freudenberg 1986: 135, 136, 143).

Invariably, such prognoses turned out to be worthless when recessions struck. As Trotsky pointed out, Bernstein’s optimism looked absurd in the 1930s, when the ‘capitalist reality since the war approached, in a certain respect, much closer to the Bernsteinian caricature of Marxism than anyone might ever have assumed’ (Trotsky 1971: 311). When the post-war boom ended in the 1970s and economic crisis returned, Hobsbawm (1994: 406) noted how terms such as ‘poverty, mass
unemployment, squalor, instability’ re-entered the lexicon, and even the
apvanced capitalist nations ‘found themselves, once again, getting used
to the everyday sight of beggars on the streets, and the even more
shocking spectacle of the homeless sheltering in the doorways in
cardboard boxes’. Hobsbawm asks: ‘Who, in the 1950s, or even the
early 1970s, would have expected this?’ Similarly, the Asian financial
crisis in 1997-98 caused an outflow of some $US100 billion, costing
According to Stiglitz, the US recession at the beginning of the 21st
century saw the longest decline in industrial production since the early
1970s. Two million jobs were lost in the space of just 12 months, and
some 1.3 million Americans plunged below the poverty line (Stiglitz
2003: 3, 6).
The affluence many commentators glibly identify in Australia is almost
totally contingent on the current boom. The present expansion in
Australia has allowed some lower and middle-income earners to benefit,
but another recession may well jeopardise the living standards of
hundreds of thousands. While not many commentators are publicly
willing to suggest that Australian capitalism’s disruptive tendencies have
been shed for good, the above cited rhetoric about the implications of
‘rising affluence’ for the ALP and the broader Left is based on
assumptions that little can seriously threaten this pattern of ‘affluence’
and prosperity. The central mistake made by Bernstein in the early 20th
century and by Hamilton and others today is to generalise about the
nature of capitalism on the basis of present trends and conditions rather
than, as Marx did in his volumes of Capital, on the basis of the course of
the entire development of the system and its historic tendencies.
Neglecting the system’s propensity for crisis eventually catches up with
one – sometimes sooner rather than later. Witness US President Calvin
Coolidge waxing lyrically about the then-prosperous US economy at the
end of 1928:

No Congress of the United States ever assembled, on surveying
the state of the Union, has met with a more pleasing prospect than
that which appears at the present time. In the domestic field there
is tranquillity and contentment…and the highest record of years
of prosperity… The main source of these unexampled blessings
lies in the integrity and character of the American people (cited in Galbraith 1961, 30).

The rest, as they say, is history. In 1972, just two years before the collapse of the post-war boom, the United Nations (UN) predicted confidently that ‘the underlying trends of growth in the early and middle 1970s will continue much as in the 1960s’ (cited in Glyn, Huges, Lipietz and Singh 1990: 39). The unplanned nature of the market, and the way in which the development of credit served to mask even more the underlying frailties in the system, mean that crises occur often just when they have officially been consigned to history. According to Marx:

This is why business always seems almost exaggeratedly healthy immediately before a collapse... Business is always thoroughly sound, and the campaign in fullest swing, until the sudden intervention of the collapse (Marx 1981: 616).

From a Marxian perspective, capitalism cannot avoid slumps. Because of what Albritton (2007: 136) refers to as its ‘indifference to use-value’ – its orientation towards the speculative world of the market rather than the needs of humans – capital can be the architect of its own demise: ‘to the extent that value becomes disconnected from its earthly, material, human use-value anchor, it can very easily be swept up in the mania of get-rich quick bubbles’. But there is also a deeper tendency to decline in the form of a ‘falling rate of profit’. As Marx (1981: 350) put it, a falling rate of profit ‘slows down the formation of new, independent capitals and thus appears as a threat to the development of the capitalist production process’. The two are often dialectically related: it is partly in the chaotic and competitive nature of market capitalism that the source of the explanation for the actions of investors and business owners that gives rise to a falling rate of profit lies.11 The tendency for capitalism to

11 There is not one Marxist theory of economic crisis, which is partly a product of the fact that Marx made different points at various times without summarising conclusively prior to his death (see Mandel 1981: 42-53; Harman 1984: 122-154; Itoh 1980: Ch.4). A discussion of the merits of each of these is beyond the scope of this paper (see Harman 1984: 122-154). For a more in-depth discussion of the theory of the falling rate of profit, see Marx (1981: esp. Ch.13). For an application of the theory of the falling rate of profit to the onset of crisis in the 1970s, see Harman (1984).
produce crises and potentially horrific degradation inspired Rosa Luxemburg’s declaration that humanity faced a choice between ‘socialism’ or ‘barbarism’ (cited in Harman 1999: 607). As the various crises of the past 30 years have revealed, her words are as true today as they were when she wrote them in the thick of WWI.

The Boom and Political Developments

Arguments along the lines of those put by Lindsay Tanner about the importance of ‘relationships’ imply that political struggles in the future will increasingly be fought over non-economic questions. Such an outlook has difficulty explaining recent political developments, which in fact reveal the continued place of class and associated issues of economic disparities in Australian politics.

When the ALP was defeated at the 1996 federal election, a loss of support amongst its traditional working class supporters was the key factor in the defeat, and there is empirical evidence that this schism resulted from Labor’s implementation of neo-liberal economic policies and the perception of pain and insecurity they caused for these supporters (Singleton, Martyn and Ward 1998; Bean 2000a: 76). For many middle and working class people, among the results were: falling real wages, rising inequality, longer working hours, and higher unemployment (Carman and Rogers 1999: 1).

This interpretation of the 1996 defeat is supported by ALP commentary and analysis. Labor’s core constituency, according to party leader Kim Beazley, had deserted it because it was ‘blue-collar workers and their families…who have carried the burden of technological and economic change in society over the last decade’ (cited in Gordon and Taylor 1996: 1). Labor MP Robert McClelland attributed ‘a lot of the blue-collar assault on the Labor Party’ to the ‘perception that every time they wanted a wage increase they had to sweat blood for it’ (HRH, 21 November 1996: 7231). After the election voters wanted the ALP, Mark Latham suggested, to re-prioritise ‘basic standard of living issues in working class areas, to grapple with the sort of uncertainty that people face…’ (ABC Lateline, 13 March 1996).
The rise of Pauline Hanson’s One Nation (PHON) also reflected in part the discontent with years of neo-liberal economic restructuring and reform. While PHON focussed on immigration and Aboriginal issues, there were also attacks on free trade, foreign investment, policies that favoured big business, and high levels of unemployment.  The launch of her 1998 federal election campaign centred around economic issues such as unemployment and ‘globalisation’ (Goot 2005: 108). Bean and McAllister expected PHON voters to come from conservative political backgrounds, but found in fact that they tended ‘more towards Labor’s profile instead’: PHON support came disproportionately from ‘manual workers, trade union members, those who describe themselves as working class, the less well educated, men and people who never attend church – a list of characteristics which comes close to defining the archetypal Labor voter’ (Bean and McAllister 2000: 181). Goot remarks on the significance of PHON’s blue-collar support:

Part of One Nation’s appeal is almost certainly economic…
[B]lue collar workers also bear the brunt of downturns in business activity and most of the scars from economic restructuring…
[This may relate to] a fear, predominantly among men, not only of losing jobs but of losing full-time jobs…and the feeling that none of the established parties offers much prospect of seeing this reversed (Goot 1998: 71, 72).

Then-Labor MP Carmen Lawrence (2005) suggested that many of the ALP’s traditional supporters who left it in 1996 ‘joined up [to] the Hansonite wagon… They didn’t understand what had happened [economic restructuring] and why they should have been victims of it’. Current federal Treasurer Wayne Swan argued in 2005 that PHON grew out of ‘the reform fatigue of three decades of massive social, economic

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12 See, for example, Hanson’s maiden speech (HRH 10 September 1996: 3860-63)
13 Goot later argued that alternative interpretations of both the 1998 Australian Election Study (AES) data and opinion poll evidence showed the distinctive features of PHON voters to be hostility towards immigration and Aborigines (Goot and Watson 2001a). This conflicted with earlier interpretations of this data (Bean 2000b). Others criticised this position of Goot and Watson, arguing that the evidence did indeed suggest a relationship between PHON voting support and economic insecurity (Turnbull and Wilson 2001). Goot and Watson (2001b) followed this up with a rebuttal of Turnbull and Wilson.
and technological change’. Echoing comments by others, he attributed the 1996 defeat to ‘frustration with the Hawke and Keating reforms that had opened up the economy over the preceding 13 years… [T]he million Australians who voted for One Nation in 1998 did so for the same reason’ (Swan 2005: 225, 226).

At the other end of the spectrum, some might contend that the rise of the Greens reflects a ‘post-material’ politics that supersedes class cleavages. Yet, there is evidence that the Greens are gnawing away at Labor’s traditional base over economic questions, and it can be argued that their success indicates the continuing relevance of class questions in Australia. Former Labor federal campaign strategist Bob Hogg (2003) noted that in the lead-up to the 1990 federal election:

> The party’s research starkly emphasised that the vote leaching from the ALP to both the Democrats and the Greens was from our working class base… The very people who had robustly supported the election of the first Hawke Labor Government in 1983 were deserting us in hundreds of thousands.

While the Greens are not a working class party, in their political and policy tradition nor their membership composition, they have attracted some working class support because of their opposition to neo-liberal economic policies. Greens leader Bob Brown (2004) argues that the general improvement in his party’s situation is related to its ability to provide ‘alternatives to the economic rationalism of the big parties’. Indeed, the Greens consider themselves as part of ‘a new worldwide political force combating economic rationalism and corporate globalisation’ (Oquist 2002: 147). The federal lower house seat of Cunningham, won by the Greens in 2002, had been held continuously by the ALP since 1949, and contained ‘the remnants of an industrial working class’ (Wilson 2002: 17, 19). Between two-thirds and three-quarters of Green voters are former Labor supporters (Oquist 2005). Their policies are in fact frequently more radical on economic issues than those of the ALP. Burgmann (2004: 64) argues that the Greens’ policies ‘more closely resemble social-democratic ones than do Labor’s’. The 2001 AES revealed that on a range of issues, such as the power of big business in society and wealth redistribution, Greens voters are close to or slightly to the left of Labor voters (Wilson 2002: 20, 21). The
economic and class-based appeal of the Greens is also evident in their securing of the support of the Firefighters’ union (Victoria) in their campaign for the seat of Melbourne in the 2007 federal election. The Greens candidate for that seat stood for ‘traditional Labor values – like public ownership and ripping up WorkChoices… This strong principled stand is increasingly attractive to much of the ALP’s traditional base, which Labor can no longer take for granted’ (cited in Hannan 2007: 6).

In light of the above analysis of the ALP’s loss of federal power in 1996, there is perhaps some irony in the fact that it was similar issues that helped propel it back into power in 2007, for it is difficult to comprehend the wider debate surrounding the WorkChoices legislation and its impact on wage earners without recourse to class (Stilwell and Jordan 2007: 2, 14). One analysis of the 2007 federal election attributes the Coalition’s defeat in part to its loss of the blue-collar ‘battlers’ who it had previously attracted successfully at the 1996 federal election, and who had deserted the ALP over its neo-liberal policies under Hawke and Keating. According to this interpretation, WorkChoices was the key factor in the Coalition’s loss of support among working class voters (Johnson 2007). The declaration of an end to class conflict by Shorten (see above), then, seems rather odd, especially as it came not long after the Rudd Government surfed to power on a wave of public anger over one of the most class-biased pieces of legislation to come before parliament.14

The lesson of all this is that there ‘remains a strong electoral base for redistributive politics’ (Burgmann 2004: 64; see also Pusey 2003), despite claims that the boom has rendered such policies unappealing or, indeed, superfluous.

Conclusion

There is a consensus across the Australian political elite that the Left’s traditional concerns about capitalism are increasingly irrelevant. This is

14 See contributions to the Special Issue of JAPE (No.56, December 2005), Whose Choices? Analysis of the Current Industrial Relations ‘Reforms’.
partly a product of the dizzying effects of booms such as the one we’re currently in. Yet, much commentary has overstated the strength of the boom and understated its weaknesses. Its continuance is almost assumed, and in the process the inevitability of economic crises – and the destructive impact they wreak in terms of poverty and inequality – has largely been forgotten. Also, an assumption of widespread affluence can provide few clues as to the sources of recent important political developments in Australian politics.

A concern to reduce inequality has always distinguished left-wingers from their political opponents (Bobbio 1996: 29-31). In a context of war and environmental degradation, there remains much to be done to make the world a better place. Yet it is arguably behind the banner of economic equality and justice that the most number of people can be assembled to challenge the priorities of global capitalism – the very system that spawns the above threats to humanity’s future. It is therefore on the distributional sins of capitalism that those most aggrieved by the system should concentrate their attack.

This argument about the boom and the broader issue of whether class and inequality still matter needs to be seen in the context of the profoundly disorientating consequences for many of the fall of the Berlin Wall and the collapse of the Soviet Union – events that gave rise to a consensus among intellectual and political elites about the efficacy of liberal capitalism. The rebirth in recent years of opposition to capitalism writ large in the form of ‘anti-globalisation’ movements is, however, evidence of the way in which the economic fault lines of capitalism inevitably generate – sooner or later – resistance and opposition. To be sure these are challenging times for those who still regard capitalism as the main game, but we should see claims that these fault lines have disappeared for what they are: rehashed arguments in defence of the political and economic status quo.

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