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Evan Jones
*University of Sydney*

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Evan Jones  
Political Economy  
School of Economics and Political Science  
University of Sydney, Australia

Abstract

*Working Nation* was the culmination of a series of policy documents produced by the Hawke and Keating Labor Governments in the early 1990s. These 'big picture' documents reflected a desperate response to the shocking recession, a recession that had undone much of Labor’s 'economic reforms' since 1983. Pro-active industry policy had been marginalised in the Labor years in favour of the orthodox 'microeconomic reform' agenda (tariff reductions, etc.) favoured by Hawke and Keating’s advisers. *Working Nation* was centred on improvement of the labour market, to improve the ‘supply side’ of job creation, but improving the ‘demand side’ through the creation of jobs was hampered by the reigning ideology. Given this constraint, the industry policy component of *Working Nation* was fairly wide-ranging, albeit predictably fragmented and naïve as to the capacity for implementation in a hostile institutional environment. The Howard Government has been more uncaring and cynical in its labour market programs but ironically more pragmatic in its industry policy, achieving general electoral sympathy. There is a tragic dimension to *Working Nation*, in that its attractive elements were developed belatedly out of crisis, and the overall package was unnecessarily constrained by Labor’s kowtowing to contemporary conceptions of economic correctness.

Background

Industry policy is the generic label given to government initiatives to maintain and enhance the viability of industry within their borders (Jones 1999). That intent means catering to the imperatives that drive job creation and that underpin livelihoods.

In Australia, a not unrepresentative modern ‘Western’ capitalist economy, roughly 15 percent of jobs are in the public sector and public trading enterprises, 43 percent of jobs are in large private establishments (employment over 20 employees) and 42 percent are in small enterprises, family farms or self-employed (Australian Bureau of Statistics 2001, p. 6).

Industry policy and job creation are channeled through a country’s differentiated institutional policy apparatus and its ideological underpinnings. A national policy apparatus may evolve but the apparatus ensures a relative continuity in what policies are conceived and how they are delivered.

Conventional wisdom has it that the economic policy apparatus underwent a sea change in the 1980s – a profound move in policy orientation from a closed economy of the ‘Australian Settlement’ to one of openness to the global economy via the new
instruments of 'microeconomic reform' (Kelly 1992). This characterisation is useful but only at a superficial level (and the word 'closed' is inaccurate).

The Australian policy structure is a more complex beast. There are dimensions that have exhibited relative long-term continuity. First amongst these dimensions is the institutionalisation of a colonial mentality. White Australia was constructed as an outpost of the British Empire – economically, politically and culturally. The institutions of the 'Australian Settlement' (White Australia, arbitration, tariff protection and agricultural subsidies) were a complement to imperial integration rather than a substitute for it. Long after the British Empire had been marginalised the colonial imprint remains. Australia as semi-periphery is reflected in the long-term export dependence on unprocessed food and raw materials. Australia as semi-periphery has been institutionalised in the character of the federal bureaucracy – reflected in the Treasury as central agency modeled on the British Treasury, and in key departments preoccupied with the facilitation of food and materials exports. On occasions when this bureaucratic structure has been modified the changes have been wound back.¹

A second dimension exhibiting long-term continuity is a hegemonic culture of philosophical liberalism in Australian society. Liberalist culture has moulded the character of economic policy in general and of industry policy in particular. Liberalism enforces a formal arms length relationship between governmental institutions and the private sphere and between institutions in the private sphere. The familiar refrain of 'governments should not be in the business of picking winners' is a product of this culture. However, governments, regardless of ideology, will resort to industry policy to foster economic development and to shore up election support in key electorates; liberalist values ensure that such policy will have a detached, fragmented and pragmatic character. Industry policy is thus like 'original sin' in a formally Christian society – everybody practices it, but you can't get any respectable person to admit to it.

The ideological battles in Australia have essentially between waged between variants of liberalism, especially 'classical' liberalism, or its modern variant libertarianism, and 'social' liberalism. Social liberalism, for example, was a major philosophical force behind the construction of the Australian Settlement and of the 'Keynesian'-type policy instruments developed during World War II and after.

The so-called epochal shift from 'Australian settlement' policy institutions to those oriented to 'microeconomic reform' is a superficial rendition of a shift in the balance of a complex policy structure. The forerunners to libertarianism were always there. The social liberalist element survives, if on the margin.

¹ An important instance of this phenomenon was after 1945 when changes under the Chifley Labor Government were wound back with the election of the Menzies Government in 1950 (Jones 2002). The most significant reflection of bureaucratic transformation towards a more nationalist thrust was in the creation of the Department of Trade in 1956 under John McEwen. This Department (then Trade and Industry) was broken up in 1973 under Labor and (after reconstruction by the Fraser Government) dismantled in 1987 via a subordinate incorporation into the new Department of Foreign Affairs and Trade.
Labor in Office and the Road to *Working Nation*

The Hawke Government was essentially a Hawke-Keating government, with a large gap between Hawke and Keating and the rest of the Cabinet. As befits a liberalist culture, a Treasurer towers over an Industry Minister by definition. Industry Minister John Button was early actively engaged in a handful of sectoral plans, notably in steel and heavy engineering (Jones 1993), but these were driven by industries in crisis – the cyclical downturn of the early 1980s had exacerbated long-term structural problems. These plans joined sectoral plans in automobiles and textiles, clothing and footwear that had been refashioned from programs forged under the Fraser Coalition Government (Capling & Galligan 1992).

After 1985, microeconomic reform took hold, opportunistically reinforced during the continued fall of the currency in 1986 (the 'banana republic' crisis). The union movement's hopes of elevating the status of industry policy (a component of the Accord) were soon disappointed with early marginalisation of the status of the Economic Planning Advisory Council and the Australian Manufacturing Council, and further disappointed with the Government's disdain for the unions' elaborate 1987 report on industry policies in selective European countries, *Australia Reconstructed* (Jones 1997).

Microeconomic reform was embodied in the corporatisation of government business enterprises (GBEs) and the partial privatisation of selected GBEs, the move to dismantle the tariff regime and subsidies and support structures for the rural sector (Parliament of the Commonwealth of Australia 1986; Kerin 1988), and the move to enhance 'enterprise bargaining' in the determination of wages and conditions.

Microeconomic reform domestically was complemented by an orthodox approach to trade policy. More accurately, the government pursued a two-pronged orthodoxy – multilateralism abroad and unilateral tariff reduction at home. The dutiful attachment to the prevailing orthodoxies provides important insight into a Government determined to be constrained by the established rules, especially in the face of growing deficits on the current account.2

A surprising aspect of the late 1980s environment was Labor's use of a handful of sectoral programs whose rationale ran counter to the microeconomic reform dicta – in information technology, in telecommunications and pharmaceuticals. These programs were leveraged on government (or government instrumentality) procurement. Government procurement is a powerful instrument for industrial development, widely

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2 The folding of the old Department of Trade into the new Department of Foreign Affairs and Trade saw all the trade policy eggs being put in the multilateralist basket (Jones 1994c). Agriculture was finally put on the agenda of the 1986 Uruguay Round of the General Agreement on Tariffs and Trade, but the Americans were cynically using agriculture as a strategic vehicle to leverage open national restrictions on services and investment. The new Trade Minister, John Dawkins created the Cairns Group in 1987, a lobby group of agricultural countries, to influence negotiations. Optimism soon became tinged with uncertainty and the Government forged the Asia-Pacific Economic Cooperation organisation in 1989, with the expectation that Asian members would accept a free trade vision that was simultaneously floundering at GATT. Labor then adopted a unilateralist position on tariff reductions, influenced by Hawke's former adviser Ross Garnaut (Garnaut 1989). The flawed presumption was that unilateral reductions of Australian tariffs would enhance Australia's 'bargaining coin' in its negotiations in other forums.
used elsewhere, but it is remarkable that these programs were developed in the face of the 'governments can't pick winners' culture.

The early 1990s recession was a disaster for Labor. Labor responded by a marginal shift of focus. The 1980s had generally been a period in which financial considerations dominated policy considerations – the annual budget was de facto the perennial 'policy' statement (Jones 1994a). During and after the recession, the Hawke and Keating Labor Governments delivered a succession of 'strategic' policy statements – Building a Competitive Australia (Hawke, Keating & Button 1991); One Nation (Keating 1992); Investing in the Nation (Keating 1993); Working Nation (Keating 1994a); Creative Nation (Keating 1994b); and Innovate Australia (Keating 1995).

Building a Competitive Australia and One Nation generally defied the implications of the recession by their central emphasis on continuing the microeconomic reform agenda, especially via tariff reductions. Each successive policy document included an increasing number of discrete policies in the 'industry policy' domain. These additional policies in Building … were trivial.

One Nation re-introduced accelerated depreciation for capital investment; the creation of the Pooled Development Funds program to assist small and medium sized enterprises (SMEs) with access to equity capital; the establishment of the Australian Technology Group to foster the commercialisation of research; the planned expansion of the number of Austrade offices overseas; the establishment of a 'major projects facilitation' unit; liberalisation of foreign investment guidelines; support for the tourism industry; and some early attempts to rationalise national transport infrastructure.

Investing in the Nation stepped back somewhat from One Nation, acting as a 'top-up' statement. It lowered the company income tax rate from 39 percent to 33 percent; gave a more generous concessional tax rate (30% to 25%) to income earned in Pooled Development Funds; and expanded the number of centres under the Cooperative Research Centres Program (a visionary program established in 1990).

The Industry Policy Component of Working Nation

Working Nation returned to large-scale action with a plethora of industry policy programs. The key programs are listed below.3

Government Procurement

There is an assertive statement on the use of government procurement as a strategic vehicle for domestic industry development. This draws on recommendations from a contemporary Parliamentary report (Bevis Report 1994). Procurement policy had been used pragmatically, notably in telecommunications, but it had always faced opposition from the Treasury imperative that governments should buy in the cheapest market. The Government promised to establish an 'Endorsed Suppliers' program.

3 This list has been adapted from Jones (1994b).
which would force prospective suppliers into strategic commitments in Australia, and enforce 'best practice procedures' on suppliers. The principle was an extension on the approach developed for the Partnerships for Development program for the information technology sector. An 'Australian Suppliers Information' program gave a commitment to ensuring adequate information on Australian industry capabilities – a turnaround given the neglect of the State-based Industrial Supplies Offices since their first appearance in Victoria in 1984.

Industry-based Strategies

There is a positive acknowledgment of the dogged successes of the Partnerships for Development Scheme, and a commitment to its continuance. The Textiles Clothing and Footwear sector was promised continued support under its evolving sectoral plan. The automobile plan in its previous form was to be wound up. The Government made claims of support in additional industries – 'agri-food', petrochemicals and the music industry – but the efforts are tentative and minor.

Innovation

Some measures were introduced to facilitate innovation. This includes increasing access of SMEs to the 150 percent tax concession for research and development; financial support for early commercialisation in small high technology firms; a promised reorganisation of the reigning intellectual property legal regime for better access; an Information Standards Technology Program to facilitate market access through standards and certification requirements; a promised study of the contribution of the design component in Australia's industrial competitiveness; substantial funding ($60m over eight years) for a Major National Research Facilities Program, with an initial contribution to the development of a national capacity in nanotechnology (molecular engineering).

Construction of Linkages

The construction of linkages carries the prospect of a substantive and cost-effective impact. In an explicit acknowledgement of the importance of 'networking', *Working Nation* includes funds to be allocated to the National Industries Extension Service to support the creation of networks which focus on improving competitiveness. There were also steps to foster the diffusion of technology, including ear-marked CSIRO funds for dissemination of state-of-the-art technology; the promised formation of a 'national technology access and diffusion network' to strengthen links between business, science and research/technology centres, assisted by specialist Technology Counsellors; promised funding for participation in an 'international program of cooperation in manufacturing technology', and for the establishment of 'technology consultative forums in the aerospace and telecommunications industries'.

Policy Rationalisation/Integration and Marketing

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4 The NIES was a low-key program to enhance small business general management skills. Copied from an innovative program in agriculture, it was commonsensical in construction and relatively inexpensive. Services were generally delivered through State government industry departments.
The Government promised steps to rationalise and integrate the programs and to improve dissemination of their availability, especially through AusIndustry, a new office located in the Industry Department. AusIndustry was to be complemented by a Business Programs Management Group, attempting better interaction between federal departments for policy coordination.

**Tensions and Balance of Forces behind Working Nation Industry Policy**

Making industry policy in Australia is always subject to tension because of the alien underlying culture, as outlined above. The early 1990s carried over the entrenched culture and institutions but was coloured by temporal particularities.

Economic orthodoxy continued to dominate the period in spite of the recession. Paul Keating had moved from being Treasurer to being Prime Minister, and he had 'softened' in the process, but he still knew no lesson other than the orthodox one (Jones 2004b). The capable Industry Minister, John Button, had retired at the 1993 election. His replacement Alan Griffiths mouthed an assertive agenda, but he resigned after disclosure of private indiscretion after less than twelve months in the job. In January 1994 Griffiths was replaced by Peter Cook, who promised a return to orthodoxy, having previously adopted an unthinking orthodox line as Trade Minister. The Prime Minister's Department continued to play a centralising and dominating role in staffing decisions across the entire federal Senior Executive Service. The Industry Department Secretary, Neville Stevens, was summarily deposed in December 1993, to be replaced by an insider from Prime Minister and Cabinet, Sandy Holloway.

Against this antagonistic environment, the recession was the dominant force for new initiatives. Desperation fostered an energetic but inevitably pragmatic response in the context of an unsympathetic institutional environment. As noted in Jones (1994b, p. 155), 'Working Nation made a surprisingly large number of positive noises'. The 'noise' was assisted by a barely perceptible appearance amongst pockets of bureaucrats in the Industry Department and in its complementary 'think tank', the Bureau of Industry Economics, interested in unorthodox ways of conceiving of industrial development and of the integral contribution of industry policy to that general ambition. The concept and phenomenon of 'networking' is a reflection of such developments. This was an important start, but this line of inquiry was not ushered readily into the chambers of respectability. At least this new move was sufficient for the creation of a new category. Thus Working Nation proclaims (Keating 1994a, p. 52):

As we move into the 21st century, Australian industry policy has two overriding objectives:

- building a competitive environment, and
- based on this environment, building competitive firms.

The first dot point encapsulates orthodoxy (embodied, for example, in the Hilmer Report (1993) and the contemporaneous National Competition Policy process); the
second dot point encapsulates the 'new' thinking. This addition, in the circumstances, was probably a provocative statement.

Regardless of such shifts, an instructive case study in continuing tensions is the arena of small and medium enterprise policy. The numerical preponderance of SMEs in the Australian economy ensures that SMEs are significant arenas of employment as well as self-employment. Governments pragmatically concerned with job creation need an explicit attention to SMEs. Moreover, SMEs were becoming the policy 'flavour of the month' overseas, and the cultural cringe in Australian policy-making circles ensured that this opinion would flow to Australia. The industry policy chapter of Working Nation (Keating 1994a, Ch.3) opens with a decidedly post-Fordist flourish.

The successful players are flexible and innovative, increasingly small and medium enterprises (SMEs), operating against a backdrop in which competition is intense and capital highly mobile. (p. 51)

Two issues in particular highlight the tension between language, expectations and ultimate reality – the 'robustness' of managerial capacities of SME owner/managers and of the environment in which they operate, and SME access to finance.

The robustness of SME managerial capacity was emphasised in a McKinsey consultancy (McKinsey & Company 1993). McKinsey celebrated the capacity and vitality of leadership per se in the SME sector, most particularly regarding export-fostering ability. George Argyrous suggested that McKinsey had fudged the figures to support the prevailing opinion (Argyrous 1993). Support networks matter, claimed Argyrous. Working Nation reproduces both views on separate pages, without embarrassment (p. 60; p. 71). The advantage of finding SME success in 'leadership' is that it is purportedly generated by exhortation, which costs nothing. This was essentially Labor's regional policy dimension in Working Nation.

Even on the marginal occasions when there is an acknowledgement that SME vitality needs a supportive environment, there is no acknowledgement that SME vitality could be dramatically improved by addressing systemic structural exploitation in the 'market' relations between corporate business and SMEs. To acknowledge this possibility would have required a confrontation with contemporary crude visions of competition and its cleansing power, at that time being extended to previously quarantined arenas by the comprehensive outreach of National Competition Policy.7

The second issue displaying tension between rhetoric and reality is SME access to sources of finance. Labor had been waxing rhetorical for some time. For example, in the industry policy component of Building a Competitive Australia, Senator Button claimed (Hawke et al. 1991, p. 3.14):

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7 The Coalition Government after 1996 responded to pressure from SME constituencies to initiate a Parliamentary Inquiry. The (Reid Report 1997) acknowledged corporate abuse of SMEs. Some changes to the regulatory structure ensued, but little progress of substantive significance has occurred. Sections of the SME constituency achieved another inquiry (Senate Economics References Committee 2004; Jones 2004a), but the Coalition Government is unlikely to legislate the majority recommendations in the face of assertive antagonistic corporate lobbying.
The Government is very concerned at the difficulty that small and middle ranking Australian companies face in raising long term patient finance. A regular flow of such capital is a prerequisite for the development of Australian industry. The Treasurer and I have had discussions with major financial institutions on ways of increasing the availability of development capital. The Government will continue to work with the financial institutions to address the capital issue.

Again, in *One Nation* (Keating 1992, p. 75):

The Government has been concerned for some time about the difficulty small and medium sized enterprises can experience in obtaining equity capital.

In *Investing in the Nation* (Keating 1993, p. 54 & 60):

The Keating Government believes that the banks can and should play a more pivotal role, both in supporting the recovery and in assisting businesses – and especially small businesses – to take advantage of the opportunities flowing from Australia's improved international competitiveness. ... The costs for banks of evaluating small business or innovative proposals are generally high. Greater emphasis on relationship banking, which focused on broadly based and enduring banker customer relationships, may help overcome this problem. ... Banks will be encouraged to go further down the path of relationship banking.

A competitive capital market is also essential to provide companies with the funds they require to invest and expand. The Government has taken a number of steps to deregulate the capital market so as to ensure that funds are available to firms at world competitive rates. Where gaps in the market have been identified, particularly in regard to the capital needs of small and innovative firms, the Government has implemented programs to address the problem.

Nevertheless, many firms still experience difficulties in obtaining finance. ... The measures announced in this Statement affecting the commercial banking sector should provide significant support for small to medium sized enterprises seeking finance. The changes to the charter of the Commonwealth Development Bank will enhance its capacity to service the needs to small business.

Finally, in *Working Nation* (Keating 1994a, p. 74):

In recent years, the Government has put in place a number of initiatives to improve the availability of finance to SMEs. ... Nevertheless, the financing problems of small business have continued to feature prominently in industry submissions to government. ... On the debt side, part of the solution lies with improving the communication between lenders and borrowers. To address this directly, the Government will [*inter alia*] ... facilitate, in consultation with the Australian Bankers Association and small business representatives, constructive dialogue between banks and small business to address the concerns of SMEs.

What of substance occurred as a result of this concern? First, the Pooled Development Funds (PDF) program for facilitating access of venture capital to SMEs was created following *One Nation*. The tax rate on earned income was reduced from 30 percent to 25 percent following *Investing in the Nation*; and reduced against from 25 percent to 15 percent following *Working Nation*. Second, *Investing in the Nation* expanded the capacity of the Commonwealth Development Bank (CDB), the SME subsidiary of the Commonwealth Bank. The CDB's charter was expanded to full service; the maximum size of firm and size of maximum loan was expanded; its capital base was augmented by $30 million; and it was given an annual subsidy of $20 million with promises of...
medium term annual replication. In addition, an extension of the facilities of the Export Finance and Insurance Corporation, promised in Working Nation (Keating 1994a, p. 76), would also benefit SMEs.

The creation of the PDF and the expansion of the CDB's capacity were significant developments. They occurred because they were within the capacity of the federal government to deliver. However, the Government's formal ambitions to achieve fundamental change for SMEs from the general banking sector came to nought. Worse, the Government acquiesced to the perpetuation of an opportunist (and at times exploitative) treatment of SMEs by the banking sector. This acquiescence was reflected publicly in the abject acceptance of banking sector autonomy by the Parliamentary Inquiry into banking (Martin Report 1991). It was reflected less publicly in the indifference to an entrenched culture of unconscionability towards SME borrowers by several of the major banks (Jones 2001b). Finally, a mere two years after the expansion of the CDB's charter, the Keating Government signed the death warrant of the CDB by initiating the complete privatisation of the parent bank (Jones 2001a). In general, the formal concern for sources of finance for SMEs turned out to be hollow.

**From Working Nation to the Election of the Howard Government**

What happened to the industry policy components of Working Nation and its predecessors? As with all policy, it is easier to track the announcement of policy programs than it is to track their progress and possible demise. It is clear, however, that the environment was not conducive to a favourable nurturing of the industry policy agenda. It appears that a strategic government procurement agenda was marginalised. Attempts to build 'networking' structures and a supportive culture have been fragmented.

More generally, programs specific to the long term unemployed were a central focus of Working Nation, precisely because of belated acceptance that the conventional panacea for economic ills, 'economic growth' as conceived from a crude macroeconomic perspective, would not diminish the problem of the long term unemployed (p. 2; p. 108). Apart from that segment of the unemployed, the conventional panacea remained top priority (p. 1).

Economic growth is the best way of generating new and worthwhile jobs to meet the needs of an expanding workforce and to make inroads into unemployment. Jobs created by economic growth need no subsidies and contributed to a higher standard of living for all Australians. Economic growth and employment growth thus go together.

Public sector job creation was a formal possibility (Burgess 1992), but Labor had clearly internalised the presumption that that avenue was closed. Moreover, within several months, an official guardian of macroeconomic orthodoxy had stepped in to counteract Working Nation's motif of private sector job creation through economic growth. The Reserve Bank decided that potential inflation was more important than

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8. Rules under the newly created World Trade Organization would have required greater sophistication for the devising of a compliant formula.
economic growth. Working Nation was delivered in May. On three occasions for the remainder of 1994 – in August, October and December – the Reserve Bank raised the cash rate, from 4.75 percent to 5.5 percent, to 6.5 percent, then to 7.5 percent. These days, the cash rate is moved in quarters of a percent. The RBA increased the cash rate by 2.75 percent in four months to combat an inflation rate of 2 percent! The Government's agenda for economic growth and jobs growth was to take a back seat to restraining inflation.

Prime Minister Keating remained under pressure from Treasury and 'the markets' over the running budget deficit, another adverse reflection of the disastrous consequences of the recession. Indeed, the markets and the financial press unreasonably harassed the Government over the presumed excessive budgetary cost of Working Nation proposals. The Opposition capitalised on media opposition to the formal focus on jobs instead of the reduction of debt (Hall 1995). Keating succumbed to this pressure by privatising the second tranche of the Commonwealth Bank (from 70% to 51%) following Investing in the Nation and by moving in the 1995-96 budget to privatise the remaining 51 percent.

These embodiments of macroeconomic orthodoxy were being complemented at the structural level by the new focus of 'microeconomic reform', National Competition Policy. In its comprehensive coverage, National Competition Policy was a gargantuan enterprise for dismantling public and cooperative infrastructure in the name of an ill-defined 'competition'. National Competition Policy was the dominant agenda emanating from the central agencies of the federal bureaucracy, actively supported by senior bureaucrats and Premiers of New South Wales and Victoria, then under 'neoliberal' Coalition governments. The Industry Department was presided over by a compliant Secretary and a weak Minister, hardly propitious for keeping Working Nation's industry policy components at the centre of the Government's attention.

After Working Nation, Labor's last gasp in the industry policy arena was an attempt to facilitate 'innovation' and an innovatory culture. Innovation was clearly in the second category of industry policy, unorthodox and novel, dedicated to 'building competitive firms'. Formally, this direction was a bold attempt, given the environment. Alan Jones, a member of the Innovation Task Force, initiated soon after Working Nation in mid 1994, has claimed that Industry Minister Senator Cook became a committed and active participant in the process which involved widespread consultation (Jones, A. 2004).

The development of an innovation statement became a laboured exercise, not least because of the consultation process. In hindsight, the process might have been more ruthlessly administered; however, it was a bold initiative, and consultation was rigorous to ensure that the recommendations would ultimately be functional. Cook was disgracefully pilloried in the Senate by the Opposition over the delay (26 September; 23 October; 21 November; 22 November 1995). The report was then appropriated by the Department of Prime Minister and Cabinet and delivered by Prime Minister Keating just before Christmas 1995 (Keating 1995).  

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9 Inflationary pressure was certainly on the rise, but the RBA did not act again on rates until the second half of 1996 (after a change of government) when it reduced rates by 1.5 percent in total on three occasions between July and December.

10 The Government's Task Force was paralleled by a Parliamentary inquiry. The Innovation Report of
As with *Working Nation*, the programs in *Innovate Australia* were piecemeal, although a sympathetic interpretation would highlight the attempt to address interrelated 'bottlenecks' in various areas. The programs included further commitment to existing schemes (R&D tax concession, competitive grants scheme, new Cooperative Research Centres); measures to improve finance into innovative businesses and facilitate commercialisation; measures to further international cooperation; measures, mostly 'best practice' benchmarking, to improve workplace culture; and measures to escalate the take-up of information technology. In total, the programs were estimated to cost $466 million over four years, but would be funded by revenue measures (mostly from tightening of existing concessions) that exceeded the expenditure.

It can be argued that the innovation initiatives were an integral product of the industry policy component of *Working Nation*, with the greatest significance for long term developments. These programs disappeared into the ether as an election was called simultaneously and the Labor Government was brought down less than three months later.

**Industry Policy under the Howard Government**

The Howard Government has displayed a combination of ideology, venality and pragmatism unparalleled in recent federal government history. The Government initially hid behind its National Commission of Audit (Officer Report 1996), replica of a 1993 audit done for the Kennett Government under the same Chairman. The Commission was given a mere three months to report. The Report combined a strident neoliberal vision on the role of governments (consistent with the prejudices of some committee members) with a financial bottom line vision of policy accountability (driven by the orientation of the Finance Department bureaucrats who comprised the bulk of the Commission's secretariat). The central implication was for a minimalist government that delivers those minimal programs indirectly through a purchaser-provider split, subcontracting delivery through contestable 'quasi-markets' to deliver outcomes cost-effectively.

The Government adopted Officer's recommendations and its ideological vision selectively. The Government's highest priority was the dismantling of Labor's *Working Nation* programs, which it effected in its first budget in August 1996. The labour market programs were the dominant target, but industry programs were also slashed. The Government had inherited a budget deficit from Labor, but there was controversy over the size of the deficit, and its level was being reduced as the recession years receded. The Government also abandoned the Commonwealth Development Bank to abolition by the now wholly privatised Commonwealth Bank. The marginalisation of manufacturing industry concerns was reflected in the abolition of the House Industry Committee was brought down in late November (Griffiths 1995). Opposition Committee members were irritated that the official activities of the Innovation Task Force undermined the Committee's evidence gathering. The Report recommended an improvement in training in creativity in the schools; better training in management skills in the tertiary and vocational sectors; more interaction between formal education and on-the-job experience; and attention to improving business cooperation.
of the advisory Australian Manufacturing Council, and the subsumption of the Bureau of Industry Economics within the orthodox Industry Commission.\textsuperscript{11}

The slashing of industry programs immediately met with hostility from sections of the business community, which relayed its displeasure to the Industry Minister, John Moore. Moore's supplications for his constituency led to the rapid establishment of an inquiry into effective industry policy, under an ex-transport sector executive, David Mortimer. The subsequent report (Mortimer Report, 1997) was a mish-mash of contradictory opinions, but its central thrust was towards a clean-lines rationalisation of programs. The report was essentially a product of central agency thinking (Jones 1998), its main effect being to divert energy and to delay action for twelve months. The Government responded with \textit{Investing for Growth}, a statement lacking in vision but comprising a \textit{pot-pourri} of unrelated programs, some potentially useful (R&D Start), others not (vacuous industry-specific 'Action Agenda' structures) (Howard, 1997; Jones 2000).

After the hiatus of the cutbacks and the return to 'normalcy' via \textit{Investing for Growth}, Howard continued Labor's tax concession for research and development (albeit reduced from 150 percent to 125 percent); he expanded the competitive grants scheme with a tiered grants program (R&D Start), with particular consideration to SMEs. The Government built on Labor's Pooled Development Fund for venture capital – the PDF survives and it is now complemented by other schemes.\textsuperscript{12} The Strategic Investment Facilitator for large projects continued Labor's initiative. Labor's Export Market Development Grants scheme received continued funding. The Cooperative Research Centres program survives. However, Labor's accelerated depreciation regime was abolished under the 1997 'Ralph' tax review. Thus some components of Labor's industry policy initiatives in the 1990s have been continued and expanded by Howard, although without recognition. However, the conceptual attachment with job creation has been severed.

\textbf{Conclusion}

Successive Labor Governments between 1983 and 1996 always devised industry policy with one proverbial foot nailed to the ground – assertive industry policy was against the rules, a dogma rooted in liberalist political philosophy. Industry policy happened, of necessity, and the pace was quickened after the disastrous recession. The measures in \textit{Working Nation} (and the related \textit{Innovate Australia}) were merely the last in a series. There was a glimmer of some new learning, the basis for 'building competitive firms'. But the institutional underpinnings of that new learning were brittle, and they remained marginal to a resurgent orthodoxy, notably in National Competition Policy.

Ultimately, a more astute and more cynical electoral performer in John Howard truncated Labor's halting experiments. Some of Labor's industry policy program was replicated. But the input of wage labour and its collective representation in unions has

\textsuperscript{11} The AMC was a tripartite Labor creation, built on a consultative institution created by a Coalition Government in 1957. The BIE was a creation of the Fraser Coalition Government, following the Jackson Committee Report into Manufacturing Industry, set up explicitly to provide alternative advice to that from the straight-jacketed Industries Assistance Commission, the predecessor to the Industry Commission.

\textsuperscript{12} In particular, the COMET program and the Innovation Investment Fund.
been marginalised, and is in the process of being dismantled. The contribution of better working and of skills development has been neglected, even disdained.\textsuperscript{13}

Parts of Labor's early 1990s industry policy program have contributed to the economic resurgence now claimed solely by the incumbent government. But some possibilities have been denied. The irony is that Labor after 1985 took economic orthodoxy more seriously than has the Howard Government since 1996. Labor has been unduly hampered by its rectitude. Moreover, the financial media, in its gross opportunism and cynicism, now claims that it is Labor that has to re-establish its 'economic credibility'. The responsibility for that task lies more squarely with the Coalition.

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\textsuperscript{13} The Howard Government has belatedly given attention to vocational training in 2004 in the context of substantial skills shortage and business lobbying for action.


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