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Employment Policy and Corporatist Economic Management: Where to from here?
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Abstract

This paper sees Working Nation as a part of a larger problem: the liberal capture of policy-making in Australia. To genuinely apply policy to unemployment, mechanisms to control private investment needed to be developed. The paper explores some implications of the post-keynesian and institutionalist argument that the most effective and appropriate new institutions of national economic management would be corporatist. It argues that corporatist development in Australia is not as difficult nor as unusual as is often believed, though political resistance and occasional setbacks are likely. Finally, the paper suggests that the structural evolution of mature economies is towards the expansion, not contraction, of political possibilities.

Introduction

There are three parts to the argument in this paper. First, corporatist economic management is presented as essential in all advanced economies if we authentically wish to control traditional economic problems at the national level, most notably unemployment, inflation, the investment deficit, unwanted structural change, income inequality and the labour market. Increasingly, we need also to develop corporatist mechanisms to assert public or democratic control over corporate governance and urban amenity including the transition of the welfare state from provider of emergency income compensation to provider of decommodified services on the basis of citizenship entitlement, outside the market.

Second, I argue that we need to incorporate into our evolving conception of what can be achieved by politics a base recognition that all anti-liberal, anti-market activities by the state or organized labour are 'against the stream' and will be resisted, even though the objectives and capacities of the interventions are to increase economic activity, employment and incomes. Social democratic approaches to economic management differ from liberal ones in that they prioritize full employment above liberalization. Hostility to full employment, for example, or to political control of structural change or excessive inequality, is well-appreciated; but it is usually an irrational antagonism, for the economy as a whole, because markets do not guarantee maximal performance nor the distributive results that underpin good macro-performance, nor the non-economic conditions that are necessary for successful private production.

The third, somewhat assertive and counter-intuitive, part of my argument is that structural tendencies in the economies and polities of advanced capitalism today are not moving against the 'possibilities of politics'. Corporatist development is becoming
more not less likely; the interests of labour have been progressed, not dismantled, during the past thirty years; the political achievements of democrats, particularly social democrats, have not been rolled back in recent times. In these respects the liberalizing project since the mid-1970s has failed. There are several traditions of analytical understanding, from the social science of the past century, that explain and offer rationales for the structural shifts we can observe. For this reason, corporatist institution-building is as much an intellectual as a political challenge.

**The Employment Problem and the Necessity of Corporatism**

Control of unemployment requires political control of investment, and control of investment implies political control of structural change. Most traditions in political economy accept this. The difficulties are many, but are political rather than technical. As Michal Kalecki's work explains, some tasks imply others; some accomplishments permit others (1943).

As the rationale for counter-cyclical policy is well-known, deriving from Keynesian, post-Keynesian, Schumpeterian, institutionalist and even (perhaps more controversially) Marxian thought, in this section I propose to explore not justifications but implications of the assertion that corporatist policy-making is both necessary and viable in Australia. Corporatist institutions derive their appropriateness from the interconnectedness between the employment problem and others. It is doubtful that policy for full employment can be isolated from anti-inflationary policy, nor from questions of equity in the remuneration and allocation of labour, nor from policy facilitating non-market criteria for economic progress and the extension of democracy.

The Australian economy appears to be just now exiting a thirty-year period of above-OECD-average unemployment. From 1974 to 2004, unemployment averaged 7.2 percent here compared with 6.9 percent for the OECD as a whole. For much of the period it was well above the OECD level – in the 8-10 percent range. Australia's policy elite prefers ineffective political processes (like competition policy or labour market deregulation or welfare to work transition arrangements) to address the disruptions, so we are left to conclude that statements about unemployment dissemble and dissimulate. The problem of continuing unemployment is essentially one of policy failure and institutional underdevelopment, combined with insouciance and narrow-mindedness among policy-makers.

There is now second- and third-generation unemployment that the declining unemployment (from a high base) of the last couple of years cannot readily dislodge. Yet we’ve been beguiled, by continuing growth, urban affluence, an orgy of self-congratulatory policy adventurism, unending journalistic hubris, and continuing assaults on past democratic accomplishments, into thinking that we don't have a problem of long-term, recessionary, structural unemployment. The growth has been 'jobless', the increased wealth purposeless, the contempt for intellectual critique palpable, and the national indifference to the gap between potential and actual public activity wilful.
Conceptual understandings from diverse traditions in political economy have long understood that market capitalism does not produce the unambiguously desirable outcomes its proponents anticipated. Markets operate through periodic booms and slumps which policy can ameliorate; they produce inequalities which citizens often resent; they lead to structural changes and relocations that can be destructive of communities; they chronically under-produce meaningful work; they depend on institutional supports that are not endogenously ensured; they have engendered exploitative relationships which need to be mollified; and they have not guaranteed maximum levels of material development in the countries most inclined to champion their virtues. All these criticisms have been rehearsed over the past one or two centuries, are well-known to scholarship and have been embraced by theorists and practitioners alike.

Other traditions of economic analysis, too, have explained and endorsed the conflict between liberal efforts (to inflict undemocratic liberal prerogatives) and the countervailing pressures (for economic management, equality, democratization, security, decommodified provision, protection, or civic amenity). Neo-statist conservatives still promote robust bureaucratic state capacity as a route to infrastructure provision and industrial-upgrading, state power being what is necessary for humans to undertake collectively what cannot be otherwise secured (Weiss 2003). The churches have often argued for economic winners to accept moral obligations; the social economy tradition, succeeding what used to called Christian social thought, has defended trade unions and economic democracy and the decommodification of labour more stridently than have Marxists. Institutionalists have recognized the centrality of work to the human condition and therefore have urged that its availability, quality and remuneration be a societal or political responsibility (Hodgson 2004; Veblen 1898). At any stage of development, the determinants of economic activity have been volitional, not automatic; neo-mercantilists (so-called renaissance economics) defend the obligation and capacity of the state to ensure science and knowledge and technique and improvement underwrite productive effort. Proponents of 'social capital' note that collaboration and synergies and cartels and collusion and economies of scale and risk-avoidance strategies achieve more than flexibility and 'reform' and competitiveness and rationalization and marketization. Policy experimentation is part of economic improvement and this is why we should not allow abstract conceptions of how economies operate to intimidate and constrain policy-makers (Dow 2001).

Discursive Resistance to Politicization of the Economy

The corporatist experiment in Australia (The Accord in conjunction with the debates fired by Australia Reconstructed) revealed aspects of the arbitration system that have been insufficiently appreciated. Just as the system designed to prevent and settle industrial conflict metamorphosed quickly into a system for national wage determination (without Constitutional warrant), the system intended to integrate anti-inflationary policy with wage-fixing arrangements (National Wage Cases based mainly on indexation) became a way of integrating virtually every aspect of macro-policy, including vexed issues of structural change, into institutions that originally had quite different purposes. As soon as money wages are subordinated to real wages in central negotiations, the full range of social and economic policies becomes a legitimate matter for bargained determination. Though the 'negotiated economy'
remains un consummated in Australia, for a moment in the 1983-1987 period, it did seem possible, its parameters outlined and partially accepted (as in the High Court's favourable verdict in the 1984 Termination, Change and Redundancy case). This, along with the putative forays into the possibilities of industry policy, might have provided the leverage for the union movement to propose some more solemn government commitments to full employment. As we now know, however, from 1987 on, it was not to be. Nonetheless, as some countries, including conservative ones, have gone further down this track than has liberal Australia, corporatist development remains a trajectory that warrants political imagining and intellectual scrutiny. It is not as difficult as academic discourse has implied.

The social democratic defence of corporatism is largely an enunciation of what needs to be done rather than a defence of what was achieved. The failures are problems to be more effectively anticipated next time, rather than a definitive adjudication of inherent limitations. Nonetheless, the outcomes in the 1980s and 1990s were not as dire as is commonly supposed.

With respect to incomes, the Accord agreement committed the government to 'maintain real standards' and to 'improve them to the maximum feasible extent'. The first part of this objective was honoured, the second not wholly ignored. The bottom 60 percent saw its share of total incomes increase in each decade from the 1970s to the 1990s – from 30.4 percent, to 33.0 percent, to 35.1 percent (World Bank 1985, p. 229; 2000, pp. 238-239; 2002, p. 194). This did not generally happen in countries without centralized wage-fixing and is therefore one of the successes of Australian corporatism. In respect of social security transfers, Australia remains among the most miserable providers of services outside the market in the developed world. Yet the social wage increased by almost two percentage points of GDP in the decade 1985-1995, more quickly than both government receipts and expenditures (OECD 2001, p.68). That is, decommodification in Australia increased in the Accord period, due to the establishment of Medicare. It is wholly inaccurate, then, to assert that real wages declined as a result of the Accord, even though indexation-based wage increases were usually discounted. It remains true, of course, that the targeted nature of the Australian welfare system was not challenged; and some of its redeeming aspects, the recourse to 'welfare by other means' (guaranteed wages and centralised wage-fixation), were, in the end, seriously compromised.

There was of course a fundamental flaw that should have been foreseen: the Accord did not promise, not genuinely orient itself toward, full employment. The problem is worsened to the extent that organized labour seems in the past decade to have accepted the elites' tolerance for declining standards of employment and increasing levels of insecurity. Australia Reconstructed was more substantial, and more conscious of its debt to the arbitration system; but even with the immense amount of comparative research behind it, it was too locked in to orthodox conceptions of trade and growth to become a blueprint for full employment. It was also, of course, fatally damaged by the inauthentic support it received from the ACTU and the ALP (Dow 1997).

In this context Working Nation needs to be understood as a part of a long line of public enquiries which has had the effect, apparently deliberate, of undermining state authority and state capacity in Australia. Such enquiries and their reports constitute a
discursive environment that has insinuated a particular way of seeing the economy into the public decision-making consciousness. A new generation of so-called policy entrepreneurs, for the most part ignorant of public institutions' capacity to protect populations from the unwanted and destructive effects of global restructuring has assumed this responsibility, usually with flamboyant gestures of mock public-spiritedness (see Howard 2001; Botsman & Latham 2001). This has then had the effect of retarding the development of public competencies and limiting the scope for and legitimacy of politics. By denying the relevance of the state-building to wealth-creation, these reports have destabilized the populace's ability to control its destiny. They have eroded democratic possibilities. They have ensured that incomes and employment and economic activity and living standards are lower and more precarious than is technically feasible. As political processes retreat market-determined structural change has been emboldened, and regulatory and institutional achievements subverted.

A clear portent of the liberalizations to come appeared in the first paragraph of the Campbell Committee report into the financial system in 1981:

The Committee starts from the view that the most efficient way to organize economic activity is through a competitive market system which is subject to a minimum of regulation and government intervention (§§ 1.1 & 45.1).

No interrogation of this extreme position was broached. And no provisions were made to retain high levels of employment-generating activity once the consequences of a floating currency and financial deregulation began to be felt. It is even possible that the Labor government was more enthusiastic about the 'brave new world' than the Coalition would have been. The energy devoted to deregulation, privatization, liberalization and the retreat from deliberative possibilities was matched only by the sycophantic thrall with which people who should have known better embraced ideas that elevated the moral indifference of the polity to new levels.

The reforms a decade later, deriving from the so-called Independent Committee of Enquiry from 1993, were savage confirmation, during the Hawke-Keating years. Hilmer's attack on government allowed private providers access to public infrastructure, privileged competition as a way of mandating what could be done and how (without defining what it meant by competition, when it might be inappropriate or what varieties might be disallowed), created an undemocratic 'national competition policy', and subjected even welfare transfers to depoliticized but stringent criteria (Hilmer Committee 1993; see Jose and Burgess this volume). The benefits were massively over-stated; and the effect, and probably the intention, was to encourage work-intensification and frustration within the public sector (Quiggin 1996).

The microeconomic reforms rolled on and the discursive licentiousness continued unabated after 1996. Electoral and community resentments did not deter the post-Keating reformers' commitment to their transformative mission. The 1996 National Commission of Audit (the Officer Report) endeavoured to supplant the distinctiveness of the public realm with the view that government itself ought to be conducted according to a 'business model'. The rhetoric of 'good management', 'best practice', corporatization, efficiency, devolution, contestability and contracting was embraced with its accompanying and only barely defended policy biases: 'inappropriate' policies ought be abandoned, debt should be reduced, budget surpluses should be the norm,
'social engineering' should be discouraged, management should be seen as a generic skill, 'discipline' should be imposed on democratic aspirations, the public sector should be reduced, the financial value of public assets should be reckoned and government outlays and revenues should be calculated according to balance sheet criteria.

Perhaps the most spectacular example of official bastardry can be seen in 2004s Australian-USA Free Trade Agreement. The attitude of the government negotiators behind AUSFTA has been described as naive and duplicitous. The government itself is willing to abandon not just the public institutions of past generations but the future possibilities of the private sector too. Australian prosperity is likely to be compromised forever because innovation and industry development will be prejudiced by the puny market access we will secure to the USA. Most of the Australia's social and economic protections will be forfeited while most of America's remain. Meanwhile public debate has been stymied or by-passed; local critics have been mocked; Australia has been out-manoeuvred by strategies with clear interests and objectives, while we have been made subservient, the victims of chicanery, double-speak and treachery (Weiss et al. 2004).

The momentum of economic policy-making before and since Working Nation was sufficient to incapacitate it as a respectable contribution to economic regeneration in Australia. But when did this debilitating environment emerge? The British liberal inheritance hasn't helped, though we developed wage arbitration in spite of it. Federation is also a contender, locking-in a deference to the Treasury view that has been rarely challenged but, once again, arbitration and some other early state experiments defied it. Perhaps 1945 marks a moment when our inability to control the level of domestic economic activity, in policy-making and intellectual terms, was consolidated.

The 1945 White Paper, Full Employment in Australia (Commonwealth of Australia 1945), was fervent in its engagement with the Keynesian principles of economic management but, like Keynesianism everywhere else, lacked understanding of their institution-building pre-conditions. It endorsed tripartism (§§1,24,68 & 70), and its appreciation of how and why government investment could compensate for the vagaries of private investment was sophisticated. It was as imaginative as Keynes himself had been in ruminating about the long-term desirability of the tendency towards a 'shortage of men instead of a shortage of jobs' and of the potential improvement in living standards 'arising from growing knowledge' (§§26, 27). However it seems to have imagined that conventional institutions could engineer full employment. To that extent, 1945 and the immediate postwar period could be marked as a time of definitive turning-away from state capacity in Australia. Not until 1987 was the possibility of expanding public competencies again mooted. As Evan Jones has argued, neither Coombs nor the other Keynesians with notional opportunity to mould the course of postwar reconstruction proposed major institutional restructuring in Australia to deal with our distinctive situation or the problems we were bound subsequently to face. Economic rationalism and ineffective political capacities were well inscribed at this time (Jones 2003, see also Rowse 2003).

Working Nation is simultaneously an affirmation of the bastardization of the Keynesian revolution and an expression of how persistent the 50-year intellectual
offensive against interventionist policy has been. It talked of the 'benefits of recovery' at a time when unemployment was still almost 10 percent; it equated economic growth with strength when for the preceding two decades growth in Australia had been above the OECD average without any positive effect on unemployment; it perpetuated an impoverished understanding of recession which downplays its policy-induced character (refusal to use policy to contain structural change); and it supposed that 'reduction in the number of unemployed' was a demonstration of the government's commitment to a 'dynamic social democracy' – an example of what Don Watson (2004) calls 'weasel words'. As we now know, even in the terms of its insultingly modest objective of getting unemployment down to five percent, the package was an explicit failure. A decade later we are still not there; and there is still the recurrent threat that the Reserve Bank would interpret such a 'low' rate as the occasion for a destructive, deflationary deployment of monetary policy (see Megalogenis 2004).

Working Nation proclaimed that unemployment was the 'most significant inefficiency in the Australian economy', as had the 1945 White Paper. But in 1994 the dominant thrust of policy intention was integration with 'a global economy', the 'transformation of Australia' (towards 'international competitiveness'), 'fiscal consolidation', enhanced entrepreneurialism, microeconomic reform, and, naturally but disingenuously, 'cooperative workplaces', code for abolition of the one instance of successful politicization we have had (Commonwealth of Australia 1994). New employment-generation possibilities received scarcely a mention (Stilwell 1994).

What I have been referring to as the discursive environment is constituted by more than official reports of course. It is as important to realize that the ways in which day-to-day problems are discussed also influences detrimentally the possibilities of policy-generated full employment. We have probably become inured to suggestions that eventually unemployment is too low (because inflationary wage demands or inflationary labour shortages will re-emerge). This is mischievous because both demand-pull and cost-push inflation can be alleviated by the incomes policy arrangements which Australia has already developed but which have been marginalized by the 1996 industrial relations reforms. The conception that there are inevitable 'speed limits' to recovery (as a result of skills shortages, or import penetration or supply blockages) is also damaging insofar as it implies that domestic productive capacity cannot or should not be expanded; therefore, so the argument is intended to run, policy needs to restrict activity – to exacerbate precisely the problem we experience as unemployment. In Australia deficiencies in economic activity are chronic and aggravated not just by structural change but by its enthusiastic and reckless official embrace; and unemployment is their expression. But the formal criteria typically win out over substantive ones.

The default liberal discourse is the underlying problem; but it is rarely met by any positive endorsement of democratic possibilities. The radical left has often presumed that political activity, including even extra-parliamentary activity, is by its nature ineffective, only reinforcing the capitalist dimensions of the capitalist economy. This is a cynicism that diminishes politics itself. It reflects an intellectual climate composed of near-contempt for the state and democracy. And it militates against the derivation of a more appropriate theory of politics in capitalist societies.
Where to From Here? Structural Tendencies and Corporatist Institution-building

Contrary to the pessimists’ perturbation, in all countries government spending, taxation revenues, social welfare transfers, decommodified provision and authorized cooperation or collusion between large private organizations are relentlessly increasing. There is a trend to increasing politicization of the mature economies (towards a ‘negotiated’ economy) that is far from exhausted. It has been frequently noted, for example, that macroeconomic performance has not been impaired by the long-term involvement of trade unions in policy-making and that this politicization also secures high levels of union density and more meaningful decision-making criteria (Visser 2003). There is even evidence that the constraints corporatist processes impose on businesses redound to their advantage (Streeck 1997).

It cannot be argued that great political advances are beyond the bounds of possibility. In the countries of advanced capitalism, between 10 percent and one-quarter of total income is now distributed by the state in the form of income unrelated to work effort or productive contribution, and the proportion is increasing. Governments appropriate more than 40 percent of income through taxation for collective purposes, and the upward trend has continued for almost a century. Politics rather than markets supplies the auspices for an increasing proportion of total living standards. This is an outcome that social democrats and labour movements have pursued for over a century. Despite consistent assertions to the contrary, there seems to be no 'ceiling of taxpayer tolerance' to the growth of government spending and taxation (Tiffen & Gittins 2004, p. 89). The most plausible explanation is that governments have things to do that can be done only by the public realm as well as the capacity to do them. It is not just generous welfare systems but the political will to allow decommodification and universal provision far beyond that which would be justified by social transfers that leads to the growth of political possibilities. Sweden's public expenditure for example is the highest in the world yet, due to its low unemployment, social security transfers are not the highest. Taxation continues to increase even in countries with liberal biases and the withdrawal of government provision seems to be the occasion for discontent rather than popular celebration.

Australia has one of the world's most liberal polities, with chronically under-developed or neglected public infrastructures, but even here government has expanded inexorably under each regime since federation. Total taxation receipts, for example, have risen from 25 percent of GDP in the early 1970s, to 28 percent under Whitlam, 30 percent under Fraser, about 35 percent during the Hawke-Keating years, and 37 percent since 1996 – not necessarily eroding the country's liberal status or intentions but nonetheless enlarging the public realm. Perhaps counter-intuitively, government expenditure is still above the figure for 1974, when the current assaults on government began, and social security transfers have more than doubled since the 1970s in Australia. Australia lags behind other OECD countries, as it always has, confirming that liberal solutions to contemporary problems comprise the norm here; but the dominant influence is malign. Structural forces drive the emergence of public problems which require public rather than private solutions. Decade by decade, the mature economies are resembling less and less the abstract model the so-called reformers have been attempting to replicate. Modern economic evolution is towards more, not less, embeddedness and inflexibility.
Renewed recognition that social capital underwrites productive economic activity, and also requires investment and nurturing of its own, shows the unwisdom of elite efforts to remove what have been conventionally seen as rigidities but which are more appropriately regarded as legitimate protections against inequality, insecurity, uncertainty, vulnerability or lucklessness. The modern world is more able than ever to afford the regulations and constraints and inflexibilities that populations recurrently demand.

Affluence itself presents both the requirement and opportunity for corporatist development. As Ed Nell has shown (1998; see also Wilensky 2000), the general proposition that economies do not behave in accordance with the logic of the market or the logic of accumulation applies even more determinedly in rich economies. Under mature conditions, the main political problems that arise cannot be conceived or interpreted as examples of the 'problem of scarcity'. A key indicator of maturity is high GDP; but this is often associated with low GDP growth. In mature societies, growth is not necessary for affluence, growth does not necessarily reduce unemployment, and the absence of growth does not necessarily create unemployment. Unemployment is obviously the most important of contemporary problems, indicating the societal sanctioning of unused resources or waste. Corporatist management mechanisms are most appropriate in such a context, that is, when investment or dis-investment plans of corporations modified, new forms of productive and non-productive employment sought, pressures for industrial closure resisted, labour market mechanisms usurped, inequalities redressed, incentive structures dismantled, the democratic deficit confronted, elite influence relegated, policy preferences revised, unusual regulatory arrangements developed, or trade unions brought into the decision-making processes.

Nell's argument is that growth eventually 'transforms' economies both by creating unusual conundrums to be resolved and by seeding novel ways of dealing with them. 'Regular economic progress', he says, is never just quantitative, it disrupts social stability. With high rates of technological change, employment-creation, as noted above, lags behind wealth-creation giving rise to a problem (unemployment) while generating the means of dealing with it (wealth). So, while employment-creation increasingly requires unorthodox efforts, they are imaginable and available. Hence employment-creation in wealthy societies is likely to be increasingly dissociated from the imperatives of productivity improvement. It is a quality of wealthy societies that they have an 'emergent potential' to do more than their architects intended (Hodgson 2000).

A Schumpeterian dimension of this argument is that industrial capacities and societal institutions co-evolve. Industry will continue its traditional functions only if non-traditional social institutions emerge to reflect altered circumstances. The mutations include permanent economies of scale which in turn transform large and successful private organizations into quasi-public ones. They are 'societalized', as productive activity is increasingly embedded in and protected by social organization. An important consequence of this development is that the balance between productive and unproductive activity (and employment) in the economy will permanently shift towards the latter (Appelbaum & Schettkat 1995, 2001). High levels of development...
of the forces of production (affluence) allow more purposive material and technical development, but market forces cannot effect it.

This phenomenon is related to another peculiarity of modern mature economies: the global excess capacity in almost all industries. Excess capacity implies that non-private criteria need to be developed to call forth further investment. Why mandate more investment when there's already too much? The paradox is that, as creative destruction has become more destructive than creative, useful employment demands investment in the public sphere (except to the extent that unmet needs exist or new products emerge in the private realm). Market competition may need to be constrained as the main criterion for change and some principles of 'conservative maintenance' applied. Fortunately public investment generates much greater multiplier effects and has much greater effects on unemployment than private investment (Boreham et al. 1999, pp. 135-142). All the low unemployment countries in the decades after 1974 had high levels of public (infrastructure) investment. (In Australia public investment fell relentlessly from the 1970s possibly accounting on its own for the decades of high unemployment.)

In mature societies accumulation depends on regulation and social capital. It is also noteworthy, however, that nationally distinctive economic structures depend on characteristic 'modes of regulation' which, though necessary, are not permanent. Functionally, regulation 'regularizes' labour-capital conflict, discordance between financial and industrial sectors, and relationships between the nation and the rest of the world. In some circumstances these functions can be performed under corporatist auspices. However, beyond functionally necessary regulation, a range of voluntaristic possibilities also emerge (though in general they are not willed, but 'discovered' or stumbled upon). Periodic reformulation of these arrangements seems necessary, particularly in response to crisis or structural change (Elger & Edwards 1999). But they are extra-economic settlements that are not generated spontaneously by the economy; they vary from time to time and from place to place. This is what gives to corporatist politics its contingency.

Finally it can be suggested that, in rich societies with developed forms of social and political intervention, there is nonetheless recurrent pressure to erode political capacities, as we currently experience in Australia, because democratic development in liberal polities is never regarded as wholly legitimate. Recession, restructuring, crisis and unemployment exacerbate these discursive pressures which become a defining (not a contingent) feature of maturity. The retreat from politics is often resented by the populace though celebrated by the globally-oriented policy elites, giving rise to the democratic deficit that has made political achievement much more precarious than material wealth. For this reason, corporatist development has been relatively unstable; though nonetheless recurrent (Pierson 2001).

**Conclusion**

Political economy's understanding of capitalist development differs from that of orthodox doctrine, especially with respect to its outline of the most effective forms of regulation. While political economists have not always, or even typically, defined their task as a stipulation of optimal modes of government for capital accumulation,
they have suggested that market modes of regulation and competitive forms of structural change favour some activities over others, implying that groups, sectors or regions benefit differentially from them. Among the desirable economic outcomes not secured by liberal auspices is high quality employment. The imposition of a goal which the system does not routinely guarantee necessitates unusual, and in mainstream circles unpopular, institutional innovation.

For the Keynesian and post-Keynesian traditions, full employment requires institutional control of investment. This is a politically contentious assertion; but the disputatiousness goes further when the analysis proposes that political control of employment demands as well political control of the conflicts over income distribution (as a way of preventing inflation at both full employment and during recession). In turn these dual institutional responsibilities, were they to be taken seriously, logically necessitate a third – institutional usurpation of the labour market in such a way that both the volume of employment and its remuneration becomes deliberated rather than market-determined. Hence citizenship entitlements, to work itself and to a level of income appropriate to a civilized society, underwrite efforts to implant 'new political institutions'. These three institution-building projects animated social democratic politics for most of the twentieth century. In each case the most effective form is likely to be corporatist or tripartite, because governments alone cannot be expected to 'govern' the economic aggregates (investment, income distribution and the labour market) and because the participation of functionally important organizations (rather than individuals) seems unavoidable.

The imaginable institutional developments do not constitute a unified political programme because the institution-building can begin anywhere, with any sequencing. They are likely to be attempted in a variety of ways with divergent rationales. There are many alternative ways of running an economy, there is no one prescribed way of securing affluence, full employment, equality or stability.

Globally, the trend has been away from market regulation for more than a century. Public criteria for production are expanding with the increases in public sector spending, taxation and social security transfers. Economic evolution is towards bigness, not competitiveness. The negotiated economy is under construction even where it is opposed, particularly insofar as the polity or inter-organizational relationships are expected to assume responsibility for production, structural change, new products and services, access of producers to finance, labour-capital conflicts, and the extra-market production associated with higher standards of living.

Even in Australia, which became steadily more liberal during the twentieth century as its early state experimentation was extinguished, taxation and social welfare transfers have increased. Chief among our distinctive problems is ensuring indigenously-located activity receives adequate levels of investment. These two circumstances lead to the conclusion that a return to market modes of regulation is neither possible nor desirable.

Liberal modes of governance do not, here or elsewhere, produce enough economic activity. They do not generate infrastructure commensurate with either needs or capabilities. They tolerate too much unemployment, inequality and manufacturing decline. They skew the economy too much in the direction of undemocratic private
provision. They leave political institutions too under-developed and private institutions too disconnected from society. And they exterminate non-mainstream thinking, cultivating a discourse that locks us in to inappropriate and iatrogenic policy.

These problems can and must be addressed through repoliticizing the economy. Not only is this (generally) ‘good for business’ it is also good for humanity. This does not deny that here will obviously be political setbacks from time to time. This is the stuff of politics and it constitutes the environment in which struggles for political control of the economy take place. The many sources of political defeat – globally-induced restructuring, the balance of influence between financial and productive sectors, the past history of institution-building and the discursive environment all play prominent roles – do not constitute reasons for abandoning the democratic project. It is important not to interpret contingent reverses and disappointments as inevitable or permanent. Even though they are rarely locked in for all time, political accomplishments can be consolidated, and they may form the basis of further institutional and democratic advance. These are the problems a post-liberal institutional environment ought to be able to address.

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