Labor Party Ideology in the Early 1990s: Working Nation and Paths not Taken

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Abstract

Although left critiques of the Hawke Government were gathering pace before the recession of the early 1990s, the unemployment and other debilitating effects of the recession opened up political space to extend these critiques and explore alternatives. It is all the more momentous then that the parliamentary Labor Party responded to the events of the early 1990s without any significant revision of ideas or policy. The Keating Government continued along the neoliberal trajectory that had been established from the mid 1980s, albeit one latterly travelled with a softer rhetoric. Rarely do political circumstances present themselves in such a way that political parties can change direction sharply. This paper revisits the political-economic circumstances of the early 1990s, argues that these circumstances were sufficient for a fundamental change in policy direction, and sets out some alternatives that were not taken.

Introduction

To revisit the debates about the ALP’s direction in the early 1990s is to be reminded that successive election defeats are not the only circumstances in which debate about ideological direction can take place, for Labor was then seemingly in a strong electoral position. We say ‘seemingly’ because one can well debate the actual level and nature of the electoral support achieved by the ALP (see Scott 2004). In the late 1980s debate about the ideological direction of the ALP opened up over academic and popular concerns with the direction being taken by the Labor Party under Hawke. This is not the place to outline the literature surrounding these debates, or the various positions adopted by (for example) political scholars. In any case such an outline has been provided elsewhere (Battin 2004).

The pertinent point to make is that such debates were alive and well, and given even greater fervor when, in the early 1990s, a deep and protracted recession occurred, worsening the position of many already-vulnerable social groups. So in this paper we revisit the political economic circumstances of the early 1990s, the response made by the ALP in the form of *Working Nation*, the political processes around it, and ask ‘what if’. The central argument is that *Working Nation* can be seen as a very clear example of the incoherent nature of Labor ideology of the period. In pursuing that argument we also aim to discover the circumstances necessary for paradigmatic shifts or, in less grand terms, the identification of the circumstances needed to achieve
significant policy change. Our aim is to mark out the main ideological weaknesses operative in the ALP at the time and, by posing a counter-factual, identify some policy alternatives and the political economic circumstances sufficient to advance these alternatives. Overall, the paper seeks to place the genesis of Working Nation into a broader context.

### Labor Party Ideology in the Early '90s

Besides all the sorts of useful analyses that can be made by scholars of the ALP’s ideological character, there are of course the self-declared positions of key political actors themselves to consider. While recognising that the utterances associated with these declared positions can be couched in self-serving ways that conceal more than they are meant to reveal, we can also be struck by how revealing these declared positions sometimes are. Paul Keating, in a 1993 publication commemorating the twentieth anniversary of the election of the Whitlam Government, declared, rather astonishingly, that the Labor Party had no ideological predilections at all. In a preface to a 1993 book, *Whitlam Revisited*, Keating (1993) maintained that;

> [D]espite the criticism [of the Hawke–Keating Governments that] we often hear, we have never adopted the economic rationalism which has done so much damage in other countries. We are not “-ists” and we do not believe in “-isms”. We are not Thatcherite, or Reaganite, or even Rogernomic. We are Labor.

The historical background and context of this statement is noteworthy. Keating had been, in the late 1980s, the fiercest defender within the parliamentary ALP of the view that the Hawke Government had a proud record of economic and social policy in terms that would meet or exceed the standards that Labor governments are judged by. Keating's assumption of this role brought him into conflict with many people from within the labour movement, including Gough Whitlam.

By early 1992 Keating had defeated Hawke for the prime ministership and had set upon a strategy of softening his own image and the rhetoric of what was then termed 'economic rationalism', or what is now commonly termed 'neo-liberalism'. This is the historical background and the context of Keating's declaration that, from his point of view, the Labor Party was unencumbered by ideological baggage. This is a revealing statement because it tells us something of Keating's – and, to the extent it was a view representative of Labor, the ALP's – conception of power. That is, it suggests that he and Labor did not have a clear conception of power. In this respect, his views were perhaps an indigenous and early expression of the global 'third way' phenomenon.

But this gets ahead of the story, for we need to consider aspects of the ideological trajectory that had been set from the mid 1980s. If space permitted, we would outline the argument that from the mid 1980s the Labor Party had begun to set itself upon a neoliberal path characterised by smaller government, regressive income taxation measures, deregulation of financial institutions, and an unprecedented transfer of income away from wages to profits without a concomitant rise in investment (Stilwell 1986; Stretton 1987; Maddox 1989). By the late 1980s and early 1990s this path extended to privatisation, partial deregulation of the labour market, the abandonment of full employment, restrictive fiscal and monetary policy, and a shift away from the principle of welfare as citizenship entitlement.
For the purposes of this paper, we merely note that when the academic debate about the direction of the Labor Party opened up in the early 1990s part of the argument dwelt on the extent to which labourism – that aspect of labour ideology that was more accommodating of capital's prerogative – had always prevented the Labor Party from transforming itself into a political party with serious claims to being a socialist party. Of course, the argument that labourism is the defining and essentially limiting feature of the Labor Party is not new, having had its proponents since at least the New Left of the 1960s (McQueen 1970) (but in some ways stretching back well before). What we offer here that is original – a twist in the tale that is usually told – is that the historical situation is both better and worse than these writers usually imply.

The situation is better in terms of attempts that actually have been made by some Labor governments to move beyond wage-centric conceptions of worker emancipation. If it could be shown that some Labor Governments have made serious attempts to move beyond such approaches, extending the concept of emancipation to the broader citizenry, it would suggest that some of the radical criticisms of the ALP need to be modified or attenuated.

In another respect the situation is actually worse than the radical critique usually implies. The failure of the industrial wing of the labour movement at specific points in labour history has been critical in confining the wider movement to a wage-centric conception of workers' progress. Moreover, some radical scholars, who tend to be enamoured to the notion that the parliamentary wing of the labour movement is prone to underestimating the barriers to achieving socialist measures, or prone to acquiescence to liberal capitalism, have not only overlooked the failures of the industrial wing, but have tended to approve of capitalist wage-setting functions. Some of them are themselves labourist in their approach.

**Earlier Labor Traditions not Heeded**

The present line of discussion is important to the context of *Working Nation* because *Working Nation* signifies so much of what was wrong with Labor thought and policy from the mid 1980s. The debate about Labor tradition was always important because it was one way to expose the extent to which the contemporary parliamentary party had abandoned a philosophical lineage which had hitherto given the labour movement a proper basis of critique and action.

One such matter for accurate critique and formulation of policy concerns the distribution of income. When the Chifley and Whitlam administrations attempted to move in a direction that would have ushered in substantial socialisation of the distribution of income, it was not the parliamentary party that thwarted its development, but organised labour and the trade union leadership. One important point we shall make here is that both the Chifley and Whitlam governments understood the importance of incorporating an incomes policy into wider macro-economic management in order that the maintenance of full employment be achieved. Against the background of the Curtin government's management of the war providing a model of a centrally directed economy producing conditions of full employment, Chifley as Treasurer believed that those same conditions could be maintained in peacetime (Australian Government – National Archives of Australia 2004). Chifley
presented to parliament the White Paper titled 'Full Employment in Australia' (Day 2001, p. 407). The White Paper was a reasonably detailed blueprint that committed future governments to provide a basic principle of citizen entitlement – that every member of the community shall have the right to work and the right to remunerated employment.

The crux of the 1945 White Paper was an explicitly regulated labour market under the auspices of a social contract that would deal with productivity and prices (Rowse 2000, p. 4; 2003). Chifley understood that both wages and prices policy must play a symbiotic role if wider and additional economic objectives were to be achieved. Accordingly, the 1945 paper's wages policy undertook that wage pegging to productivity and industrial expansion would be the guiding principle (Australian Government 1945, para. 75-79; Hagan 1981, p. 188). This, it was argued, would facilitate and accommodate both full employment and higher expenditure on the social wage (Australian Government 1945, para. 79). The architects of the 1945 paper understood the critical importance of a solidaristic wages policy as it related to optimum economic outcomes.

Thus, for Chifley and his advisers, wages policy was part of an extensive integrated economic and social program that would have full employment as its hub. With full employment as the primary objective, the central issue for Chifley was how the struggle over the rate of surplus value could be situated within a wider economic and social context. Accordingly, Chifley argued that both full employment and an improved standard of living were predicated on constitutional amendments that would allow his and future Labor governments to implement a broad-based incomes policy that would be integral to overall macroeconomic management.

As things turned out, the 1946 proposals to amend the constitution, giving the Commonwealth power over industrial employment, were not successful, having gained an overall majority but achieving the approval of only three States.1 The point is that the rejection of the amendments left Chifley with two alternatives concerning surplus value determination. First, Chifley could accept the jurisdiction of the Commonwealth Court of Conciliation and Arbitration. Alternatively, he could endorse market mechanisms (class conflict via industrial disputation) that would determine the rate of surplus value. To Chifley, there was no choice, as he understood that an enduring full employment with a concomitant increase in the social wage was predicated, however imperfectly, on a state-sanctioned political institution that usurped market-based determination of wages.

Twenty-five years later, the Labor Cabinet in 1973, like the Chifley Government before it, believed that if the maintenance of full employment were to be preserved the government would need institutional control over both wages and prices. While the Coalition's opposition to the institutional control over prices was to be expected, organised labour's role in defeating the proposals was a major set-back. As Whitlam has argued (1985, p. 203), 'in such fashion, the industrial wing of the Labor

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1 The referendums were defeated, as only three States (NSW, VIC & WA) out of six gained a majority. This was despite a majority of citizens voting for these proposals. For more discussion, see McAllister, Mackerras, Ascuì, & Moss (1990, p. 80-84).
movement worked against its own long-term interests and those of the parliamentary wing.'

As a matter of history, throughout 1974 and 1975 the stimulus to inflation, derived from large wage increases (over and above productivity growth), had deleterious consequences. The approaches taken by Chifley and Whitlam can be contrasted with organised labour's limited and counter-productive strategy of engaging in industrial disputation over the rate of surplus value to achieve its limited objectives, in other words, the struggle over the wage-profit share.

At one level of course, from the point of view of organised labour, the struggle over the rate of surplus value is a perfectly reasonable activity. In the absence of any wider, coordinated approach on the part of state institutions to provide gains to workers as a class, it is only to be expected that labour, acting as separate groups of workers rather than as a class, will attempt to extract the maximum amount of wages from the total income generated. The fact that wage gains that are 'won' are in many cases illusory, because capital simply passes on the higher labour costs in the form of higher prices, is meaningless to labour when acting in isolation of any wider strategy. Following post-Keynesian precepts, the critical point is that a government committed to facilitating any kind of rational and solidaristic response on the part of labour has to find a way out of this cycle. Centralised wage setting structures using incomes policies can break the cycle; de-centralised wage-setting structures without an incomes policy cannot. In these terms, the Keating Government moved in the opposite direction of what is required to frame an institutional setting capable of maintaining full employment.

In addition to this paradoxical bind, unemployment (in a market setting), for the reasons Kalecki outlines (1943), is used by capital to discipline labour, thus ensuring that the rate of surplus value remains within 'acceptable' levels (points we return to below). Accordingly, for full employment to be maintained (including the concomitant social and economic benefits that derive from full employment), organised labour must relinquish its use of capital instruments which keep a large proportion of its own class subjugated. By the early 1990s, the Labor government led by Keating had no such insight. This point can be no better demonstrated than in relation to the Keating Government's 1993 Industrial Relations Reform Act (see also Waring this volume). It was a reform that championed extensive deregulation of the labour market, which would operate through the enterprise bargaining principle. This was an historic break with an Australian heritage of industry-wide wage setting – a break that sought to entrench the principle of capacity to pay of each individual enterprise. The relationship between the so-called 'capacity to pay' and enterprise productivity has critical ramifications relating to sector-wide or macroeconomic structural adjustment, an important point that we return to below. Moreover, the enterprise bargaining principle was institutionalised to facilitate a further shift of power from labour to capital. The belief was that productivity, over and above wages growth, would lay the golden (higher employment) egg.
The Green and White Papers on Employment

The relationship between rising levels of productivity, the Accord Mark VII, the Reform Act, enterprise bargaining and full employment was developed further in the 1993 discussion paper, *Restoring Full Employment*. As its authors (M. Keating 1993) argued:

> In the Committee's view, the emphasis should shift to lowering costs, not by lowering pay, but by employers, unions and staff cooperating to improve productivity by better organisation of the work. It is these reasons that the shift to workplace bargaining is so important…

The idea of market-based wage determination driving employment output was further consolidated in the 1994 paper *Working Nation: The White Paper on Employment and Growth*. The 1994 White Paper was a document that purported to address the problems associated with the worst recession in six decades. In many respects, *Working Nation* failed to extend the limited ideas within *Restoring Full Employment*. While *Working Nation* accepted the need for increased training and development in conjunction with active labour market programs, the document's scope and policy prescriptions were exceedingly restrictive. *Working Nation*, for example, relied wholly on private sector employment generation to achieve employment growth. As Battin (1997, p. 117) has argued, *Working Nation*:

> formally rejected…the idea of public expenditure to increase employment…and failed to advocate the restoration of the level of public investment in basic infrastructure.

Moreover, the Keating government did not appreciate, or was indifferent to, the internal contradictions of using neoliberal instruments (decentralisation of wage determination) to prevail over neoliberal deficiencies (unemployment). This is an important point and as such needs expansion. We argue that on closer inspection the notion of 'productivity-based enterprise bargaining' is in fact inconsistent (in the vast majority of instances) with the actual rates of labour remuneration. If productivity-based remuneration occurs in a decentralised setting, it approximates with remuneration in comparatively few cases, and perhaps even in these cases by good fortune rather than by considered deliberation.

In a decentralised wage-setting environment, there are a number of conceivable scenarios, each having more to do with the relative strength of capital or labour than with a productivity-wage setting relationship. In one scenario productivity is not met with a corresponding wage rise in real terms. (Current examples include many areas of public sector employment in which there have been significant reductions in workforce size or real increases in workload without corresponding increases in remuneration.) In this scenario labour is forced into subsidising capital at an ever-increasing ratio. In a second scenario labour at a given enterprise is 'successful' in extracting wage rises over and above productivity. (Arguably this still occurs in some sectors where labour remains well organised, or in some areas of skill shortage.) In a third scenario productivity is met with a more or less equivalent wage rise in real terms.

The outcome of scenario one is unacceptable to those of a progressivist stance, as it is clearly an increase in the rate of subsidy paid by labour to management/capital. More
controversially, scenario two is also unacceptable, for when labour extracts wage rises
over productivity, the practical response, for Kaleckian reasons, is for capital to pass
on the higher cost in the form of higher prices. The problem is that the inflationary
effects are met (in a neoliberal world) with higher interest rates to offset inflation
resulting in dampened demand (unemployment). Where capital cannot pass on the
higher cost in the form of higher prices (due to a highly competitive market), capital
must either reduce profits or shed labour. In the vast majority of instances,
employment reduction is used as the stabilising instrument.

With regard to the third scenario, where productivity increase is met with an
equivalent real wage rise, we suggest that it would have more to do with coincidence
than any far-sighted agreement by capital and labour at a given enterprise. Moreover,
even if scenario three takes place across the majority of enterprises, it has, for
Schumpeterian reasons that will be spelt out below, deleterious effects relating to
positive structural adjustment. Thus in the majority of enterprise bargaining cases,
labour is forced to either subsidise capital over and above existing levels, or have a
percentage of its ranks be used as a ‘reserve army of labour’. Either way it is not a
program that is attendant to full employment.

The final point relating to the relationship between Working Nation and enterprise
bargaining is that by making enterprise bargaining the focus of wage determination,
the labourist strategy of labour fragmentation and wage dispersion was again
institutionalised (which has been shown historically to be to the detriment of
employment). Irrespective of the 1996 change of government, we assert that Working
Nation as a strategy for employment generation would not have achieved its stated
objectives. What was needed to re-introduce full employment was a sophisticated and
integrated institutional process explicitly determined by political auspices – a notion
that we address in the following section.

**Paths Not Taken**

There is a political science and – within economics – an institutionalist literature
dealing with the confluence of arrangements and circumstances needed in order to
make a paradigmatic shift in public policy more, rather than less, likely (see Hall
1989; see also Dow this volume). Crudely over-simplifying, one of the more
fundamental of these conditions is that there is a general recognition on the part of
elites and the general population that the present situation is not working. Another is
that the governing political party is capable and willing to mobilise further public
opinion in a direction that would facilitate reform. Yet another is that there exists an
administrative framework that is conducive to reform. These and other conditions of
similar magnitude are what scholars deem necessary to make a paradigmatic change.
What number of these conditions is needed – and in what measure – to achieve more
modest, but still significant, change is a more open question.

Published opinion polls at the time of the early '90s recession were consistently
showing considerable public sympathy for various government measures to reduce
unemployment, such as a 'jobs levy' and higher general taxation, and this public mood
extended well into the period of the Green and White Papers. Another favourable
condition was the decision of the Australian electorate to return the Keating
Government in March 1993. In other words, in the context of considerable public
sympathy towards the unemployment problem and a fresh mandate given in early 1993 the response of the Keating Government was merely to soften the rhetoric of neoliberalism, but essentially to pursue attendant policies.

It was perhaps the use of Labor rhetoric at the time, in addition to the extreme policies enunciated by the Coalition, which helped to disguise the smallness of Labor's shift. Rather than seeing the 1993 election result as a resounding rejection of neoliberalism, and exploring what such a rejection may have offered in terms of a break from the ideological and policy direction pursued since the mid 1980s, the Labor Government simply picked up where it had left off. The 1993 budget was one which was seen by many social groups as a budget of betrayal. This public sentiment seemed to be reinforced by a growing sociological critique pointing to the gap between societal expectations, on the one hand, and what the government delivered, on the other. A number of important academic works were published on this issue (Beilharz 1994; Langmore and Quiggin 1994; Walter 1996), as were a number of church documents at the time. One of the themes of public discontent pertained to the level of money wages and the social wage, with many on the Left arguing that labour had not received its *quid pro quo*. In distancing himself from aspects of this critique, Dow (this volume) has argued forcefully that any deficiency of the Accord 1983-1996 should not be read as an intrinsic failure of incomes policies per se, especially if the deficiencies are a result of poor execution. Incomes policies are absolutely critical to any program of full employment, if for no other reason that they allow governments another policy setting to regulate demand without draconian monetary policy. However, it seems that, in rightly wanting to defend the concept of an incomes policy, Dow may have overly defended the Accord 1983-1996 when dealing with the issue of the level of real wages. Distinguishing between wages growth, on the one hand, and wages share, on the other, Dow correctly notes that wages share can shrink as a result of an upturn in the business cycle, and that this can occur at the same time as real wages are increasing. He is right to point out that a negative shift in the wages share can take place without conscious policy direction, but it needs to be stressed that it was in fact ALP policy from Accord Mark II to allow a greater share of national income to accrue to profits. If the Accord's radical critics in Dow's sights have overlooked the distinction between wages share and wage levels, they still have a point in emphasising the miserable growth in real wages.

Furthermore, if the issue of real wage growth during the period 1983-1996 is to receive proper analysis, it seems obvious that the period needs disaggregating into three – 1983-1985, in which real wages were maintained; 1986-1991, in which real wages declined; and, 1992-96, in which real wages increased in sectors enjoying industrial strength while stagnating in others. This third period ought to be of particular irony to Dow given that it was only the higher wages growth in the decentralised wage-setting period that allowed an overall increase in wages between 1983 and 1996. By the recession of 1991 worker discontent with the Accord was palpable, but the way to address this discontent was to return to a coherent (centralised) incomes policy that remunerated workers for price movement and trend productivity increases – not by employing the capitalist strategy of enterprise bargaining.

If neoliberal productivity via deregulated wage determination is insufficient to re-institute full employment, as we argue, what were the policies that should have been
implemented? Concurring with Dow (this volume), we argue that full employment
can not be attained, and certainly not maintained, while;

- The investment function is left to entrepreneurial control;
- Labour remuneration is determined via capitalist markets; or,
- Labour redeployment, relocation, training and development are left to private
  control.²

It is important to spell out two inter-related assumptions that are at the forefront of our
analysis. First, under a neoliberal economic mode of production, the spending
decisions of capital, principally its investment decisions, create both the overall level
of activity and the distribution of income, as both combine to produce the saving
associated with such investment spending (Harcourt 1987, p. 926). Second, when
investment is left to entrepreneurial whim, effective demand, for Kaleckian reasons,
will not facilitate full employment. Consequently, and obviously, alternative policy
proposals to neoliberalism must be implemented if full employment is to be achieved –
including an explicit socialised investment function.

While Keynes (1973, p. 378) believed that 'a somewhat comprehensive socialisation
of investment' would be required for full employment to be achieved and sustained,
he left the finer details vague as to how a public investment instrument should
operate. Ramsay (2004) has demonstrated in detail elsewhere how a socialised
investment instrument could function irrespective of the degree of financial
liberalisation and international integration. Superannuation policy is presented as the
essential tool for the socialisation of investment. A socialised investment function is
needed to offset fluctuations in private activity. The critical relationship between
collective capital expenditure and employment generation should have been accepted
and articulated under the auspices of Working Nation. Moreover, a tripartite
institution, involving labour, capital and the state, should have been established to
determine macro-economic criteria for investment decisions and to adjudicate
disputes concerning investment and disinvestment plans.

None of this is to suggest that the use of pooled funds to create employment had no
advocate in governmental circles in the 1990s. In fact, in late 1993, just prior to
Working Nation's release, Bill Kelty released the report, Developing Australia: A
Regional Perspective. At the heart of Kelty's report was a plan to eradicate structural
unemployment – in particular unemployment in rural and regional Australia. This
would be done by a massive injection of public money, using the burgeoning
superannuation funds, to achieve expanded tax concessions for infrastructure bonds
and the creation of pooled development funds. For Kelty, this meant an escalation and
radicalisation of the Accord as it operated in 1993 (arguably in spirit with its original
intentions), in conjunction with an explicit government-sanctioned industry policy
operating using a public investment instrument to counter obdurate levels of
unemployment. As things turned out, his views were not to prevail in Cabinet.
Accordingly, the increased implementation of neoliberal instruments by the Keating
Government to counteract neoliberal deficiencies continued. In any case, even had

² An institutional analysis along similar lines has been articulated in the work of Dow (1996). See also
Dow (1997) and Boreham, Dow & Leet (1999).
Kelty's views on regional development and industry policy prevailed, they would have been at odds with the neoliberal wage-setting trajectory that had firmly established by this time.

Attendant to the socialisation of investment, the second feature that should have been part of Working Nation, we argue, was the mediation of conflict over income share, as was spelt out in Accord Mark I. Conflict in the labour market over the wage-profit share, in other words, should have been politically re-institutionalised via the Commission to counterbalance inflationary effects associated with market wage determination. (The other way to counterbalance inflationary effects associated with market wage determination, as we pointed out, is by dampening demand – a policy that produces unemployment). Evidently, the tendencies of labourism – advocated (ironically) by the more militant sections of organised labour and ultimately sanctioned by the parliamentary Labor Party – were too hard to resist. Consequently, a case can be mounted that the utmost policy failure of Working Nation was its lack of insight of the internal contradictions between labourism on the one hand and a full employment strategy on the other.

The third defining feature of employment policy under Working Nation should have included an explicit policy that fashioned the character of the labour market in recognition that industrial planning is interconnected to the implementation of full employment. At the heart of economic planning is the idea that industrial and economic regeneration is best served when the state, capital, and labour, via institutional arrangements, proactively influence macroeconomic outcomes. As such, state-directed training and development policies that guide technological change, in conjunction with a relatively high minimum wage determined by the Commission, are crucial if a positive process of technical change (known in Schumpeterian economics as 'creative destruction') is to function as intended.

All of this may seem a long way from the policies envisaged in Working Nation, but the fundamental relevance, to reiterate, is that the architects of the white paper began from the wrong starting point. It is not higher productivity and economic growth that bring about and maintain full employment; full employment is achieved and maintained primarily by the institutionalisation and socialisation of investment. The conscious maintenance of full employment by government in a setting that has a publicly explicit incomes policy then – and only then – facilitates higher productivity (which may then lead to creative destruction).

To appreciate the positive neo-Schumpeterian process of creative destruction in the Australian context it is helpful to revisit the work of Wilfred Salter in his seminal book, Productivity and Technical Change. It is also valuable to draw upon the work of Geoff Harcourt who analysed Salter's contribution in detail. Harcourt points out that Salter sought to clarify why in situations where technical progress is steadily occurring, old machines of an inferior vintage are to be found operating alongside new best-practice techniques (Harcourt 1997, p. 196). For Salter, the answer lay in the struggle over the wage-profit share, and institutional factors that drive or inhibit industries that are either expanding or declining.

At the core of Salter's analysis is a rejection that the money wages of labour should reflect the respective levels and rates of change of productivity in each enterprise.
Salter argued that wage remuneration based on the 'capacity to pay' principle at each enterprise allows profits to buttress flagging enterprises (consequently, the important relationship is between rates of change of productivity across a given macro-economy). In declining industries, thus, money wages will be low and the rates of increase low. This situation permits the firm to linger on, and for old technologies to remain in operation. In other words, the ability to pay minimal wages in a neoliberal economy allows firms to utilise outdated capital equipment (Salter 1966, pp. 153-55; Harcourt 1997, pp. 198-99).

Moreover, deregulated wages allow declining enterprises to perform destructive price competition at the expense of productive activity (Tarling & Wilkinson 1997, p. 112). Finally, the deregulated approach relating to income distribution forces firms that are technologically underdeveloped or inefficient into a process of perpetual wage reductions and reduced working conditions, which has a marked effect on overall demand. Again, we see that the payment of inadequate wages in a neoliberal economy is a subsidy paid by labour to capital.

Conversely, a wage system based on national productivity forces enterprises at the bottom end of the productivity and technological spectrum to pay remuneration at national specific levels. While there may be graduations within national specific levels that can be negotiated at an enterprise level, the point is that enterprises cannot siphon off, over long periods of time, capital that would be more efficiently spent on industrial regeneration and technical advancement.

Full employment is also particularly related to a high skill, high productivity, manufacturing sector. Regrettably, the current skill shortage in the manufacturing sector is critical. Accordingly, the restoration of apprenticeships and traineeships must be a primary policy objective for any government that is serious about employment growth and reducing unemployment. Another policy objective would be to require a benchmark ratio of apprenticeships to tradespeople in given enterprises and across different employment sectors. While we argue for a ratio-differential across different sectors based on skill shortage need, training and development policies are critical if the current low-wage, low-productivity service sector labour market is to be transformed.

**Conclusion**

While we acknowledge that *Working Nation* did recognise the importance of training and development policies, the problem was that its design and scope was exceedingly restrictive. Moreover, the (preconditional) institutional path to full employment was not included within the parameters of *Working Nation*. On the contrary, market-based instruments stimulating private sector expansion were seen as the panacea to unemployment. This was not only insufficient; it was unsatisfactory, as optimum employment output is predicated on a political program that includes an institution that controls investment, preventing unplanned restructuring of the economy and generalised unemployment; an institution that controls distribution, mediating inflationary conflicts between capital and labour; and, an institution that regulates the labour market and plans for industrial regeneration that facilitates a 'high road' labour market.
We argue, along with Dow (this volume), and with Edward Nell (1998, pp. 717-46), that political institutions increasingly will need to be an important feature of advanced capitalism, as complex societies present complex problems – not least unemployment, which can only be addressed effectively through political processes. This was not understood by the architects of *Working Nation*; nor does it seem to be understood by the vast majority of representatives of organised labour ten years after *Working Nation*. The blight of unemployment will not, and can not, be resolved while neoliberal instruments are employed to resolve neoliberal deficiencies. Now as then, nothing short of a radical re-orientation of public policy will be sufficient in attaining and maintaining a full employment society.

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