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## Abstract Template

### NEOLIBERALISM: DOMINANT NARRATIVES AND COUNTER CASES

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#### Abstract

Most critical scholars posit that the Accord social contract is in competition with, or a buffer against, the roll-out of neoliberalism in Australia. However, the driving force and achievement of the Accord was its agenda of wage cutting and its role in driving the disorganisation of the labour movement — both also key objectives of neoliberal projects. Although corporatism, as a consensual process of political-economic decision making, appears on the surface inconsistent with neoliberalism, it is in fact deeply correlated in the case of Australia. This paper argues that when the Accord is analysed as a process of class rule, and as the *form* that neoliberalism took, its mechanisms and content are better understood. I use Gramsci's notion of the integral state to explore the reciprocal interpenetration and buttressing of 'political society' and 'civil society' (within a state-form) in the Accord era. Subsequently, I argue that the Accord ensured the state could secure the hegemonic project of the capitalist class, through the integration of organised labour into the dominant project.

#### Introduction

Between 1983 and 1996 Australia instituted a social contract between the political and industrial wings of Australian labour movement. The *Statement of Accord by the Australian Labor Party (ALP) and the Australian Council of Trade Unions (ACTU) Regarding Economic Policy* — the 'Accord' — profoundly shaped the political economy while deepening the country's longstanding corporatist arrangements. Most authors critical of the neoliberalism of this era posit the

social contract as exogenous to the roll-out of neoliberal policy reform. In this view, the Accord is in competition with, or a buffer against, neoliberalism's implementation (Peetz 2013; Spies-Butcher 2012). However, the driving force and achievement of the Accord was its agenda of wage cutting and its role in driving the disorganisation of the labour movement — both also key objectives of neoliberal projects. Although corporatism, as a consensual process of political-economic decision making, appears on the surface inconsistent with neoliberalism, it is in fact deeply correlated in the case of Australia.

When the Accord is analysed as a process of class rule, and as the form through which neoliberal projects took root in Australia, then, the mechanisms and content of both the Accord and neoliberalism in general are better understood than is presently the case in the scholarly literature. This paper uses Antonio Gramsci's notion of the integral state to explore the reciprocal interpenetration and buttressing of political society and civil society (within a state-form) in the Accord era. Corporatism is understood as a state strategy to meet the more universal aims of the capitalist state in relation to crisis management. The Accord is a mechanism of corporatist crisis management that sought the restoration of profitability and stable accumulation. The paper argues the Accord ensured the integral state could secure the hegemonic project of the capitalist class, through the integration of organised labour into the dominant project.

### **Neoliberalism's Dominant Narrative**

Neoliberalism is a *state-centred hegemonic political project restructuring capitalist production and social reproduction since the end of the long boom.*

Neoliberal projects have diverse forms, and have occurred on various timescales globally (Brenner et al. 2010). Despite the diversity of neoliberal projects, there remains a problematic dominant narrative in the scholarly literature as to how neoliberalism emerged and was implemented. The prevailing account is also reflected in radical and Marxist analysis.

The dominant narrative about vanguard neoliberalism's advance makes four key claims. First, the origin of neoliberalism is found in the 'vanguard era' projects of

the late 1970s to mid-1980s: in Chile under Augusto Pinochet, in the New York City Council fiscal crisis, in the United Kingdom (UK) under Margaret Thatcher and in the United States (US) under Ronald Reagan. Second, the geographically-specific experiences of the 'vanguard era' represent 'ideal' neoliberal types, to which other locations can be compared. Third, social democratic parties were not significant in the vanguard phase, instead implementing neoliberal projects later in a moderated form. And, finally, neoliberalism is a state-led coercive project imposed on labour movements and trade unions, which occupy the role of object or victim of change.

The dominant narrative is present in the widely cited accounts of neoliberalism's origins in David Harvey's *A Brief History of Neoliberalism* (2005) and Naomi Klein's *The Shock Doctrine* (2007). Perhaps more surprisingly, the dominant narrative appears in the influential work of critical geographers Jamie Peck, Nik Theodore and Neil Brenner, who seek to emphasise the geographic diversity of neoliberalism. These authors set out an origin story, similar to Harvey and Klein, as follows:

Pinochet's Chile represented the first example of neoliberal 'shock treatment', while Thatcherism and Reaganism were amongst its defining, vanguard projects. More moderate and muted forms of a neoliberal politics have also been mobilized in traditionally social-democratic or Christian democratic states such as Canada, New Zealand, Germany, the Netherlands, France, and Italy. Furthermore, following the debt crisis of the early 1980s, neoliberal programs of restructuring were extended selectively across the global South through the efforts of US-influenced multilateral agencies to subject peripheral and semi-peripheral states to the discipline of capital markets (Peck et al. 2009, p.50).

On this account, neoliberalism begins with Pinochet, Thatcher and Reagan. These instances are followed by, on the one hand, neoliberalism in social democratic states where it appears in a 'moderate or muted' form, and on the other, by the transmission of neoliberalism to the Global South. Peck et al., elsewhere state that neoliberal doctrine was deployed to justify the assault on organised labour

— emphasising the trade unions as the object and victims of the political project (2009, p.50).

### **Against the Dominant Narrative**

In Australia vanguard neoliberalism was not a coercive project of the New Right. Vanguard neoliberalism was implemented by a social democratic government and during a consensual social contract with trade unions. The Accord was the key mechanism through which the labour movement was incorporated in the state's neoliberal priorities in managing capitalism in the midst of crisis. Below I explore some of the ways the Accord played a central role in the construction of neoliberalism, and then discuss the conception of the 'informal Accord' — posited by Tom Bramble and Rick Kuhn (1999) and Damien Cahill (2008) — as a way to understand the Accord-neoliberal relationship.

Various policy elements of the Accord facilitated the roll-out of neoliberalism in Australia, in a process of *simultaneously deepening of corporatism and advancing neoliberalism*. Amongst these were real wage suppression, suppression of industrial action, reduction in the power of organised labour, industry reorganisation and deregulation, privatisation of pensions, and the deregulation of industrial relations policy.

#### *Wage suppression*

Even prior to the election of the ALP Government in March 1983, the Labor Party backtracked on the social contract's wage indexation agreement. Bob Hawke, later Prime Minister (1983-1991), announced in February that the conservative government's wages freeze would be extended if the ALP were elected. When in power, the government extended the freeze and later introduced partial indexation. The freeze on indexation contributed directly to significant real wage decline (Beggs 2015). The freeze on wage indexation was contrary to the spirit and letter of the Accord, however, it fitted the priority of the ALP in government — that being to manage the economic crisis through increasing the exploitation of labour. A key difference with other countries that successfully suppressed

wages in the neoliberal era (such as the US), was that in Australia this was *voluntary* wage suppression agreed to and organised by the union movement.

Wage suppression is not unique to neoliberalism, and is a key feature of corporatist arrangements more generally (Panitch 1977). However, wage suppression was a component of the roll-out of vanguard neoliberalism in Australia for two reasons. First, as Harvey posits, the shift in wealth from wages to profits was a key feature of neoliberalism and this process was successfully undertaken in Australia, in part, through the Accord. Paul Keating (1993, p.27) argued that ‘wage restraint was a major factor in lifting the corporate profit share to high levels around 17 percent, after profits had fallen to a low of 12.4 percent’ in the early 1980s. Second, it is well established that ‘the “disorganisation” of working class organisation, in unions and political parties, [is] one of the central objectives of neoliberalism’ (Albo 2009, p.121). The wage suppression that characterised the Accord was possible because of the size and centrally organised nature of the Australian union movement, meaning wage suppression could be implemented uniformly across the working class.

Paradoxically, the suppression of wages and related suppression of industrial action were both essential to the disorganisation of labour that took place in the 1980s and 1990s. Wage restraint subdued the industrial power of workers, and shifted the organisational form of that power. Workplace-based organising had cohered the labour movement in the process of struggle in the 1970s, but the Accord cemented a centrally-arbitrated process that diluted and disorganised the power of the labour movement at the rank-and-file level (Bramble 2001).

### *Industrial action suppression*

The Accord has also involved voluntary industrial restraint, like corporatism in general (Panitch 1977; 1980). The ALP, ACTU and leading unions policed and suppressed industrial action they saw as outside the Accord’s parameters. Prominent examples of the ALP, ACTU and other unions suppression of industrial action include preventing wage rise action by meatworkers and furniture trades unions in 1983-1985, cooperating with the deregistration of the BLF in 1986, or holding back solidarity for the pilots and others later in the

1980s. Unlike the US, where Reagan brought on a set-piece confrontation with the air controllers' PATCO union in 1981, as Thatcher did with the miners in 1984-85, the Australian union movement policed its own industrial actions (Briggs 1999). These voluntary efforts to suppress industrial activity contributed to the disorganisation of labour.

### *Planning and industry restructuring*

Cooperative industry planning is usually understood as the antithesis to neoliberalism. Again, the experience in Australia challenges this core tenet of the dominant narrative of neoliberalism. The unions were involved in consensual deployment of industry structural adjustment in the interests of capital through their participation in tripartite bodies and industry plans (Kuhn 2005).

Resistance to this form of industry restructuring was limited, and challenges within the labour movement were ultimately unsuccessful. Deregulation became official ALP policy from the 1984 federal party conference onwards. The use of industry policy to the detriment of workers and workers' organisation was most pronounced in areas like Wollongong under the steel plan. Worker resistance to the steel plan was defeated by the trade union leadership. Further, as Julianne Schultz (1985) argued, the industry plan for steel was in fact a process to restructure the industry in Wollongong in accordance of the wishes of the major employer BHP — thus 'when [Prime Minister Bob] Hawke spoke of saving the steel industry, it was the salvation of the balance sheet he was talking about, a balance sheet that made no provision for the social impact of the restructuring'.

### Superannuation

Superannuation, the introduction of a compulsory privatised pension, effectively undermined direct state provision of welfare. Public pensions rates were increased under the ALP government, and remain as a safety net, however, public pensions were supplanted by the privately managed and invested superannuation system as the main source of retirement income. Additionally, rather than superannuation forming a capital fund as some unions hoped — to allow unions to intervene and shape capitalist production in Australia — it produced a key element of financialisation (Rafferty 2011). Financialisation, in

this instance, is understood as the absorption of households into financial markets through the speculation of workers retirement incomes (Lapavitsas 2011). Thus, Australian workers were twice hit in regards to the superannuation system: first through reduced real wages as a trade off for a privatised pension; and, second, retirement incomes now face the vicissitudes of financial markets. Of note are the significant losses to workers retirement incomes when financial markets collapsed in 2008 (David 2012).

Like other countries in the vanguard neoliberal period, the traditional labour movement renounced its commitment to full employment. Further, the inflation-first approach to macroeconomic management became more widely accepted, undermining the commitment of labour to wage increases. This occurred alongside the continued rise of technocrats within the labour movement (Scalmer & Irving 1999), and diminished (and in many cases directly suppressed) rank and file organisation (Bramble & Kuhn 2011). Later the Accord partners deregulated wage setting and introduced enterprise bargaining, effectively ending the centralised wage setting system. Implemented at the same time as the Accord were the other neoliberal policies, most particularly: financial deregulation, floating the Australian dollar, privatisation of state assets, corporatisation of government departments, dismantling of tariff protections, and competition policy.

### **An informal Accord?**

Some Marxist scholars take exception to attempts to separate the Accord from neoliberal transformation in Australia. These authors argue that the formal social contract also included an informal Accord, which helped facilitate the introduction of neoliberalism (Bramble & Kuhn 1999). The expression 'informal Accord' is used to denote ongoing support given by the unions to the ALP, as a way of highlighting how 'the formal and informal aspects of the Accord [managed] the neoliberal transformation of state and economy by tying the leadership of the labour movement to this process' (Cahill 2008, p.326).

The concept of the informal accord has the advantage of understanding the wider political context and processes behind the Accord and does not posit the Accord and neoliberalism as exogenous. However, the notion of the informal Accord implies there was something outside the formal agreement, a hidden centre that was essential to the Accord's role in vanguard neoliberalism. The notion risks diverting attention from the direct way in which the Accord (as a process centred on increasing the rate of exploitation and the suppression of labour organisation) implemented neoliberalism. The Accord was instituted in a set of highly-organised, ongoing, institutionalised, state-centric political relationships with representatives of the political class, state bureaucracy and business elites. The formal aspects of the Accord provided a set of political structures tying the labour movement to the state, and mediated the conduct of trade union officials and the labour movement. Unions have supported 'their' ALP governments before and after the Accord, but in no other situation were the stakes involved in maintaining or withdrawing support so high. This is because in no other situation did the unions find themselves tied so directly to the inner workings of government and its political-economic reform program.

### **Integral state**

Gramsci's conception of the integral state can be usefully deployed to reflect the concord at the heart of the corporatist and neoliberal projects. Gramsci's elaboration of Marx's basic critique of the state-civil society relationship, describes the correlation between the social and political spheres in modern capitalism as one of the 'enwrapment' of civil society by the state. The integral state — 'conceived of as a dialectical unity of civil society and political society' (Thomas 2009a, p.29) — 'presents the image of "political society" as a "container" of civil society, surrounding or enmeshing and fundamentally reshaping it' (2009b, p.189). The integral state concentrates attention on how sections of civil society become incorporated into processes of political rule on behalf of the dominant class, despite the fundamental separation and antagonism between civil society and the state outlined by Marx in his early writings (1975).



Panitch's framework for understanding corporatism stresses its nature as a class project. When applied to the Accord, Panitch's framework highlights the objective of suppression of wages and labour movement dissent in the midst of economic crisis. Understanding the social contract in this way rejects the popular narrative that the Accord was a consensual project in the interest of all classes. Instead, the Accord involved the translation of 'working class loyalty to its party [and unions] into loyalty to the nation' and was instead 'coercion in the name of harmony' (Panitch 1976, p.247). Yet by also understanding political society as enwrapping civil society, the notion of the integral state can usefully extend Panitch's analysis. Trade union officials did not act only as 'representatives' of the workers but as agents of control over them — enveloped by a political society they had been drawn more closely inside.

The Accord was the high point of efforts at integration of the labour movement in the wake of the end of the long boom, and in the process expedited the advance of neoliberalism in Australia. The Accord process substituted the national interest for the particular interests of the labour movement. It drew organised labour inside the state project, enwrapping its interests with those of the dominant class. Although political responses to the crises and contradictions afflicting Australian society in the 1970s and early 1980s came both 'from above' and 'from below', the latter responses were able to integrate subaltern groups into state imperatives — regardless of the fact those imperatives directly undermined those groups' social interests.

The state does not simply rule coercively through the parliament, legislature, military and police, but through the process of hegemony — thus the state must be understood, according to Gramsci, in its 'full sense: dictatorship + hegemony' (2011; Q6 §155). The integral state is, in this understanding, 'a network of social relations for the production of consent, for the integration of the subaltern classes into the expansive project of historical development of the leading social group' (Thomas 2009: 143). This heuristic helps to delineate the changing relations between the state, political society, and civil society in the Accord era. It was through the Accord process that the neoliberal political project reshaped

aspects of civil society, including the economy and the labour movement itself. This was a process of corporatism enabling the advance of neoliberalisation.

### **Conclusion**

The analysis in this paper suggests that the dominant narrative in the scholarly literature as the implementation of neoliberalism, as a project of the New Right imposed on the labour movement, should be augmented to recognise not only the ways that labour tried to resist neoliberalism but also the ways that labour movements and parties were active agents in its construction. Importantly, this leads to a better appreciation of the function of the social contract in the roll out of the neoliberal project in Australia.

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