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MODERN GREEK STUDIES
(AUSTRALIA AND NEW ZEALAND)

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The periodical welcomes papers in both English and Greek on all aspects of Modern Greek Studies (broadly defined). Prospective contributors should preferably submit their papers on disk and hard copy. All published contributions by academics are refereed (standard process of blind peer assessment). This is a DEST recognised publication.

Το περιοδικό φιλοξενεί άρθρα στα Αγγλικά και τα Ελληνικά αναφερόμενα σε όλες τις απόψεις των Νεοελληνικών Σπουδών (στη γενικότητά τους). Υποψήφιοι συνεργάτες θα πρέπει να υποβάλλουν κατά προτίμηση τις μελέτες των σε δισκέτα και σε έντυπη μορφή. Όλες οι συνεργασίες από πανεπιστημιακούς έχουν υποβληθεί στην κριτική των εκδοτών και επιλέκτων πανεπιστημιακών συναδέλφων.

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SECTION ONE

Dr Stuart Roseworne

THE SHIFTING POWER RELATIONS IN AUSTRALIA'S ECONOMIC SUCCESS STORY: FROM NEO-LIBERALISM TO NEO-CONSERVATIVISM

INTRODUCTION

The Australian economy has experienced a period of sustained growth that has few parallels in the advanced industrial world. The economy has grown steadily over the last fourteen years, and it has been argued that this success story can be attributed to sound economic management and the raft of micro-economic reforms that have been adopted progressively over the last twenty years. Initiated by the Federal Labor government, following Labor's election in 1983, the 'reforms' have been pursued more vigorously and broadly by the Howard coalition government since its election in 1996. The determination to maintain the pace of 'reform' has accelerated as the Howard government has tied the promise of continued economic growth to further and even more radical changes to the industrial relations system, as well as welfare and taxation.

The Howard government has claimed that the economic success story is directly attributable to the 'reform' program, and that this has delivered across-the-board benefits to the Australian community. Certainly, there has been a substantial increase in employment, and unemployment has been reduced to a level lower than at any time over the last thirty years. The business sector has experienced solid growth, growth that has been partly underscored by sustained private investment, and the rewards are evident in the sustained growth of corporate profits. Successive Howard governments have returned budget surpluses, and these have been drawn on to dramatically reduce public sector debt. Australia's public sector debt to national income ratio is by far the lowest of all advanced industrial economies.

The mantra of 'reform' has come to define the Howard government as it pushes ahead with a raft of policies designed to free the economy from institutional rigidities that the government contends will frustrate the pace of further economic growth. Notwithstanding the claims that further deregulation will consolidate the aforementioned gains, the government's embrace of neo-liberalism has not been without some pain. The 'reforms' have, however, had a profound impact, radically transforming the economic, social and industrial landscape that have resulted in a pattern of differential rewards across the nation, with some being effectively economically disenfranchised. The WorkChoices industrial legislation and the strengthening of the 'welfare-to-work' social security provisions are likely to reinforce disparities in the Australian economy.

This study examines this economic success story and the neo-liberal economic 'reform' agenda upon which this success is ostensibly founded. After briefly outlining the fundamentals of the period of sustained economic expansion, the study examines the different elements of the micro-economic 'reform' agenda. Section 3 then considers how this has been said to have engendered economic gains and increased national wealth. In Section 4, I begin to unpack the details of the economic success story to identify the unevenness in the distribution of the material benefits of sustained growth. I then turn to considering the deleterious implications of the government's pursuit of its neo-liberal economic reform agenda in reshaping Australia's material and social landscape. The final section of the paper addresses the hollowness of the government's commitment to neo-liberalism when the pursuit of this agenda has necessitated the compromising of individual rights. The government's instrumental approach to promoting economic growth at the expense of all else is, I contend, the other side of this economic success story for it has entailed an assault on the rights of citizenship and has proved to be an immensely conservative one.

1. THE ECONOMIC SUCCESS STORY

The last decade has been one of the longest uninterrupted periods of economic growth in Australian history. The economy has grown at a steady average rate of over 3 per cent each year. The strength of this economic upturn is evident in the steady and sustained increase in national output, or gross domestic product, by almost fifty per cent in a decade. The expansion in the value of national output and income rivals that of most of the advanced industrial world. It is all the more impressive given the state of the economy during the 1980s through into the mid-1990s when waning consumer confidence appeared to go hand in hand with the depressed state of investor confidence, and

unemployment hovered around ten per cent mark and the government appeared unable to turn around growing trade deficits nor prevent ever-expanding budget deficits.

There has been a marked increase in employment opportunities. The proportion of the adult population in work, that is, labour force participation has increased. Increased employment of women and young adults has been a notable feature shaping labour market trends. Admittedly much of the growth has been concentrated in part-time and casual jobs.¹ However, all workers, full- and part-time and casuals, are working longer hours. This employment growth has resulted in a sustained increase in wages and salaries, which on average have increased by between 4 and 6 per cent per annum over the period 1980–2004.

The more striking aspect of the economic success story has been the recovery in company profitability. The resurgence in corporate profits has its origins in the 1980s, and was tied to the ALP-ACTU Accord successfully restricting the real growth in wages (Rosewarne 1989). Investment in new technologies has been especially important in contributing to the acceleration in the pace of growth in corporate profitability from the mid-1990s onwards (Mohun 2003; ABS 2004a). The rate of growth of non-financial corporate profits averaged an impressive 7.5 per cent per annum over this the period, while that of financial corporations, although subject to ebbs and flows, was double this average at an extraordinary 15 per cent.

2. ECONOMIC 'REFORM' AND STRUCTURAL TRANSFORMATIONS

While the present conservative Howard Government claims much of the credit for the Australian economic success story, many critics attribute the origins of the economic recovery to the raft of economic reforms and the associated structural transformations that were initiated by the Hawke-Keating Labor governments upon its election to office in 1983 and which continued through to the fall of the Keating Labor government in 1996. The government floated the exchange rate and deregulated the financial system. Federal and State governments began to redefine the role of the public sector and how services would be delivered through the corporatisation of most government departments and government business enterprises, the introduction of user-pays systems and increased out-sourcing of functions, as well as the privatisation of government enterprises. Privatisation helped governments retire public sector debt or, alternatively, to meet the cost of a particularly pressing political contingency.

The pace and reach of the reforms was consolidated with the agreement between the Federal and State governments in 1995 on the formulation of the National Competition

Policy which linked Commonwealth funding to State and Territory government commitments to outlawing anti-competitive behaviour of government business enterprises. Public monopolies were required to meet the requirement for competitive neutrality and, through requirements obliging departments to tender for various services, establish a level playing field that opened up further opportunities for the private sector to take on work formerly performed by the public sector. A third policy was based on the Federal government engaging State governments in efforts to form national markets in electricity and reform gas, water and transport systems, including rail and road networks.

In large measure, these reforms reflected the purchase of a neo-liberal ideology that emphasises the advantages of limiting the reach of government and freeing the economy from government interference. It is an ideological disposition that has contributed to the definition of policies advocated by both major political parties and influenced senior policy makers in both the Federal and State bureaucracies. However, while governments of different political persuasions appear to have succumbed to the neo-liberal ideology of small government, it is essential to acknowledge that this shift in the definition of the role of the state has also occurred in response to pressures exerted through financial markets. The cost of servicing public sector debt became an ever-increasing burden with the hike in interest rates in the latter part of the 1980s. This created an impetus for the privatisation of government business enterprises because the sale of such enterprises could generate additional source of funds that could be used to retire public sector debt. The impulse to raise funds through privatisation programs was underscored by the pressure coming from international credit rating agencies which, through credit worthiness assessments, set interest rates on public sector borrowing and thus the cost of servicing borrowings. The agencies pressured governments to pursue policies to reduce debt and generate budget surpluses.²

Fiscal austerity also prompted a rethinking of the social security system in order to reduce welfare expenditure. The principal objective has been to reduce welfare dependency and increase labour market participation. Labor governments initially concentrated on proactive strategies, such as labour market training programs to support unemployed workers return to work. However, more punitive approaches, such as the targeting of so-called 'dole bludgers', were adopted, and this shift in policy heralded the still more draconian approaches to welfare support after the election of the Howard government. Howard justified a tougher approach in terms of the principle of 'mutual obligation', that welfare support required social security recipients to demonstrate every endeavour to break their dependency on the state. The demands being made of those on welfare have increased markedly over the successive Howard governments, and range from forced engagement in voluntary work to 'work-for-the-dole' schemes through to the recent

'welfare-to-work' legislation that will force sole parents to look for work when their children reach mid-primary school age.³

The adoption of 'welfare-to-work' was reflective of both Labor and Liberal governments' preoccupations with labour market and workplace reforms, and this has emerged as the pivotal element in the microeconomic reform agenda. Under the Accord the Hawke Labor government struck with the Australian Council of Trade Unions, key unions agreed to economic policies, such as the reduction in tariffs, which led to industry restructuring in return for government commitments to labour market retraining. Unions also agreed to changes in the regulation of work, acceding to the negotiation of enterprise-based agreements in place of industry-wide awards, to improve workplace efficiency and enhance labour productivity, and conceded wage restraint in return for employers contributing to superannuation schemes.

The Howard government has built on this 'reform' by promoting even greater labour market and workplace flexibility. The Workplace Relations Act 1996 was devised to limit the role of unions in the negotiation of working conditions, by limiting those conditions that could be protected in awards and by strengthening the capacity of employers to strike non-union enterprise agreements and individual contracts (Australian Workplace Agreements).

The passage of The Workplace Relations (WorkChoices) Act 2005, and specific industrial legislation to restrict the role of unions in the building and construction industry and in higher education, will consolidate the 'reform' of the labour market and in workplaces. The microeconomic 'reform' that Howard argued was essential if Australia was to maintain its international competitiveness is purposely designed to marginalise unions in negotiating the terms and conditions of work and consolidating more flexible patterns of employment.

The conventional wisdom promulgated by the Howard government has been that micro-economic reforms have underpinned the economic restructuring that has been part and parcel of Australia's economic success story. The importance of reform in spawning new wealth- and employment-generating opportunities is evident in the growth of domestic industries, and most notably the service sector. The global dimension of the micro-economic reform agenda, through the liberalisation of international economic relations and especially with the deregulation of the financial sector and trade liberalisation, has drawn Australia more fully into the global economy enhancing access to finance and world markets. Exports of fossil fuels, particularly coal and natural gas, and other minerals have increased dramatically boosting jobs and export revenue. There have been flow-on benefits with the exploitation of natural resources shaping the pace of economic development generally and more directly through stimulating investment in

the local production of many of the heavy engineering and infrastructure requirements to meet the demands of the mining industry.

The globalisation of the economy has forced a restructuring of long-established industries, such as manufacturing. With a diminution in tariff protection and other industry protection mechanisms, and the floating of the dollar, enterprises in this sector have been forced to modernise, rationalise or shut down. The removal of a range of protections and industry support mechanisms in the context of international trade liberalisation has also impacted on the relative significance of agricultural and pastoral production as a contributor to national output and income. Production is now more directly responsive to international primary commodity prices and demand, and in the context of a long-term trend of falling prices, there has been a decrease in the value of primary commodity production and this is further reflected in the diminution in employment in the rural sector more generally.

Corporatisation of the public sector, the outsourcing of services and privatisation of government business enterprises have contributed to the expansion of the service sector. The more extensive application of the user-pays principle has stimulated private investment in health insurance and education

However, it is essential to acknowledge that Australia's economic growth has been based fuelled by the explosion of credit. This is partly attributable to financial deregulation removing many of the restrictions on borrowing and lending and thereby considerably easing access to credit. The increase in consumption and investment can be attributed to the sustained expansion in credit over the past fourteen years. This is manifest in several different respects. Credit has been critical to the sustained investment in housing and construction, the magnitude of loans having increased by an average of 15 per cent per annum over 1990–2005, and the introduction of new financial instruments to support borrowing has underscored this. Financial deregulation has enabled offshore borrowing, as well as encouraged foreign investment in the housing stock. Another essential ingredient shaping the pace of investment in housing have been taxation incentives, with the government sanctioning negative gearing, which permits generous writing off of interest payments and rental losses, and reductions in capital gains tax on property.⁴

Consumer spending, especially on consumer durables, has been another important ingredient influencing the pace of economic expansion, and the availability of credit has been a crucial factor in this. Personal borrowing, has increased at a rapid pace, with lending to individuals increasing at around 10 per cent per annum and gathering pace over the last five years. Credit card based borrowing grew at the extraordinary rate of 16 per cent per annum over the period 1990–2005, with much of the credit funding consumer durable purchases. Cash advances drawn on credit cards climbed at an average of 12 per cent.

The pivotal role of the financial system in underwriting economic expansion is further evidenced in the provision of credit to fund commercial investment. Lending for commercial investment has increased at a steady pace since the early 1990s, accelerating over the last three years to average 12 per cent growth per annum over this period. The significance of this should not be overlooked. Credit has been fundamental in fuelling the growth in the private sector, with the rate of increase in commercial lending by financial and non-financial intermediaries to business almost double that of the rate of increase of investment in gross capital formation (ABS 2002).

This reliance on credit suggests that the conventional wisdom that Australia's economic success story as being the result of microeconomic reform is a more qualified story. The ease with which consumers, investors and the business sector more generally have been able to underwrite spending and investment through borrowing has been critical in influencing the pace of economic activity. Whether this reliance upon a credit-fuelled economic growth can be sustained is another story.

3. THE ECONOMIC BOUNTY: THE REWARDS OF SUCCESS

The sustained expansion in the value of production has increased economic opportunities and enhanced the material well being of the Australian community. Unemployment has declined, and is now recorded at some 5 per cent, the lowest level since the 1970s. This is all the more impressive because labour force participation rate, the proportion of the population of working age in employment or looking for work, has increased quite markedly over the last decade.

The effects of this expansion in employment opportunities, and the associated decline in the rate of unemployment, are evident in the rate of growth of earnings among the Australian work force. Income has increased by an average of over five per cent per annum over the period. This goes some way to explaining the consumer and housing booms, which, in turn, have contributed to the conditions that have resulted in such sustained employment growth.

The improvements in the earnings of Australian wage and salary earners have also been matched by increases in the average wealth of the population. The most obvious manifestation of this is the value of property holdings by owner-occupied homeowners as well as that of property investors. Asset holdings by Australians continue to be dominated by home ownership, with 70 per cent of households living in their own home. Moreover, still more capital is being invested in the family home, with the average size of households, as measured by floor space, having increased by 40 per cent over the period

1980s to 2003 (ABS 2003). And, while bricks and mortar continue to dominate wealth holdings, the taxation benefits make investment in property an important mechanism for minimising taxable income.⁵

Another important aspect of wealth represented by home ownership is that government incentives have resulted in increased investment by non-owner occupiers. Non-owner-occupant investment in housing now accounts for over a third of loans to the housing sector compared with around 14 per cent in 1990, and this has emerged as an important factor in shaping the pace of private investment in housing (RBA 2004).

Another key feature of this period of economic success has been the emergence of superannuation funds as an important medium of wealth holding. The decision by the Keating government to establish a national superannuation scheme, which employers would contribute to on behalf of their employees in return for wage restraint, has transformed saving patterns in Australia. The scheme, which was designed to promote self-provision for retirement and thereby reduce the reliance of retirees on publicly-funded retirement pension schemes, has established superannuation holdings as the most rapidly expanding source of financial reserves. The funds have grown at a rate of 15 per cent per annum over 1998–2004.

Superannuation has heralded a fundamental change in the character of wealth holdings in Australia. Savings among lower income earners are increasingly tied up in superannuation funds. One estimate suggests that this can account for between 40 and 75 per cent of total wealth for low-income earners compared with less than 20 per cent for wealthy (Clare 2001).

This has significance beyond the immediate importance of superannuation holding up saving rates. With savings now linked to superannuation funds, individuals have an indirect interest in the fortunes of the stock market because the great bulk of capital placed in the funds has been invested in shares. The retirement benefits of most wage and salary earners are now, through their superannuation, directly linked to the market value of shares.⁶

The relevance of the state of the share market to the Australian community has been further boosted by many directly acquiring shares as a result of the privatisation of formerly government-owned business enterprises and the demutualisation of mutual societies and provident funds. The privatisation of government business enterprises provided the first real opportunity for people who had never before owned shares let alone displayed much interest in the stock market, the wage and salary earners and retirees of the nation, to acquire shares and to do so relatively cheaply. The 'de-mutualisation' of leading mutual-benefit insurance companies, such as the AMP, and then of the NRMA's road and insurance service, funds which had large membership bases, introduced wide-ranging and diverse sections of the Australian population to share ownership.

Commonwealth government taxation policies have also contributed to increasing interest in share ownership. The cost of funds borrowed to finance purchases of shares is subject to the benefit of negative gearing, and as is the case with housing assets, capital gains taxes provide for tax discounts on any profits from the sale of shares held for more than one year.

The increased ownership of shares signals a noticeable shift in the character of savings and other asset holdings. The Australian Stock Exchange estimates that 55 per cent of all adult Australians now own shares, either directly or indirectly (ASX 2005). 23 per cent of Australians own shares directly while a further 11 per cent own shares indirectly through managed funds, and this has been steadily increasing (ASX 2005; ASX 2003).

I would appear that sustained economic expansion has increased incomes and expansion of wealth holdings. Increased employment opportunities have underwritten this, as has the redistribution of assets from public to private ownership as a result of privatisation and demutualisation. This represents a significant transformation in the socio-economic foundations of the Australian political economy. It is a transformation that is consistent with the neo-liberal agenda, but it is also one that has been politically charged. Nor is it a transformation that has been evenly distributed or one that will necessarily sustain economic well-being for all.⁷

4. THE INEQUITIES OF AUSTRALIA'S ECONOMIC SUCCESS STORY – UNEVEN INCOME AND WEALTH

Closer scrutiny of the sustained economic expansion indicate that the have not been shared evenly across the Australian community. Indeed, the distribution of economic gains and opportunities has been decidedly uneven. Increasing income inequality has been manifest in several different respects.

There has been a redistribution of income from wage and salary earners to the corporate sector. The enhanced corporate profitability partly reflects business investment in productivity-enhancing technologies. But profitability gains have occurred as a result of a redistribution of the share of national income at the expense of wage and salary earners. The business sector's profits capture a larger proportion of national income, increasing from 22 per cent in 1990 to 27 per cent in 2004. Moreover, while wage and salary earners have enjoyed growing real gross income, the share of income received by workers has been trending downwards since the mid-1990s, declining from 55 per cent of national

income to 53 per cent, and the significance of this is all the more given that this has occurred during the period of falling unemployment and increased labour force participation when the expectation would have been for wage and salary income to increase as a proportion of total income. This shift in the distribution of national income away from wage and salary earners has been one of the real policy success stories of the Howard governments. It is the product of the government's deliberate strategy to strengthen the bargaining position of employers vis-à-vis trade unions.

The relative deterioration in the economic well-being of wage and salary earners has been compounded by the Howard government's pro-business taxation policy which has brought changes that have resulted in wage and salary earners carrying a disproportionate share of the tax burden. Total tax revenue collected through personal income tax has increased by an average of five per cent per annum under the conservative government, increasing at a rate slightly in excess of the expansion in wages and salaries. Bracket creep has eroded any gains from the 2000 income tax relief, while the reduction in the rate of corporate tax, being a fixed percentage, has been a positive and enduring benefit. The consequence has been a steady and relative increase in personal income tax over the life of the conservative government

The regressive character of taxation 'reform' has been exaggerated by the introduction of the Goods and Services Tax in July 2000. The trend rate of growth GST taxation revenue has increased on average by 15 per cent per annum. When considered in conjunction with the income tax burden, the Howard government has become the highest taxing government in Australian history.

The magnitude of the disparity in economic wellbeing across the Australian community can be illustrated more powerfully by considering the relative gains in household income across different income cohorts. Several studies have pointed to the growing disparity in income with disposable income among the high-income earners bracket growing rapidly, expanding at a rate thirty per cent faster than that of the low-income earning cohort, and low-income earners experiencing a declining income share (Australian Bureau of Statistics Household Income and Income Distribution, Australia, 2004; Harding and Greenwell 2002; Harding 2005). The relative position of middle-income earners has also fallen behind that of high-income earners (Harding and Greenwell 2002).

The relative deterioration in the share of income among low and middle-income earner is likely to be compounded by the differential burden of the increase in personal debt, especially among low-income earners who because they have higher levels of credit card debt have more onerous debt servicing obligations.⁸ The pricing of public services on the basis of the user-pays principle has a regressive impact on low-income earners, and likewise with the redistributive effects of increases in Commonwealth and State funding

of private schools, which favour middle and high-income earners for low-income earners. Moreover, while the government makes much of the welfare support it provides, some schemes, and the family assistance packages in particular, are not means tested and provide considerable subsidies to middle-income earners. Changes in health support measures, including restrictions on Medicare that have discouraged bulk billing, have also eroded the material well-being of low-income earners.

Labour market and workplace reforms have contributed to growing income inequality in Australia. While labour force participation rates for the population as a whole have increased, there has been marked declines in the participation rates of some groups. The most conspicuous have been older male workers and immigrants from non-English speaking backgrounds seeking employment in non-professional and non-trades occupations. Economic restructuring, and the decline in manufacturing industry, has reduced employment opportunities for many. Many male workers have forced to rely upon social security, or retire from the workforce, which largely explains the marked growth in the proportion of the population in receipt of disability pensions, which points to a more substantial level of unemployment than official figures suggest (Argy 2005).

Labour market and workplace reform has also resulted in employment opportunities for low-income earners becoming more restricted and limited. Most of the employment growth over the past fourteen years of economic expansion has been in part-time and casual work. This points to an increase in underemployment, but more importantly the more limited access to reasonably paid employment has given rise to the emergence of a 'working poor'. In a deregulated labour market, the pervasiveness of precarious employment for lower-paid and lesser skilled workers engenders an economic vulnerability that turns these workers into the 'working poor'. The passing of The Workplace Relations Act 1996, in limiting protections afforded by industry awards has contributed to the precarious position of many workers (Watson, et.al., 2003). The addition of the WorkChoices amendments, which will operate alongside the recently passed Welfare-to-Work Act, will compound this polarisation of employment prospects because social security recipients will be forced off benefits into jobs that have limited minimum protections.

The corrosive effects of labour market reforms on employment security have had purchase beyond low-paid workers. Workplace changes have frustrated employment opportunities for white collar and professional workers, that is, for the middle-income earning cohort. Restructuring in the public sector, in government business enterprises as well as in the private business sector have resulted in downsizing and this has effected a 'hollowing out' of middle level administrative and management positions. This has been to the particular detriment of older workers as employers have looked to youth as the new platform to intensify work effort.

Sustained economic expansion has done very little to redress inequalities across the Australian community. In fact, the raft of micro-economic reforms, in contributing to increased income disparities, have also exacerbated the uneven distribution of wealth and reinforced inequities and promoted economic insecurity. This is evident with access to housing. Those investing in non-owner-occupied property have reaped tax benefits through negative gearing, and at the same time benefitted from the property boom they have contributed to fuelling. The capital gains to be had from property speculation have been concentrated among a small proportion of the population (Garnaut 2005). At the same time, the inflation in property values has placed home-ownership beyond the reach of many Australians. Home ownership has declined, and, with the Commonwealth and State governments dedicating less funding to public housing, more Australians are now reliant upon a private rental market for their accommodation. Low-income households are paying disproportionately more of their disposable income in order to meet mortgage obligations or forced to relocate to the public housing stock that has been relocated to the outer fringes of the major cities.

Australia may well have been transformed into a nation of shareholders, but share ownership is dominated by the high income earners. 85 per cent of shares are owned by the top ten per cent of wealth holders in Australia (Kelly 2001). The great bulk of new shareholders generally do not own shares in more than one enterprise, and, for the many who bought into Telstra, the collapse in the value of that stock has left many households financially over-extended. The majority of Australians have an indirect interest in shares through their superannuation funds, but the magnitude of this interest is directly proportional to income earnings. In the case of women, the average superannuation balance of low-income women is less than 10 per cent of that of their high-income earning peers (Clare 2004; Olsberg 2004). Furthermore, the tax treatment of superannuation contributions provides additional differential advantage for high-income earners (Clare 2001; Clare 2004). This advantage is underscored still further with the capacity of higher income earners to negotiate still further tax benefits by salary sacrificing superannuation contributions.

The corollary of the economic success story has been the marked increase in personal debt. The converse of the significant increases in home lending, personal lending and outstanding credit card balances noted above, has been the dramatic increase in personal debt, and differential indebtedness has emerged as the underbelly of wealth inequalities. Indebtedness among high-income earners is more likely to be linked to an income-earning or/and wealth-enhancing strategies, probably based on taking advantage of a tax minimisation option, whereas low and medium-income earners are committing as much as half of their income to mortgage repayments (ABC AM 2005; Garnaut 2005). Credit card indebtedness suggests that large numbers of people, and particularly low-income

earners, are drawing on credit to meet the material needs of their families, many of whom would appear to be. The possibility of increases in interest rates now has more acute implications for family wellbeing.

5. ECONOMIC SUCCESS AND THE HEGEMONY OF NEO-LIBERALISM: TRANSFORMATIONS OF THE AUSTRALIAN MATERIAL AND SOCIAL LANDSCAPE

One of the paradoxes of the economic success story is that as public sector debt has been extinguished, personal indebtedness has increased. Debt has, in effect, been privatised; risk has been transferred from the public sector to individuals. This reflects the fundamental transformation that has reshaped the material and social foundations of the Australian political economy. The pursuit of neo-liberal economic policies by successive governments has not only engendered the dramatic restructuring of the economy. Neo-liberal policies have heralded a much greater emphasis upon individual opportunity as well as individual responsibility and self-provision, changing attitudes towards material advancement and towards the sense of self and family in society.

Labour market and workplace reforms have brought changes in employment patterns that have reinforced the import of individualism in the Australian political economy. The growth in self-employment and work organised through labour-hire companies and sub-contracting has meant that an increasing proportion of the workforce has become more self-reliant. The growth in self-employment is represented by some as being reflective of this assertion of individualism, although there is also evidence that points to self-employment and sub-contracting arrangements as a key means for eroding conditions of employment and reducing the cost of labour (Roskin 2005; Watson 2003).

The Howard government's industrial relations agenda is premised on the idea of promoting opportunities for the 'entrepreneurial worker' the quintessential homo economicus. Restricting the rights of workers to collectively bargain and to be represented by unions, which is the object of WorkChoices, are designed to force this issue.

The more instrumental approach to the provision of welfare support has been founded on the denigration of social security recipients. Individual responsibility has been embodied in the notion of 'mutual obligation', which effectively redefines the idea of citizenship entitlements to one framed almost wholly in terms of 'economic self-sufficiency', and rests on the ability of an individual to engage in the work force.

The increased importance of superannuation, promoted by the Hawke and Keating Labor governments to reduce the likely dependence of an aging workforce on the welfare

state, has meant that the accumulation of retirement savings is more directly connected to the state of the share market. As is the case with those who have acquired shares through the privatisation of government business enterprises and the de-mutualisation of insurance and auto cooperatives, substantial numbers of Australians now view sound economic management as being critical to their future material wellbeing. The higher level of personal indebtedness has likewise translated into support for sound monetary policies in order to keep pressure off interest rates, and successive governments have sought to reap political advantage by exploiting such concerns to justify a variety of micro-economic reforms.⁹

The hegemony of neo-liberal is evident in other attitudinal changes. Economic success has brought changes in consumer patterns that are increasingly defined in terms of individualism. Conspicuous forms of consumption and living standards, such as in the increased ownership of Four-Wheel Drive vehicles or in the construction of ever-larger dwellings, of the so-called McMansions, or consumer durables, are manifestation of the ascendancy of individualism. Such lifestyles have spawned the notion of the emergence of an 'aspirational', or 'selfish', class (Hamilton 2003)

The purchase of neo-liberalism could also be argued to be manifest in the community's apparent acceptance of the outsourcing of labour market training and employment placement, and other welfare support, to private providers, and especially to religious welfare organisations. With the religious organisations requiring that clients comply with the organisation's spiritual mission and moral codes, this 'privatisation' of welfare has added another ideological level to that of individual responsibility in welfare provision. Likewise, popular engagement with the neo-liberal agenda is evident in the increased enrolments in private schools or in the increased use of private automobiles at the expense of public transport. The high level of subscriptions to private health insurance is another manifestation of this shift away from the expectation that governments will make provision for essential services.¹⁰

It is important, however, to acknowledge that the capacity for envisaging alternatives to this neo-liberal landscape has been eroded. This is most obvious with respect to challenging the Howard government's industrial relations agenda. The ability to posit alternatives to the individualised worker is constrained by the weakening of trade unions. The decline in union membership to less than a quarter of the workforce is in part the result of the restructuring of the economy, with the decline of industries which traditionally had high rates of unionisation, and the growth of casual and part-time work (Peetz 1998). However, anecdotal evidence also suggests that interest in and support for trade unions has diminished partly because of a lack of confidence in the ability of unions to represent the interests of casual and part-time (Wynhausen 2005). Others have sug-

gested that there is an increased prevalence of individuals who want to organise their own work arrangements and negotiate employment contracts directly with their employer (Roskam 2005). This is held to be reflective of the rise of individualism. Similar attitudinal changes, compounded by economic pressures and the ever-increasing intensity of work also help explain the general decline in involvement in community organisations.

Whether or not the neo-liberal agenda has spawned more pervasive expressions of individualism is a moot point. What is uncontested is that neo-liberalism has found personal expression in the greater material exposure of individuals and families to the vagaries of the economy and the state of financial markets more particularly. The neo-liberal agenda has exacerbated personal economic insecurity by fostering greater reliance upon the self. And this insecurity could be said to lie behind the appeal of Four-Wheel Drive vehicles or the attraction of gated communities, and helped to spawn the raft of new enterprises that seek to afford greater protection of individuals in public and private domains.

NEO-LIBERALISM AND THE CONSERVATIVE ASSAULT ON CITIZENSHIP

The Howard government's pursuit of neo-liberal economic policies has, as we have noted, been premised on the principle of promoting individual opportunity, self-provision and individual responsibility. An ethic of individualism has been promoted that has engendered patterns of behaviour and resulted in levels of financial commitments that have meant people being more directly exposed to the force of the market. This is readily evident in the exposure of highly indebted individuals. It is also evident in the position of social security recipients who are now required to more actively engage in the search for work in the labour market.

This points to government assuming a less active role in insulating individuals and families from exposure to the full force of the market. It is also premised on the notion that government should assume a less interventionist role in the life of people and, more particularly, in redistributing resources across the community.

However, the notion promulgated by the Howard government that its policies are founded on the principles of a less interventionist and a benign state belies the different ways in which the pursuit of policies have ridden roughshod over the exercise of individual rights. The government's industrial policies have seen the full political and legal force of the state brought to bear to restrict the rights of unions to defend conditions of employment and working conditions generally. This is evident in the government's attacks on the Maritime Union of Australia which involved direct political and legal support, subterfuge

and allegedly a conspiracy involving other third parties in support of the Patrick Stevedores. It is evident in the Building and Construction Industry Improvement Act 2005 which is designed to destroy the construction workers union and which removes longstanding rights to legal representation and to silence during interrogation. It is evident in the Higher Education Workplace Relations Requirements bill which links funding to universities to efforts to restrict the right of university staff to union representation.

In large measure the Howard government's labour market and workplace 'reform' agenda simply reflects policies advocated by the Business Council of Australia. The BCA was responsible for promoting the idea of enterprise agreements and for restricting the protections afforded by industrial awards. It has pushed for promoting other industrial instruments, and most notably Australian Workplace Agreements, that would enable employers to lock unions out of negotiating collective enterprise agreements.¹¹ Government policy has been quite consciously directed toward limiting the industrial and organising roles of trade unions. The 'reform' agenda is, in effect, based on shifting the balance of power between capital and labour.

But the neo-liberal agenda is not only directed towards suppressing the voice and influence of organised labour. The Howard government has also sought to eliminate other sources of criticism of its policy agenda. The government has, for instance, cut funding to a raft of non-government organisations that have contested policies on issues ranging from foresting and wood chip exports through to the delivery of community services. It has declared that those community sector organisations that engage in political advocacy will have no longer be funded.

These blatant attacks on individual liberties, on freedom of speech and the right to organise have been replicated in other arenas of Australian society. Policies to manage asylum seekers have compromised longstanding human rights conventions. More recent exposés have highlighted how such measures have eroded the rights of Australian citizens. The privatisation of detention centres, now managed by private companies, have removed these centres from the purview of the public and, importantly, from statutory obligations policed by government agencies designed to protect the civil rights of those detained.

Less obvious are the consequences of the application of the principle of 'mutual obligation' that on the one hand demands the exercise of individual responsibilities of social securities, while the reciprocal obligations of support that is critical to individuals developing the skills and capacities that will better equip them for finding work have been progressively withdrawn. Moreover, this has occurred in the context of the government encouraging the private charity organisations to engage in the fee-for-service provision of training and employment services, and reorienting the focus of their charity

work. They have, in effect, assumed the role formerly undertaken by the government department, the Commonwealth Employment Service, of vetting who will, and who will not, benefit from the support of the state. At the same time, because of their involvement in commercial ventures, their capacity to provide charitable welfare support has diminished. This not only compromises the availability of sources of support and charity that people can turn to in times of need, and especially those whose security payments have been reduced or terminated. It also compromises the institutional fabric of the community, and of those avenues of support that come to the aid of those that the state fails, and thus one of the key institutional ingredients underpinning community and citizenship.

CONCLUSION

There is mounting evidence that Australia's economic success story is nearing an end. Business and consumer confidence appears to have peaked (NAB 2005). Consumer confidence appears to be faltering, and this may well signal the beginnings of the levelling off of consumer demand (Morgan Poll 2005). The housing boom appears to have peaked, and there is growing concern with the threat posed by the possibility of an increase in interest rates.

The business community has become increasingly critical of the Howard government's failure to maintain investment in public infrastructure.¹² The shortfall in infrastructure is now held to represent one of the main obstacles to any further expansion of Australian exports. Indeed, because the pace of economic growth has been boosted by the strength of exports of primary commodities, and the government's preoccupation with acquitting public sector debt has been at the expense of maintaining and investing in new infrastructure which is compromising export opportunities (Colebatch 2005). This has served to highlight fundamental structural problems in the Australian economy. The balance of trade deficit has reached historic proportions, and this is forecast to deteriorate still further.

The structural problems that are evident, and the government's determination to maintain its commitment to a budget surplus, are engendering some deep-seated tensions. These stand to frustrate the further expansion of the economy. Despite calls from peak business organisations it is not immediately evident that there is any scope for further micro-economic reforms. The one notable exception that has occupied the collective minds of the government and business leaders is the demand for further labour market deregulation and workplace reform. But the calls for workplace reform are not primarily

about improving efficiency and increasing productivity. Rather, they reflect a determination to drive unions out of workplaces and out of the political arena.

The Howard government's industrial relations agenda highlights the politically conservative nature of the neo-liberal agenda, and this is one that is engendering considerable social and political tension. The Australian economic success story has not wiped out poverty. Indeed income inequality has increased. Disparities in the distribution of property have grown, and the government's fiscal restraint has only served to exacerbate the pain of inequality, and this is a subtle reminder that the emerging tensions are not restricted to the economic sphere. The strains that have been generated by government policy are abundantly evident, periodically blowing up in displays of civil unrest within communities most in need. The riots in Redfern in 2001 and in Macquarie Fields on the outskirts of Sydney, and the more recent conflagration on Sydney's beaches are a salutary reminder of the consequences of an overly zealous application of the Howard government's conservative program.

The continuing government assault on the right of workers to organise in trade unions highlights the ultra conservatism of the neo-liberal agenda. The economic, the social and the cultural transformations that have been noted here have most certainly weakened the political force of the labour movement in Australia. However, over the course of 2005 the government's industrial relations program has ignited a new determination throughout the labour movement to fight the government's political agenda. This political momentum is not one restricted to the labour movement. Different community groups across the political landscape are organising to resist and challenge the raft of conservative policies that are undermining civil and human rights. The neo-liberal economic reform agenda is being confronted.

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NOTES

- 1 There has, however, been a turnaround in this trend, albeit a marginal one, over the course of the last twelve months, with full-time positions expanding more rapidly than part-time positions.
- 2 In setting interest rates on public sector borrowing, the credit rating agencies could influence market rates of interest more generally which could have quite significant effects on the level of investor confidence in the economy.
- 3 For more details, see the summary of the 'Mutual Obligation' principle and the 'Work-for-the-Dole' program at the Australian Parliamentary Library on-line brief 'Mutual Obligation/Work for the Dole', at <http://www.aph.gov.au/library/intguide/sp/dole.htm>.
- 4 In September 1999, the Howard Government reduced the capital gains tax by 50 per cent on the sale of assets that had been owned for more than one year.
- 5 John Garnaut has noted that the purchase of property has proved to be a far more tax-effective way of earning income than working for a wage or salary (Garnaut 2005).
- 6 There is also a sizeable proportion of the population that has established their own retirement trusts, and invariably these entail investments in shares. As well, some two-thirds of high-income earners, those earning over \$100,000 per annum, take the more direct route to investing in shares to build their retirement fund (ASX 2005).
- 7 Liberal and Labor governments alike have released shares to the general public at a cost below what was reckoned to be their real market value, and this has given the impression that privatisation could be a 'win' for government and a 'win' for all Australians. The collapse in the value of Telstra shares has taken some of the shine off this notion, especially for those who bought into the second tranche of shares.
- 8 High and medium income earners have on average amassed much greater levels debt than low-income earners, but the cost of servicing this debt does not translate into a reduction in real purchasing power. Negative gearing arrangements provide the opportunity to minimise taxation payments. (Garnaut 2005).

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- 9 Notwithstanding this direct material connection between asset holdings and a predilection to support 'sound economic policy', attitudinal surveys continue to demonstrate considerable support for the state to continue to assume responsibility for health, education and other public infrastructure.
 - 10 Of course, government policies have been pivotal in influencing attitudinal changes to education, health and transport. Reduced public funding of the health system and the redirection of funding to private schools have underwritten such changes.
 - 11 The BCA has responded to criticisms that the businesses have not availed themselves of the opportunity to introduce Australian Workplace Agreements, and thus restrict the capacity of unions to negotiate collective industrial agreements, has argued that the reputation of the Commonwealth government in this regard is no better. The BCA has contended that, as the nation's single most significant employer, the Commonwealth should be leading the way in the institution of AWAs.
 - 12 With public fixed capital expenditure having declined to less than 4 per cent of Gross Domestic Production, government investment in new capital stock is at an all-time low.