ACTU quietly declares war on Labor Party economic policy

By Richard Bardon

30 Aug.—As this issue of the *Australian Alert Service* goes to press, leaders of the labour movement, business and social services peak bodies, and senior members of the federal Cabinet will be making their way to Canberra for the Albanese government's 1-2 September Jobs and Skills Summit. Policy proposals by the Australian Council of Trade Unions (ACTU) ahead of the summit, aimed at ensuring a fairer distribution of the rewards during good times and burdens in the bad—especially the suggestion that government curb and/or tax corporate profits to help tame inflation rather than relying only upon (largely regressive) interest rate hikes as at present—have provoked predictable outrage from corporate lobby groups and their cheerleaders in the mainstream press. The full import of its proposed reforms, though, is greater than the latter seem to have realised, or than the ACTU has chosen to emphasise. Taken together, they comprise a demand that the Australian Labor Party dump the neoliberal "free market" dogma both it and, under previous leadership, the ACTU itself have embraced for forty years, and move back towards the "old Labor" concept of a regulated economy steered by government for the public good.

The most consequential of the ACTU's proposals for macroeconomic reform are outlined in a discussion paper published 10 August entitled *An economy that works for people*, prepared with the assistance of Canadian economist Dr Jim Stanford. An academic and author known for his criticisms of *laissez-faire* (free market) capitalism, Dr Stanford has been director of the Centre for Future Work, a research unit of independent Canberra think tank The Australia Institute, since its inception in 2016. Though not without its shortcomings, the paper nonetheless represents a long overdue repudiation of what former Labor Prime Minister Julia Gillard in 2014 called the "post-1983 consensus on economic reform" that has held sway since the Hawke-Keating Labor government began implementing radical neoliberal economic policies that had been rejected as too extreme by preceding Liberal PM Malcolm Fraser.

The ACTU paper does not acknowledge this, preferring instead to hang all the blame on the Abbott/Turnbull/Morrison Liberal-National coalition government that held office from September 2013 until May of this year. (Presuming its authors are not completely historically ignorant, it seems likely this was done deliberately to give PM Anthony Albanese an easy "out".) So far as it goes, however, it is correct to state that "nine years of failed Coalition Government macro-economic management have given us a weak starting point: record low growth, declining real wages, mediocre levels of business investment, a crisis of insecure work and an economy so overbalanced towards profits and away from wages that it risks capsizing." It is also correct to denounce the "conservative economic voices"—including those speaking from within the Reserve Bank of Australia (RBA)—who "would rather crash the economy and put people out of work to lower inflation, than put people first".

It calls for the government instead to implement a "fairer inflation-reduction policy that protects workers' incomes", including by imposing an "excess profits levy on companies enjoying windfall profits as a result of the current inflation", implementing taxation reforms to "encourage business capital investment and deter distributions of dividends and share repurchases by Australian corporations", and cancelling the Morrison government's legislated "stage three" tax cuts for high income households (which Labor initially opposed, but committed before the last election to let stand). All this should be relatively politically palatable to Albanese, hailing as he does from the ALP's so-called socialist left faction.

Slaughtering sacred cows

Those recommendations which challenge the fundamental tenets of neoliberalism, however, will likely be as strongly opposed from within the ALP as from without. Chief among these is the notion, long held as an article of faith by both major parties, that the RBA must be "independent", and that governments must therefore give themselves no say in the making of the bank's monetary (i.e. interest-rate-setting), fiscal (spending) and regulatory policies. The paper also takes exception to the use of interest rates, by the RBA and other central banks around the world, as the one and only "lever" by which they seek to control inflation, and governments for using fiscal programs solely to prop up corporate profits and financial markets during downturns, when the latter were better used to support and promote the real economy.

"Under neoliberal theories", the paper states, "active countercyclical fiscal policy fell out of favour [in recent decades], as did other tools which could potentially address inflation (such as price regulations, low-cost public service delivery, labour market planning, and others). In the hands of a supposedly 'independent' central bank, it was assumed that interest rate adjustments alone could guide the economy to an optimal position." A particularly inhuman aspect of this is that whereas the RBA has a nominal mandate to promote the economic wellbeing of all Australians, which is generally

Jobs summit must look at hole in industry skills training

Excerpted from 25 August 2021 Citizens Party media release "Reviving manufacturing is urgent now".

The Citizens Party has had extensive dialogue with industry veterans who understand what's needed to revive manufacturing. For example, Alan Baker, a veteran TAFE teacher of fitting and machining, explained his experience in advanced engineering technology such as Computer Numerical Control (CNC) machines. He was also involved in writing the syllabus and handbooks used to teach skilled workers. In an email to the Citizens Party, he said:

"It saddens me a lot to see this happen", adding that "the elephant in the room is the loss of skills required to do this stuff". He mentioned that the people capable of the most skilled work are now all old. "There is nobody under 50 who has what it takes to do this stuff … just ask one of the guys I just spoke of who still treats me like God because of the level of skill I still possess.

"Please understand that before you can get manufacturing back and running, this will not happen simply by building factories and tooling up with some modern machinery then expecting it to start producing. You need a *skilled workforce* and neither side of the political divide wants this to happen. They have desecrated the TAFE system right across Australia and it is an osteoporotic skeleton of what it used to be. I know because I worked in it when it was good and watched it deteriorate over years because of interference by people who don't have a clue. Writing this has upset me a lot but you have to know."

understood to mean it should aim for as close to full employment as practicable, its supposedly "optimal position" is in fact "defined by a desired, 'efficient' level of unemployment: namely, the mythical 'NAIRU',[1] high enough to restrain wage demands while still allowing sufficient vitality in the economy to validate business profits."

Instead of "relying on a solitary blunt instrument" controlled unilaterally by an RBA whose words and actions make clear it is "both willing and able to cause a recession and cost jobs if that's what it takes to reduce inflation", the ACTU says, "Australia needs a more multi-dimensional, balanced, and ultimately democratic approach". Full employment in decent, secure, well-paying jobs should be the government's "overarching macroeconomic policy" and should be included explicitly in the RBA's mandate—the more so since, as even the RBA itself has acknowledged, the principal causes of the current inflation are the prices of energy (including petrol) and imported finished goods and building materials, none of which have anything to do with local wages, which are at a record ebb in the post-World War II period both as a proportion of gross domestic product, and in comparison to corporate profits (whose share of GDP is at an all-time high).

But beyond that, "managing inflation can no longer be seen as just the RBA's job", the paper says. In place of its vaunted independence, the RBA "should be required to consult and act in concert with other government agencies in achieving an overall macroeconomic package that is consistent and effective in targeting both inflation and full employment", the paper states. The government "needs to play an active role, as well", it adds, "through fiscal policy, public investment, industry policy, regulation, and labour market policy." For one thing, to help alleviate the supply-chain bottlenecks that continue to push up prices of essential goods, "Government should expand its investments in infrastructure (including all modes of transportation facilities), and use fiscal and other incentives to accelerate private supply chain investments." And given that another, and in many cases *the* key contributor to Australians' increasingly unsustainable cost of living is the astronomically high cost of housing, the ACTU recommends that "the RBA (in conjunction with other government agencies, such as [banking regulator] APRA and the Council of Financial Regulators) should more actively invoke other policy levers (*such as prudential standards in mortgage lending*), not just the basic interest rate, to influence the flow of credit to more useful purposes, while limiting speculative or unproductive borrowing … and *regulating housing credit* to channel available funds to more affordable projects" (emphasis added).

1. NAIRU stands for Non-Accelerating Inflation Rate of Unemployment—but so embedded is neoliberal ideology in the profession of economics itself that, as the paper points out in a footnote, it is "also commonly (and perversely) known as the 'natural rate' of unemployment".

As the *Australian Alert Service* has previously reported,[2] there are no legal barriers to the federal government doing all of these things and more, including the use of so-called quantitative easing—the creation and spending of new money—to fund public works, immediately; it is empowered to do so, as the RBA has itself admitted, by provisions of the *Banking Act 1945* pertaining to the original Commonwealth Bank, which were retained in the superseding Act that created the RBA in 1959. For all that, both major parties treat central bank independence as though it were handed down from Heaven on a stone tablet; in fact it has never been more than a convention, which a single political decision could forever sweep away. In the midst of an economic crisis that could easily become the worst in living memory, and its core constituency demanding action to address it, it is a decision Labor is out of time and excuses not to make.

2. "A breakthrough in the battle over bank policy", *AAS,* 13 April 2022.