

A Father Without a Family

Has Neo-Liberalism effectively killed Social Democracy in Australia?

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Socialism is Dead

The modern social democratic movement is vastly different from that employed during the post-war boom years of the 1950s, and 1960s. Key ideologies, or methods of managing economic performance have also changed by way of the abandonment of Keynesian economic policy and the Bretton Woods system of monetary management across independent nation-states. Challenging this paradigm is the neo-liberal ideology, which is to date, the most popular form of economic policy that has permeated into all facets of our modern lives through capitalism and the open market. This paper will argue that through multiple vectors including the end of the post-war boom, the economic and electoral realities of an ever-increasing interdependent world economy, a decline in the relationships with unions and organised labour, and lastly, the ideological shift away from social justice, that social democracy is dead.

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Author Jason Owen

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The modern social democratic movement is vastly different from that employed during the post-war boom years of the 1950s, and 1960s. Key ideologies, or methods of managing economic performance have also changed by way of the abandonment of Keynesian economic policy and the Bretton Woods system of monetary management across independent nation-states. Challenging this paradigm is the neo-liberal ideology, which is to date, the most popular form of economic policy that has permeated into all facets of our modern lives through capitalism and the open market. This paper will argue that through multiple vectors including the end of the post-war boom, the economic and electoral realities of an ever-increasing interdependent world economy, a decline in the relationships with unions and organised labour, and lastly, the ideological shift away from social justice, that social democracy is dead. Moreover, for the Australian Labor Party, this paper will demonstrate how through the abandonment of its own historical roots, is it directly linked to the current economic status quo. With Communism all but dead as an economic methodology, there is currently no contest, no argument for social democrats to disseminate onto a better-educated and culturally diverse polity within Australia. The collateral damage caused by disassociating itself from the trade union movement not only resulted in multiple terms out of office, but more importantly, a revision in its ethical framework that encouraged the free market and hence deeper class divides within the community (Hamilton 2006).

The economic crisis that developed in the early to mid 1970s brought to an end the most important wealth creation program the modern world had seen. Some commentators have confused the cause and effect of the collapse of the post-war boom, and hence avoid what underpins the key drivers for its eventual failure. For Australia, there are links to international events like the OPEC Oil Crisis, the impact of the United States financing its war effort in Vietnam, and an explosion of wages in Europe. Whilst the examples above are consequences and not causes, they, coupled with both high inflation and unemployment, provided a series of exogenous shocks to the Australia economy and indirectly affected its ability to

weather the storm (Quiggin 1999, p.5). The connection between the collapse of the post-war boom and the end of social democracy is supported by the almost immediate change to Labor's programme of spending in 1975 (Lavelle 2005, p.753). Moreover, as the economy slowed, so to did revenue to support such programs inherently connected to the social democratic ideology (Lavelle 2010, p.56). Perceived fiscal incompetence of the Labor government by the business community, and the Australian media also played a key roll in the Australian experience of the post-war boom collapse, ultimately resulting in the now famous dismissal of Gough Whitlam in 1975. This would set the stage for a period of, "structural change, deregulation, and privatisation" (Mack 2005, p.157) leading to the neo-liberal revolution. For the Labor party it would instigate a process of internal reflection and as many argue, a case of re-aligning its political future to the new neo-liberal program (Lavelle 2005, pp.753-754). When the Bretton Woods system collapsed and the post-war boom ended, it created an economic void, a power vacuum for fiscal ideologies. Following on from some of the longer-term effects of the social revolutions of the 1960s, the idea of government intervention was steadily declining. How, in worsening economic circumstances, could a social democratic Labor government hang onto a policy framework that was self-destructing from its own immaturity? The answer lies in the understanding that the collapse of the post-war boom was indeed the start of the end for social democracy, and by definition the historical Labor party. By the end of the 1970s, the Margaret Thatcher-led conservative party in the United Kingdom would also follow a similar route of deregulating labour markets, which meant compromising the role of unions, and privatisation of key public services. Similar political groundswell was also being felt in the United States as commodity demand fell, leaving several manufacturing markets without growth, even worse a retraction of revenue and profitability. These in turn drive higher unemployment and social dissatisfaction with government's ability to support its electorate. The end of the post-war boom created an environment where political doctrine was questioned, where life long loyalties were compromised in

an effort to survive. Ideology, it seems, would take a back seat as the neo-liberal mandate justified itself not only here in Australia but across the western world.

During the later years of World War II, representatives from all nations across the allied forces met in Bretton Woods, New Hampshire. Their aim was to create a suite of financial institutions, rules, and norms that would facilitate the trading of international funds across its member states. Underpinning this desire was the goal of preventing economic drivers for future conflicts such as The Great Depression and, the fiscal domination of a few over many. Such were the horrors of two world wars that steps needed to be taken to avoid a repeat in the future. A key difference between the Bretton Woods system and what would become the neo-liberal ideology is the term globalisation. Bretton Woods represented, “internationalisation as opposed to globalisation” (Quiggin 1999, p.4). This is despite all the key nations having a keen understanding about capitalism and private firms owning the means of production. Step forward into the mid 1970s, and the collapse of the Bretton Woods system. We enter the dawn of the neo-liberal age, and find a new international system taking shape in the form of globalisation. The role of interdependent economies has not only diluted the role of the state, but also provided a means for large multi-national corporations to spread their economic wings into diverse nations across the globe. With the key driver of reducing costs and therefore increasing profits, globalisation in Australia had two key effects on the economy and government. The first was the need for government to unshackle the existing constraints of capital and its movement across, “uncharted areas” (Lavelle 2010, p.56). The second driver was the deregulation of the labour market to allow a more efficient system of managing the production of goods and services. With neo-liberalism at the heart of globalisation, the then Australian Labor party would face economic rationalisation that in terms of social democracy distanced itself from its own empirical modus operandi. Electorally it would see the Labor party suffer one of its largest defeats in the election post The Dismissal. As I have argued above, this was not simply an Australian experience, this

was happening across the entire western democratic world. The effect of interdependent economics is indeed enhanced by the globalisation model, once example being that a decline in imports to one nation relates directly to a reduction in exports of another. This leads to higher unemployment, if left unchecked, increasing inflation. Not only did globalisation have an effect at an economic level, but also, national security, as borders became more opaque, geo-political boundaries conflated with the trans-migration of cheap labour as the reach of multi-nationals was left unchecked. Globalisation and the death of social democracy are therefore intrinsically linked. With neo-liberalism requiring the opening of capital, it underpinned globalisation, and hence challenged key cornerstones of the social democratic ideology. The reality for the Australian Labor party was for them to 'come right' in the political spectrum or perish under the weight of electoral isolation.

The Australian Labor party was created with the direct support of the trade union movement in the late nineteenth century. Trade unionism has over the decades, had a mixed influence on how the party is run, and what policies it will offer to the community. Buttressing the Labor party and its trade union beginnings, is the social democratic ideology, and like all modern political parties, there are left and right factions each with its ulterior motives and power struggles. Communism, and the environmental movement, is but a sample of how interest groups were for periods, able to infiltrate and affect change onto the Labor party during the course of its history. When the western world abandoned the Bretton Woods monetary system and Keynesian economic policy in the 1970s, the Australian Labor party was left with a decision that would shake its traditional voter base to the core. The trade union movement would, over the ensuing ten to fifteen years, face an ever-increasing divergence from social democracy and its imperative of class struggle. What is particularly challenging from an Australian point of view, is that it was the Hawke and Keating led Labor party that provided the bulk of the institutional change. The prices and incomes accord provided government and business with the necessary controls over rising

labour costs facilitating growth and ultimately a reduction in real wages (Mack 2005, p.160). Moreover, this is intrinsically linked to a mass reduction in union membership (Curtin & Simes 2008, p.6). During the Fraser years (1975-83), the Labor party undertook a rebuilding process, a period of examining where it had gone wrong during the brief tenor of Gough Whitlam in the 1970s. With the western world moving toward a globalised, interdependent neo-liberal economic framework, the Labor party would need to adopt a similar method of economic rationalisation if it were to succeed with the electorate (Curtin & Simes 2008, p.5). This was to have a dire effect on the trade union movement, and by its association with social democracy, a slow and painful death for the 'true believers'. Trade union membership now sits below twenty per cent, literally half of what it was during the post-war boom (Hamilton 2006)(ABS 2012). From an ideological standpoint, Labor would also face disharmony from the left with the Australian Greens party, from the right the Australian Democrats. This ultimately dissected the once conflated electoral support for Labor into a multi-faceted group of disheartened communities all over Australia (Hawker 2009, p.11). Today, multiple commentators argue that the modern union movement is little more than another lobby group that effectively needs to drive its own agenda without the political support of the Labor party (Lavelle 2008, p.9)(Quiggin 1999, p.13)(Teicher 2006, pp.246-47). The 1996 federal election would deliver a fatal blow to the Labor party and its reformist platform. After years of neglect and in their eyes, ideological dishonour, blue collar Australia united to remove the Keating government. Howards battlers, the term coined to represent these parts of the community, crossed the political floor and voted for the John Howard led coalition. The defeat would end in the second largest swing against a federal Labor party in its history. With neo-liberalism at the core of the Hawke and Keating economic platform, the continual marginalisation of trade unions, and the death of social democracy well and truly underway. Labor endured an electoral backlash second only to the Fraser election in 1975. Fast forward to today's Labor government led by Kevin Rudd, and we find a Labor party still trying to espouse a social democratic ideology (Rudd 2009), yet seen to be supporting the needs of business, capital, and the

liberalisation of the labour market (Curtin & Simes 2008, p.7). The challenge as Prime Minister Rudd offers is that the, “social democratic states offers the best guarantee” (Rudd 2009), of striking a balance between the open market, and controlling greed and a never ending cycle of profit driven marginalisation of the labour market.

In conclusion, the post-war boom came to an abrupt end in the early 1970s. This resulted in a global change of economic policy in the shape of neo-liberalism. Effects of this change was the proliferation of globalisation and the interdependence of national economies, the reduced role of trade unions in collective bargaining, and as is still felt today, an ideological departure from social democracy. Nowhere was this more keenly felt than with the Australian Labor party. Electoral backlash in 1996, a divergence of voter support for the Australian Greens, and multiple terms in opposition conflated into a neo-liberal primacy for economic policy. Today, Labor faces the same problems from an electorate where on face value; there is little daylight between the collation and elected Labor government policy wise. From an empirical standpoint, Labor has forever departed from a true social democratic platform, in its place the conundrum of trying to tame capitalism whilst attempting to provide welfare and other public facilities, when ideologically they contravene each other. Social democracy in Australia is dead, and along with it any labour underpinnings of the Labor party.

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