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978-0-521-13804-8 - Labor's Conflict: Big Business, Workers and the Politics of Class

Tom Bramble and Rick Kuhn

Excerpt

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Introduction

'You're a joke! You're an absolute joke!' New South Wales Treasurer Michael Costa told delegates at the state Labor Party conference on 3 May 2008. He 'grinned and yelled at the crowd, and shook his fist in the air' in a 'Mussolini-like flurry'.¹ The conference then voted 702 to 107 to oppose his plans to sell off the New South Wales electricity industry.

This scene, and Costa's transformation from a young radical into a champion of neoliberalism, tells us a lot about the Australian Labor Party today.

Michael Costa was born in Newcastle in 1956, the son of Greek-Cypriot migrants who were manual workers.² His dad was a steelworker, then a railway guard; his mum was a process worker. Young Michael was politicised in the mid 1970s, in the context of intense conflicts, class confrontations and the dismissal of the Whitlam government. The level of strike action had peaked earlier in the decade, but remained high. Costa was embroiled in left wing politics from a young age. While still at high school he joined the Socialist Labour League (SLL), a Trotskyist organisation that advocated general strikes as the key to social change. He also became a member of the ALP. Later Costa switched his allegiance from the SLL to the Socialist Workers Party (SWP), a different Trotskyist organisation, with a more flexible political outlook.

Costa was dynamic, aggressive and bright. While a student at Wollongong University, he spent most of his time doing politics. He was the local organiser of the SWP's Socialist Youth Alliance and, with his allies, gained control of the Young Labor Association in the federal electorate of Hughes.

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He had a run in with Peter Costello.³ Then flirting with the Labor Party, Costello prevailed on his friend Michael Easson, the Young Labor leader, to expel the young firebrand from the ALP.

Costa returned to Sydney where, from 1979 to 1983, he was a rigger at Garden Island Naval Dockyard and an unpaid official of the Federated Ironworkers Association. While working, Costa also studied economics part time at Sydney University. For a while he was still associated with the SWP. Stuart Rosewarne, who taught one of his classes in radical political economy, remembers being confronted by Costa's 'particularly dogmatic take on the nature of capitalism'. He won three prizes for his third year results.⁴

After years of active membership, Costa left the SWP. But involvement with the far left had given him a series of skills – to organise, analyse and argue – that he was to use in his later union and political activity. In 1983 Costa took a job as an apprentice train driver. He was soon active in the Australian Federation of Locomotive Engineers (AFULE), becoming secretary of the Enfield Branch, and helped organise an opposition team for the union's elections in 1986. His ticket defeated the long established, left wing leadership of Bernie Willingale. Costa was elected president of the state branch of the union, a powerful but unpaid position. His success in union politics was accompanied by a rapid move to the right.

Michael Easson, by now Assistant Secretary of the Labor Council of New South Wales, spotted Costa's talent at a meeting of rail union officials. Easson, who had no memory of the Costello episode, recruited Costa back into the ALP where he lined up with the dominant right wing Centre Unity faction of the Party and rode on Easson's coat tails to greater heights. When Easson was elected secretary of the Labor Council in 1989, Costa was part of his right wing ticket and took a full time executive officer position.

Costa's drift to the right made him enemies, and not just on the ALP left. Soon after taking his post in the Labor Council, Costa threw a hand grenade at his comrades. Together with Mark Duffy, another Labor Council officer, Costa wrote a paper that criticised the Prices and Incomes Accord between the Hawke government and the ACTU. The two called for the dismantling of the traditional system of industrial arbitration, on which so many right wing trade union officials had built their careers, and forecast a grim future for the Party federally and in New South Wales. Duffy was sacked but Costa was allowed to stay. Together they expanded their paper into a book, *Labor, Prosperity and the Nineties*, which extravagantly praised the free market

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policies of the Hawke government. They called for a wages system that allowed bosses to cut pay if profits dipped. They urged greater competition between unions for members and advocated a looser relationship between unions and the Labor Party.⁵ Remarkable views for full time trade union officials, but they did not prevent Costa from being preselected to stand for the then safe Liberal lower house seat of Strathfield in the 1991 state elections.

For some years, with the Liberals in power in New South Wales, Costa's political ambitions were thwarted. The Labor Council was for the most part ignored by the government, but when the Greiner government was defeated at the 1995 state elections by the ALP led by former Labor Council research officer Bob Carr, the Council was back in the thick of the action. In 1998 Costa was shoehorned into the secretary's position; he worked hard to maintain close relations with the Labor government.⁶ At a time of labour shortages, Costa kept a lid on industrial strife at Olympic Games construction projects in Sydney. As a result of his generally supportive attitude to the government, he was appointed to a range of board positions within its gift, including at the New South Wales Grain Corporation, the Sydney Water Corporation, the State Rail Authority, the WorkCover Authority, Totalcare Industries, Pacific Power and Eraring Energy.

But it was not all sweetness and light between Costa and Carr. Costa opposed certain of the government's policies, such as contracting out public service functions, especially by the New South Wales railways. Yet, after being its managing director for several years, he sold one of the Labor Council's biggest assets, radio station 2KY, to the TAB. The unions also struck and demonstrated against the Carr government's cuts to workers' compensation entitlements in 2001. But, anxious not to strain relations with the government, Costa agreed to a compromise that suspended the union campaign while failing to deliver real concessions to workers. When the campaign reignited, he stood back. Costa was now winding down his involvement in union affairs and looking for new avenues for his talents.

In September 2001, following in the footsteps of his Labor Council predecessors, Costa was appointed to a sinecure in the New South Wales Legislative Council. In parliament, his career was spectacular. Less than 3 months after entering the upper house, and with the support of right wing shock jock Alan Jones, Costa was appointed police minister. His zero tolerance approach to policing was popular in the force and he defended

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police violence against demonstrators protesting against the World Trade Organization meeting in Sydney in 2002.⁷ From police, Costa went on to other important ministries, including transport, economic reform and infrastructure, before being appointed to the plum position of treasurer in 2006. It was in this post, only a heartbeat from the premiership, that Costa finally came a cropper.

In the 1980s and 1990s, the Hawke and Keating governments had sold off the Commonwealth Bank and Qantas, along with other enterprises. The Carr government had sold the TAB. Now treasurer, and fired by his enthusiasm for the ideas of right wing economists Milton Friedman and Friedrich Hayek, Costa announced his plan to do the same to the New South Wales electricity industry. He was backed to the hilt by the media, Kevin Rudd's federal government and big business. But trade unions in the power industry and beyond, as well as a large majority of the electorate and ALP members, opposed this plan. There were strikes and demonstrations.⁸ The bell tolled for Costa and his premier, Morris Iemma, when top right wing Party officials turned against them. So it was that Costa's proposal to sell off electricity crashed on the floor of the 2008 conference. Costa and Iemma attempted to press on with the sale regardless but they were by now dead men walking. The machine dumped both men later in the year. Soon afterwards, Costa quit his position in parliament. He then wrote a series of conservative opinion pieces for the *Australian* and *Daily Telegraph* and proved a popular speaker with business audiences.⁹

Michael Costa was not the first radical who entered the ALP with a desire to change the world and left active Party life a thorough going Tory. But the gap between his views as a young militant and his later outlook as a free market conservative was particularly wide. That a man who had a picture of Ronald Reagan on his office wall, was an open exponent of Thatcherite economics and was a climate change denialist to boot should hold high office in the ALP is indicative of major changes in the Party's outlook in recent decades. On the other hand, the career of this high flying Labor politician, who had very influential support, was spectacularly terminated by the trade union leaders and Party machine, demonstrating that, for all the changes in the ALP, it is still a very different animal to the Liberal Party. Costa's fall tells us something important about the connections with the working class and its trade unions that the Party retains to this day.

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These two issues – the distancing of the Party from many of its traditional policies and its ever closer relationship with big business, and the maintenance of Labor's basic connections with the trade unions – are the main themes of this book. In Chapter 1 we consider in detail the nature of the ALP and rival interpretations of it. The bulk of the book is devoted to an examination of the party's changing relations with business, the trade unions and the working class more generally. We start with the formation of the Party during the defeats suffered by the working class in the great strikes and lockouts of the early 1890s, before moving on to the trauma of World War I and the torrid anti-conscription struggle. Labor's responses to the Great Depression form the centrepiece of Chapter 3, while Chapter 4 looks at Labor's second stint in federal office during a world war, the ensuing Cold War and the cathartic 1955 split. Chapter 5 provides an assessment of the nature of the Party after 70 years.

The second half of the book examines recent changes, starting with the election of Gough Whitlam as leader in 1967. Since then, and even more so from the period of the Hawke government, the ALP has become an organisation that in some ways would be quite unrecognisable to its founders; we trace this evolution in Chapters 6 to 9. In Chapter 10 we examine the changes that have occurred in the Party's material constitution since the early 1960s as well as some basic continuities. One feature of that continuity is Labor's consistent tendency in office to betray its working class supporters and to dash hopes of genuine social reform that have accompanied the election of Labor governments. We argue that this is a necessary consequence of Labor's ongoing commitment to capitalism. Chapter 10 closes, therefore, with a discussion of alternative strategies for social change.

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Chapter I

LABOR'S LOVE'S LOST?

Political parties have to adapt or die. If a party becomes fossilised while the rest of the world evolves it will lose support. As society changes, the size, characteristics and influence of groups that once formed the party's base may also begin to change. One hundred years ago, one-half of the Australian labour force, mainly blue collar workers, was employed in manufacturing and rural industries. As the rural workforce declined in the following decades, that proportion slipped a little, but the big surge in factory production during and after World War II saw it recover. The Australian Labor Party found its core of support among these workers.¹ Today, by contrast, manufacturing and rural industries employ only one in seven, so Labor must garner votes from outside its historic blue collar base if it is to win elections.² This shift throws up a big question: Is Labor still the party it once was or has it undergone a fundamental transformation? Debate has raged over this question for years. The answer depends on what you think the Labor Party is. This chapter identifies the essential character of the ALP – what makes Labor what it is – and also outlines several important debates about the nature of the Party.

A capitalist party?

For many modern Labor leaders, the character of their organisation is obvious. There is a continuous Labor tradition that embraces governments

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as diverse as those of Andrew Fisher, Jim Scullin, Gough Whitlam and Kevin Rudd. According to this view, the core of what makes Labor Labor is the Party's mission of civilising capitalism, which is counterposed to the more radical objective of abolishing it. In his first parliamentary speech as Labor leader in December 2006, Kevin Rudd invoked this tradition:

Our movement for a century fought against Marxism, if you bother to read your history. We have had nothing to do with Marxism and madness. We have always seen our role as what we can do to civilise the market. That is where we come from as a tradition. Why do you think Keynes and the rest of them were called upon to try to save market capitalism from itself after the Great Depression? Because social democrats believed that you had to have constraints placed around the market, otherwise it becomes too destructive indeed.

So, when it comes to our Labor values of equity, sustainability and compassion, we do not just believe that these in themselves are self-evident and worthy of being pursued; we also hold that they are values necessary to enhance the market itself.³

A few years before, Rudd identified the Party's tradition as a set of core values that 'have not changed'. These boiled down to support for a 'stronger Australia, a fairer Australia'.⁴

We agree with Kevin Rudd that Labor has from very early on been committed to making the Australian nation stronger, through policies that have combined the market and state regulation. But the nation and the market, while real features of Australian society, conceal and are underpinned by deeper structures, most importantly, the class relations of capitalism. It is precisely the Marxist perspective rejected by Rudd and the ALP that can reveal those structures and thus the fundamental character of the Labor Party. The following summary of the framework that we use in this book very briefly makes a series of controversial assertions about class relations. More detailed justifications for them can be found elsewhere.⁵

What do we mean by the 'class relations of capitalism'? Class is about the relationships among different groups of people involved in the process of creating social wealth. The way we gain our livelihoods, most importantly, the relations among the creators of social wealth and the controllers of productive assets who tell most of us what to do when we are at work,

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profoundly shapes our material interests and how we experience and think about the world. The working class, which provides the core of Labor's electoral base, is made up of those who, whether they do blue or white collar jobs, sell their ability to work – their 'labour power' – for a wage and have little or no formal control over what they and others do in the workplace. The owners and controllers of productive resources, the capitalists, purchase workers' labour power and, as a consequence, own what they produce. This wage labour relationship between workers and bosses is the core of capitalism. Only human labour creates new value; the other inputs into production only pass on the value already embodied in them to the final products. Capitalists' profits arise from the new value created by the labour of their employees and embodied in the commodities that come out of the production process. Profits are the result of the exploitation of wage labour, understood not primarily as moral judgement but as an analytical category. Understood in these terms, people's incomes are a consequence, rather than a defining feature, of their class.

The capitalist class includes the big shareholders and senior managers who control the productive resources of the private sector and the most senior politicians and public servants who control the resources of the state sector. They amount to a very small proportion of the population.

The working class has long been a majority of the Australian population. If we define workers as all employees except those in the occupations that involve substantial responsibility for controlling the labour of others, we find that the working class today comprises around 70 per cent of the labour force, a share that has declined only very slightly since the mid 1980s.⁶ Then there are the intermediate classes of the traditional self-employed, including small manufacturers, farmers, shopkeepers, doctors, lawyers, accountants and publicans, and the modern middle classes of intermediate managers and professionals who have a great deal of autonomy in large institutions.

Because Australia is a capitalist society, national interests are, in effect, the interests of those who exercise effective power in the nation, that is, of the dominant social class. The Australian capitalist class rules by a variety of means. Within the workplace it rules despotically, unless reined in by strong trade unions. In the realm of ideas, through its role in the management of the mass media and educational institutions, the capitalist class rules more subtly. In economic matters, capitalists retain enormous power to

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control major investments, the flow of capital into and out of the country, the opening or closing of major enterprises, and the hiring and firing of millions of workers. They can and do use this power to influence government policy.

The capitalist class also rules through the machinery of the state, all the institutions of government in Australia. These include public service departments, municipal administrations, police and armed forces, court systems and prisons, as well as the relatively small parts that are elected: the federal, state and territory parliaments and local councils. The capitalist nature of the Australian state is guaranteed in several ways. First, there is a mingling of personnel. Senior state officials and private capitalists frequently have common backgrounds, attended the same elite private schools and participate in overlapping social networks. On retirement, top state personnel, these days including former Labor ministers, can expect lucrative jobs, board memberships or consultancies in the private sector. More importantly, the private sector and the state are interdependent. Most new value is created in the private sector, which relies on the state sector to maintain conditions for its profitability – a literate, healthy and disciplined workforce, efficient transport and communications infrastructure, a system of courts to protect property and resolve commercial disputes, and so forth. The state sector relies on taxes paid by workers and capitalists in the private sector for its sustenance. Thus the state depends on economic prosperity. This, in turn, rests on capitalist accumulation, that is, the process of reinvesting profits in improved machinery, equipment or technology, driven by competition among capitalists at home and abroad. Those in charge of both sectors draw their incomes from the exploitation of the working class and benefit from its continued subordination.

The internal bureaucratic and authoritarian hierarchies of the Australian state mirror those of corporations. The senior personnel of the state are paid very high salaries, and must always, if they are to retain their jobs, control their subordinates and, in the case of public service departments and government business enterprises, extract as much work out of them as they can. For this reason, and because their positions depend on capital accumulation, the top politicians, bureaucrats, generals and judges have an interest in maintaining the established social order. Indeed, a fundamental purpose of the police, armed forces and courts is to protect the interests of the capitalist class against the working class and foreign capitalist rivals by means

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of repression and military action. The heads of the state apparatus therefore tend to be conservative. This conservatism has created difficulties for the ALP, the party most identified with reform. The 20th century is replete with examples of Labor's reforms being frustrated by senior public servants, particularly in Treasury, the High Court and, of course, the governor-general and the New South Wales governor. During the 120 years of its existence Labor has adapted its reform program to what is acceptable to the capitalists and their state.

These economic and social relations have enormous ramifications for Labor's project of promoting the market and the national interest. As the economy is capitalist, Labor's pursuit of the national interest, regulation of markets, provision of infrastructure, promotion of economic growth, acceptance of the basic institutions of the Australian state and its role in advancing the national interest in relations with other countries, amount to a commitment to manage Australian capitalism.

The commitment of the ALP's leaders to promote the national interest also induces Labor governments to oppose and contain workers' militancy to ensure that labour power remains a commodity that can be profitably exploited. In periods of crisis, an inevitable feature of competitive capital accumulation and exploitation, Labor cooperates, readily or reluctantly, in depressing working class living standards to enable the capitalist system to recover. Its commitment to the Australian state and capital accumulation at home also mean that the ALP has pursued the national interest by military means in order to build Australia's influence through interventions in the southwest Pacific and southeast Asia, and the deployment of Australian forces in alliance with Britain, 'the mother country', and then the United States, 'the great and powerful friend'.

Although it may tinker at the edges of the system, the ALP defends a system characterised by profound inequalities in income and wealth. The desire to manage capitalism also means that Labor governments are in no position to challenge the root causes, in capitalist class relations, of oppression and alienation. Women's oppression, grounded in the structure of the family under capitalism, provides the capitalist class with the next generation of workers at cut price rates. Homophobia reinforces the illusion that heterosexual couples raising children is the only normal domestic arrangement. Racism, along with sexism and homophobia, can divide the working class and has the additional advantage for capitalists of creating the illusion