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Edited by Paul Smyth and Bettina Cass

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Introduction

In the year 2001 Australia will become a republic. It is not a prospect which has ignited the public imagination so far. This may be because Australia has long enjoyed virtual independence and its becoming a republic may, incorrectly, be seen publicly as little more than a change of head of state. It may have to do with the decreased salience of the nation-state in an internationalising economy during the 1980s and 1990s. But it may also be the result of a nation ill at ease with itself. On the big questions of public policy concerning the broad directions of economic and welfare policies, and on racial and ethnic relations, there is more confusion than unanimity, and little sense of a shared national project. This book reflects on this dis-ease, this confusion, in an attempt to review what has been worthwhile in the values and institutions which have shaped our way of life hitherto; and on what might be Australia's policy directions in the twenty-first century. In doing so, we have been struck by the manner in which in recent times Australia's past policy strengths have been little recognised. A lingering cultural cringe still habitually expects imported rather than home-grown solutions. More recently, the novelties of globalisation have been emphasised to the extent that distinctive features of national policy are regarded as irrelevant. By contrast, we find much to value in the approach to public policy which Australians have developed during the twentieth century. While we also find this Australian Way to be in crisis, we suggest it offers things worth fighting for, things which would give substance to the celebrations in 2001.

Of course, the kind of policy malaise which is the object of our attention is not peculiar to Australia. Since the 1970s, all comparable countries have been faced with similar public policy dilemmas. Ramesh Mishra (1990) observed that their responses have tended to move in

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one of two directions: social corporatism and neoliberalism. From 1983 to 1996 Australia was governed by the Australian Labor Party which attempted to remake labour traditions along social corporatist lines. This experiment – which attracted the attention of labour movements elsewhere, notably in the United Kingdom – was characterised by considerable innovation in the area of social policy, but failed to develop a social corporatist alternative in economic policy. Its successor, the Coalition government of the Liberal and National Parties, has embraced the neoliberal approach in both social and economic policy. The latter has been in office too short a time for much to be said of its efforts in this book, but our experience of both these regimes has not only sharpened our sense of what has been distinctive about the Australian Way; it also contributes to that wider international discussion concerning the possibilities of social intervention in the kind of economic context which has developed since the 1970s.

Our notion of an Australian Way reframes radically the analysis of these issues in our national context, and some account of how our idea developed may be helpful before offering a more formal exposition. At the end of 1995, the Academy of the Social Sciences in Australia convened a workshop to consider the likely future trends of public policy. At that time, there was a sense that Labor's social corporatism was running out of steam. Upon its election to government in 1983, the Labor Party had established an Accord involving primarily the political and industrial wings of the labour movement. The thrust of the Accord was to facilitate jobs growth through expansionary macro-economic and active industry policies while securing wage restraint through an expanded social wage. By 1995, the interventionary thrust in economic policy had been largely supplanted by neoliberalism (or, as it is called in Australia, economic rationalism); inequality was rising and high unemployment had returned. The need for new policy directions was apparent. The central theme of the workshop was whether the social corporatist approach could be reinvented in some new social charter, or whether Australia was more likely to take the neoliberal path towards what was being called a contract state.

As workshop participants pursued these themes there was a growing sense that the familiar frameworks of analysis were insufficient. There was optimism that the stranglehold of economic rationalism on economic policy debate was loosening, that Labor's Accord was not the only way of thinking about alternatives, and that a space was opening for recasting the role of government in a more positive light. The sense of the need for new starting-points was particularly exciting because it was refracted through a range of disciplinary perspectives. In particular, Jill Roe's challenge to assert the value of the Australian Way created a sense that the past achievements of Australian public policy had far

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more to offer than was usually allowed. The workshop then created an agenda which has led us collectively to produce this book. This is not just a collection of workshop proceedings. It is the result of several years of effort to clarify and consolidate our original sense of the need to reframe Australian public policy debate.

The three key policy themes which we have identified relate to social welfare, employment, and the reform of public administration. Labor's approach to social welfare reform under the Accord was our first pointer towards the idea of an Australian Way. As Chapters 2 and 13 by Cass and Whiteford show, equality has always been a high value – relatively speaking – in Australian social policy. What has been distinctive, of course, is the way this has been pursued. At the beginning of the twentieth century, Australia established a residual – but very redistributive – welfare system, which, in tandem with a centralised wage system, provided the policy means of pursuing this goal through to the 1970s. At home and overseas, this approach was frequently ranked a welfare failure, and in the 1970s there were attempts to move beyond this welfare residualism to a more universal approach. Amid the welfare state crises of the 1980s, the Accord became the occasion for a retreat from this trend to universalism to the old Australian pattern of welfare targeting. Criticised at first, these reforms had by the early 1990s come to be widely recognised as a positive innovation. As Cass argues, reforms to the welfare system, as encapsulated in the social wage in terms of trends to gender equity accomplished a renovation of an Australian social policy tradition, with redistributive outcomes which mitigated the inequalities generated by unemployment and deregulation of the labour market. These outcomes were less unequal than in comparable Anglo-American countries. In the context of economic restructuring, unsuspected virtues were discovered in the formerly disparaged Australian approach and it was widely claimed that the 'wage-earners' welfare state' had been refurbished.

Nevertheless, it was thought that too much was being asked of the welfare system in the Labor Party's model of social corporatism. Deep cracks had emerged in the apparent consensus. Social policies had not been, and could not be, sufficiently redistributive to offset the rising levels of market-induced inequality. The economic rationalist approach adopted in economic policy had prevented positive interventions to deal with the unemployment undermining the social purposes of the Accord. These sharp reminders of the limits to welfare when economic policy is unregulated raised profound questions about the interrelationship between social and economic policy, and these became central to our deliberations.

In this context, it was evident that a growing reaction to economic rationalism had developed in the first half of the decade among various

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policy communities. As Emy depicts in Chapter 1, this was regarded as salutary, in the light of the evidence of the comparative economic success of managed over free-market economies, as well as their superiority in terms of social outcomes. At the same time, this shift had not become strongly rooted in terms of actual policy practice: economic rationalism remained dominant under Labor. What did seem clear, however, was that some renovation along the lines suggested in these writings was necessary if we were to get beyond the limits of a welfare response to the social questions of the day. Emy highlighted the contemporary reactions against the market model within the United Kingdom and the United States and alerted us to the dangers to our environmental, social and political systems which would heighten if there was not a determined effort to re-establish public authorities capable of governing market behaviour in keeping with new shared notions of public goods.

It was Emy's analysis of the need for markets to be publicly managed which brought us to what we think is truly novel and important about our thesis of an Australian Way. As we show below, the idea of managing markets had been marginalised in Australia by the hegemony of economic rationalist ideas. Fundamental flaws in these ideas were exposed by our contributors: they rested more on a set of libertarian social values than on economics as such; and their once triumphant case against Keynesian management had been effectively challenged. Not only had a case for economic management emerged in contemporary economic theory, but it also became apparent that the former centrality of such ideas in past Australian public policy had been obscured. In contrast, a dominant historiography, popularised in the theme of the breakdown of an 'Australian Settlement' (to be discussed below), had had the effect of condemning attempts to intervene positively in markets as self-defeating exercises in 'protection' that would allegedly reduce the sum of economic welfare. In refuting this interpretation, our contributors showed the centrality of the Keynesian approach to full employment in our past pattern of public policy. It was based on the idea of a superior economic outcome through state management; it effected a 'middle-way' compromise between contesting political traditions; and it absolutely underpinned the welfare and wage elements of the postwar welfare state.

Our third key focus was not so much the content of public policy as its administration. As Orchard recounts in Chapter 7, the Australian public service has been in a constant state of reform since the 1970s. Our particular concern was with the turn developing in this process towards what has been called a contract state. The impetus provided by National Competition Policy opened the prospect of a wholesale

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competitive tendering out of public service provision. Our analysis highlighted an overall tendency of the Labor years to view forms of public administration as ideologically neutral and a failure to see embedded in a model such as the contract state a set of libertarian assumptions about the role of government which were at odds with Labor's social democratic objectives. Australians, Maddox reminds us in Chapter 3, have historically placed a high premium on democracy, and in developing the appropriate public institutions have seen themselves as having a 'talent for bureaucracy'. Although some have argued persuasively that the 'new contractualism' might be a means of democratising our public institutions, our fear was that its purposes would be shaped rather by the economic rationalist thrust for small government.

If these policies for equality and full employment, together with substantial public agencies for the exercise of democracy, were core elements of the Australian Way, our conclusion from the workshop was that this pattern was at the point of a historic crisis. We set out to produce a book which would not only show this crisis, but which would explore the possibilities for a period of ideological and institutional innovation sufficient to meet the challenge of reinventing an Australian Way. Events since the election of the coalition government in 1996 appear to have intensified this account of a crisis. In terms of welfare, there has been an increased erosion of the idea of a right to welfare, epitomised in the work-for-the-dole program; an end to centralised wage fixation; an even greater emphasis on leaving employment outcomes to the market; and a growing trend to the wholesale contracting-out of government services. These policy directions have been associated with the very breakdowns in social cohesion – especially in ethnic and race relations – diagnosed by our authors. In this context, we believe that our analysis of a crisis in Australian public institutions can only grow in relevance, and that it is imperative that we begin to revalue and reinvent those key elements of full employment and equality which have been at the foundation of the Australian Way.

**The Integration of Social and Economic Objectives:
An Australian Settlement**

Tackling the themes of equality, full employment and the Australian Way is of course an ambitious exercise, and this book in no way intends to be comprehensive. A strength of our analysis, we believe, is its interdisciplinary approach. While academic specialisation has its strengths, it can also foster fragmented thinking: this can be particularly debilitating when attempting to unravel the interrelationship of social and economic objectives in the overall public policy pattern. This book,

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then, is unashamedly an interdisciplinary exercise. What unites the contributors is not a common disciplinary background, but a willingness to bring their particular skills to bear on a common concern with finding ways of understanding and reintegrating economic and social policy objectives.

Reflection on the relationship between these objectives has developed in phases in Australia. When the economic reform program of the 1980s commenced, the social policy dimensions were considered to be secondary or marginal. At this time, public policy analysis laboured under a differentiated approach to social and economic policy created in the 1950s and 1960s (Smyth 1994). The two spheres were considered independently; where a relationship was perceived, it was in terms of how much social spending the economy could afford. With the fiscal restraints accompanying Australia's reform package, social policy was, in effect, placed on hold until the economy recovered (Saunders 1994). By the early 1990s, however, it had become apparent that the changes being undertaken in economic policy were such that, even assuming economic success, a very different society was likely to result. More than any other, Michael Pusey's book *Economic Rationalism in Canberra* (1991) alerted us to the contradictions which had developed between past Australian understandings of the nation-building role of governments and the implicit neoliberalism of the so called economic rationalism shaping the direction of economic reform. Pusey argued that developed societies are obligatorily co-ordinated through the two structures of state and economy. Various forms of social degradation are the cost of excessive burdens of co-ordination being placed on either structure, and economic rationalism, he believed, was placing an excessive burden on the market economy. The challenge put by Pusey was to find a new balance between economy and the state (Pusey 1991: 1–23). A polarised struggle between the economic rationalists and their critics ensued (Carroll and Manne 1992; Vintilla *et al.* 1992; Rees *et al.* 1993; James *et al.* 1993; King and Lloyd 1993).

The beginning of a new phase beyond this polarisation was signalled by Hugh Emy in *Remaking Australia*. His analysis looked beyond economic rationalism, exploring ways in which our political traditions and institutions might be reworked in order to 'bring the state back in'. Common to the myriad of individual policy challenges, he argued, was a 'conceptual thread linking all the major political issues, namely how to redefine the balance of the state and market'. In these terms, he wrote, the 'overwhelming challenge' was to 'determine what new amalgam of values, institutions and policies [will] replace the components of the Australian Settlement which finally disintegrated in the 1980s' (Emy 1993: 11). When Emy invoked the term *Australian Settlement*, he

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was borrowing a term coined by Paul Kelly in *The End of Certainty*. There Kelly had popularised a widely held analysis that located the old amalgam of values and institutions in a set of 'ideas which Australia had embraced nearly a century before and which had shaped the condition of the people' (1992: 1). The 'Settlement', a consensus of liberal and labourist ideologies, according to Kelly had rested on five pillars: White Australia, Industry Protection, Wage Arbitration, State Paternalism, and Imperial Benevolence. The core was protection, which encompassed the major political traditions until it finally unwound in the 1980s under what Kelly saw as the imperative of the deregulation and integration of the national economy with the forces of economic globalisation. The book was greeted enthusiastically by commentators – Beilharz, for example, described it as a 'magisterial survey' of the 'big picture' and 'long duration' shaping contemporary public policy – and the search for a new balance between market and state became readily understood in terms of the quest for a 'new Australian Settlement' (1994: 7–9).

The deep recession of the early 1990s punctured enthusiasm for economic liberalism in many quarters. It ushered in a new pluralism in Australian political economy, the high-water mark of which was the deliberations surrounding the National Strategies Conference, convened by the then prime minister, Paul Keating, in 1994. In Chapter 1, Emy surveys a literature in which the search for a new Settlement developed around the project of reasserting a role for social or collective intervention to balance the shift to market co-ordination that had occurred in the 1980s. The reintegration of economic and welfare policy within a shared, social vision was the master theme, together with a growing emphasis on the managed market as the alternative to the free market as the mode of economic reform.

From the Australian Settlement to the Australian Way

A major argument of this book is that the concept of an Australian Settlement offers an unsatisfactory historical framework for rethinking the roles of states, markets and civil society in Australia today. Certainly, the concept has been useful in encouraging us to think about social and economic policies in an integrated way; and it rightly highlights the fact that in any historical policy configuration there will be key policy decisions, such as the new protection, which are indeed foundational. It is 'characteristic of democracies', as Maddox writes, that 'they should produce a growing cloth of accepted policy' and that 'old battles are not continually re-fought'. Nevertheless the contributors to this book argue that the 'Settlement' interpretation has led to an extremely

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truncated view of the cultural and political and institutional diversity which has shaped the nation. We propose an alternative reading which is equally distinctive, more historically accurate, and far more positive about our past policy achievements as well as our capacity for the kinds of adaptation thought necessary by Cass and Emy. In our interpretation, what is at stake today is not the Australian Settlement, but what Jill Roe has termed the Australian Way.

In Chapters 3, 4 and 9, Maddox, Roe and Pixley offer detailed critiques of the idea of a Settlement. Here we emphasise its pedigree in the consensus view of our political past associated with Keith Hancock and the 'realist' revisionaries of the 1950s. In this view, Deakinite liberalism embraced a labour movement *sans doctrines* at the dawn of the century, creating a utilitarian unanimity scarcely disturbed by 'ideas' until the 1980s. Maddox is rightly appalled by this monumental disparagement of our past, which 'submerges' a near-century of 'conflicts, controversies and ideological competitions'. If Maddox emphasises the way this falsifying consensus silences the generations of contradictory voices which created an Australian tradition of political thought, Roe has a somewhat different approach. Her chapter elaborates an important proposition which she introduced several years ago (Roe 1993): the account of a people without political traditions, save the 'static', 'anachronistic' Settlement, misunderstands profoundly the distinctive pragmatism of Australian political life. Counter-posing Brian Fitzpatrick's conflict view of our past to the consensus tradition, she proposed that a history of conflict over the roles of state and market has been resolved in a distinctively Australian Way. The Australian Way represents the middle ground in this conflict, a dynamic space shaped and reshaped by ideological contests across the century. Certainly there has been no victory for the political extremes; but, Roe proposes, this is no evidence of an absence of ideas, and their contest but a mark of the subtlety of the middle way which Australians have negotiated between the state and market: 'The Australian way is both narrow and elusive, but also elaborately tested and contested over time, and it retains the potential to open out . . .'

Pixley joins Maddox and Roe in viewing the Australian political legacy in terms of contest and compromise elaborated during the century. This is important because it allows us to reconnect in a dynamic way with the institutional reforms shaped and reshaped by the various egalitarian social movements which have fashioned who Australians are. Also, for Pixley, it reminds us that change and conflict are ubiquitous, precluding any search for a settlement that would imply consensus. Like Maddox, she prefers to emphasise the importance of open and cohesive democratic institutions rather than attempts to prescribe

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an inclusive vision or Australian values. Roe's concept of an Australian Way is not, of course, an attempt at such a prescription, but rather describes a way of exercising democracy. At the same time, the concept also includes reference to that policy legacy of past political contests and compromises referred to earlier. Here the Australian Way is thrown down as a challenge to the cultural cringe which has prevented us from recognising and valuing our past policy achievement. While the book focuses on domestic policy, it should be noted that there is also a history of international achievements. These include Australia's role in the United Nations' reordering of the international economy after World War II, as well as more recent contributions in the area of human rights. In this context, the thesis of an Australian Settlement has proven particularly barren. A policy history portrayed in terms of 'protection all round' as a prelude to globalisation is an invitation to dismiss the past as little more than an irrelevant catalogue of errors.

Key Policies and Institutions

This book cannot offer a review of all the public policies and institutions relevant to a revised account of the Australian Way in public policy. It does offer, however, perspectives on the two most crucial areas in the interrelationship of social and economic policy: inequality and unemployment. The Australian social welfare system is now rightly recognised both as distinctive and as having fair claims to effectiveness in eradicating poverty and reducing inequality. At a time when globalisation is creating pressures to reduce welfare in industrialised countries, it becomes especially important to be clear about what these institutions have achieved. An opinion has been promoted in recent times that the Australian welfare system has failed in its overt objectives; and similar arguments have helped pave the way for the demise of welfare in the United States. If it is the case that the Australian welfare system has failed in its objectives then, as Whiteford writes in Chapter 13, 'its demise may not be strongly regretted'. On the other hand, if it has succeeded, then the political choices become very different. Whiteford's chapter reviews the development of Australia's unique combination of a highly redistributive income support and tax system complementing its centralised wage system. He concludes that historically this policy combination made Australia one of the most equal of the industrialised countries, a position it retains despite increasing market-generated inequalities. Clearly there has been no welfare failure in Australia to cloud debate about our social policy futures.

There is no more important factor in determining levels of poverty and inequality than the degree of unemployment. On this count, a

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major purpose of this book is to bring together a body of new research which squarely shows that the challenge of contemporary public policy in Australia is shaped less by the breakdown of the policies of the Australian Settlement established at the beginning of the century than the collapse of the full employment policy regime established in the mid-1940s in the context of a re-regulated international economic order. If the Keynesian welfare state represented Australia's most far-reaching attempt to manage markets for social purposes, then its demise creates a very different perspective on the present to the post-protection scenario offered by the Australian Settlement. As Smyth argues in Chapter 5, the latter leads to the conclusion that the logic of the market must produce a superior economic outcome to past interventionary practice, and leaves a subsidiary role for government in terms of devising social compensation for the losers in a market-led globalisation. The Keynesian view hotly contests this account. The Keynesian settlement inscribed on our postwar public policy pattern the principle that a degree of collectivism would produce not only better social results, but economic results as well. It is this positive view of the economic role of government which, as Bell and Neville indicate in Chapters 10 and 11, has been the casualty of economic rationalism, resulting in the rejection of the 'social contract to maintain full employment'.

Nothing could be more at odds with the legacy of the Australian Way than high unemployment. But high unemployment, as Neville shows, is a necessary accompaniment of economic rationalism. This contradiction must prove the fault-line of Australian public policy for the foreseeable future, and this book suggests ways in which this fault-line is likely to open out. In the first place, economic policy is likely to be more politicised: as Neville writes, economic rationalism will be seen less and less as a 'logical consequence of orthodox economics' and more the outcome of a particular set of social and political values. Contributing to a new politics of choice in economic policy will be the resurgence of post-Keynesian and institutional economic theory which, as Battin shows in Chapter 6, rejects the mainstream rationale for the abandonment of postwar Keynesianism. Battin and Green (Chapter 12) draw on these traditions to sketch out a policy program for full-employment today. The second line of debate over employment suggested here concerns the possibilities of a full-employment program, and of economic management more generally, in the context of a globalising economy. Neville and Bell stress the constraints, while Battin, Green and Emy are more sanguine about the potential for national economic management. Such debates are for the future. Radical departures from the