

THE UNIVERSITY OF ADELAIDE
FACULTY OF HUMANITIES AND SOCIAL SCIENCES
SCHOOL OF HISTORY AND POLITICS

**Structuring the Bounds of the
Possible:
Neoliberalism and the Discursive
Hegemony of Neoclassical
Economics**

Seth Isaac Nicholls

B.Inst. (Honours)

April 2010

A Thesis Submitted for the
Degree of Doctor of Philosophy

CONTENTS

Contents	i
List of Figures	iv
List of Acronyms and Abbreviations	v
Abstract	vii
Declaration	viii
Acknowledgements	ix
Introduction	1
i. Argument	1
ii. Methodology/approach	4
iii. Contribution and significance	6
iv. Limits of the study	7
v. Thesis Structure and chapter outline	8
Part 1: An Historical-Theoretical Framework	11
Chapter 1 Neoliberalism and the Discursive Hegemony of Neoclassical Economics: A Theoretical Framework	12
1.1 Introduction	12
1.2 Economics as discipline	12
1.3 Economics as discourse	20
1.4 Economics as politics: neoliberalism	28
1.5 Neoliberalism and the discursive hegemony of neoclassical economics: a theoretical framework.....	35
1.6 Conclusion	41
Chapter 2 Neoliberalism and the Discursive Hegemony of Neoclassical Economics: The International Context	43
2.1 Introduction	43
2.2 A provisional alliance: business profitability and the post-war social contract	44
2.3 A chink in the armour: challenges to corporate capitalist power	60
2.4 The honeymoon is over: stagflation and the crisis of Keynesianism	64
2.5 Neoliberalism as intellectual construct: the rise of neoliberal political and economic thought in Europe and the United States	66

2.6	Neoliberalism as political practice: Thatcher, Reagan and the neoliberal revolution in Britain and the United States	76
2.7	After the revolution: the consolidation and institutionalisation of neoliberalism as a policy paradigm	81
2.8	Conclusion	85
Chapter 3 Neoliberalism and the Discursive Hegemony of Neoclassical Economics: The Domestic Context		87
3.1	Introduction	87
3.2	The Australian settlement	88
3.3	Laying the foundations: The Hawke-Keating period and the breakdown of the Australian social contract	97
3.4	The neoliberalisation of Australian public policy and the breakdown of the Australian social contract	100
3.5	Completing the transition: The Howard Government and Australia's own 'neoliberal revolution'	109
3.6	Conclusion	117
Part 2: An Empirical Analysis		119
Chapter 4 Neoliberalism and the Discursive Hegemony of Neoclassical Economics: A Case Study of the 2004 Australian Federal Election Campaign		120
4.1	Introduction	120
4.2	Background and context	120
4.3	The 2004 Australian federal election campaign: key issues	124
4.4	The 2004 Australian federal election campaign: a framework analysis	136
4.5	Conclusion	155
Chapter 5 Neoliberalism and the Discursive Hegemony of Neoclassical Economics: A Case Study of Commonwealth Climate Change Policy		156
5.1	Introduction	156
5.2	Background and context	157
5.3	The Australian position	163
5.4	Economics, 'common sense', technology and rationality: a conflation of values	165
5.5	Prioritising the economy: Saving the planet...if cost effective to do so	170
5.6	The turning point: a stern warning about an inconvenient truth	174
5.7	Out of step: public opinion and Australian climate change policy	180

5.8	Australian climate change policy: a framework analysis.....	184
5.9	Conclusion	189
Chapter 6	Neoliberalism and the Discursive Hegemony of Neoclassical Economics: A Case Study of Commonwealth Housing Policy	191
6.1	Introduction	191
6.2	Housing as a policy problem	191
6.3	Housing policy in Australia: background, overview and structure	200
6.4	Changing conceptualisations of the housing policy problem	204
6.5	New terminology/new solutions	209
6.6	Commonwealth housing policy: a framework analysis	214
6.7	Conclusion	225
	Conclusion	227
	Bibliography	233

LIST OF FIGURES

Figure 1. Structuring the Bounds of the Possible: A Diagrammatic Representation	40
Figure 2. Coalition Political Advertisement 2004	128
Figure 3. Foreign Policy Goals	182

LIST OF ACRONYMS AND ABBREVIATIONS

ABC	Australian Broadcasting Corporation
ABS	Australian Bureau of Statistics
ACOSS	Australian Council of Social Service
ACTU	Australian Council of Trade Unions
AEA	American Economic Association
AEC	Australian Electoral Commission
AEI	American Enterprise Institute
AES	Australian Election Study
AFSI	Australian Financial System Inquiry
AGO	Australian Greenhouse Office
AHURI	Australian Housing and Urban Research Institute
AIHW	Australian Institute of Health and Welfare
AIRC	Australian Industrial Relations Commission
ALP	Australian Labor Party
AP6	Asia-Pacific Partnership on Clean Development and Climate
ATO	Australian Taxation Office
ATSIC	Aboriginal and Torres Strait Islander Commission
AWA	Australian Workplace Agreement
BCA	Business Council of Australia
CCS	Carbon Capture and Storage
CGT	Capital Gains Tax
CO ₂	Carbon Dioxide
COAG	Council of Australian Governments
COP	Conference of the Parties
CRA	Commonwealth Rent Assistance
CSHA	Commonwealth–State Housing Agreement
FHOS	First Home Owners Grant Scheme
GDP	Gross Domestic Product
GNP	Gross National Product
GST	Goods and Services Tax
HECS	Higher Education Contribution Scheme
HIA	Housing Industry Association
IEA	Institute of Economic Affairs
IMF	International Monetary Fund
IBRD	International Bank for Reconstruction and Development
IPCC	Intergovernmental Panel on Climate Change
LULUCF	Land use, Land Use Change and Forestry
LETDF	Low Emissions Technology Development Fund
MRET	Mandatory Renewable Energy Target
NAACP	National Association for the Advancement of Colored People
NATSEM	National Centre for Social and Economic Modelling
NCHF	National Community Housing Forum
NCP	National Competition Policy
NFCB	Non-Financial Corporate Business (Sector)

NGRS	National Greenhouse Response Strategy
NHS	National Housing Strategy
NLRB	National Labor Relations Board
OECD	Organisation for Economic Cooperation and Development
ONA	Office of National Assessments
OPEC	Organization of Petroleum Exporting Countries
PNFC	Private Non-Financial Corporate Sector
PPM	Parts Per Million
RBA	Reserve Bank of Australia
SAP	Structural Adjustment Program
SCLC	Southern Christian Leadership Conference
SHA	State Housing Authority
TAA	Trans Australian Airlines
UK	United Kingdom
UN	United Nations
US	United States
UNFCCC	United Nations Framework Convention on Climate Change
WHO	World Health Organisation
WTO	World Trade Organisation

ABSTRACT

Since the 1970s the adoption and implementation of neoliberal policies worldwide by industrialised and developing countries alike has resulted in radical changes to the international social, political and economic landscape. This thesis argues that neoliberal policies may be understood as an ideological and political vehicle through which capital has sought to restore business profitability and economic growth in the wake of the post-war boom and that neoclassical economic theory (with its emphasis on market-based modes of resource allocation) has been used to legitimate the implementation of policies conducive to the interests of an international economic elite. It suggests, further, that since roughly the 1960s, proponents of both neoclassical economics and neoliberalism (in government, business, the academy and elsewhere) have sought to reorganise their societies (and the societies of others) in accordance with a number of *a priori* neoclassical/neoliberal theoretical postulates. This, it is argued, has resulted in the institutionalisation of a neoliberal policy paradigm (i.e. a pervasive conceptual framework through which policy-makers understand and view policy problems) on the one hand and the ascendancy of an overarching, neoclassically-oriented economic discourse (which fashions our understanding of the world) on the other; both of which have acted to constrain the range of policy alternatives available to governments in Australia (and elsewhere) over the past three decades by structuring the bounds of the policy possible. It is the author's contention that this has rendered our political institutions and those who are charged with the task of administering them largely incapable of addressing many of the social and environmental problems confronting our society and civilisation and that an awareness, understanding and recognition of the aforementioned developments is a necessary prerequisite for successfully addressing such problems.

DECLARATION

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution to Seth Nicholls and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

I give consent to this copy of my thesis, when deposited in the University Library, being made available for loan and photocopying, subject to the provisions of the Copyright Act 1968.

I also give permission for the digital version of my thesis to be made available on the web, via the University's digital research repository, the Library catalogue, the Australasian Digital Theses Program (ADTP) and also through web search engines, unless permission has been granted by the University to restrict access for a period of time.

Seth Isaac Nicholls

ACKNOWLEDGEMENTS

This dissertation could not have been written without the support and assistance of a number of individuals and organisations to whom I would like to express my gratitude. In particular, I would like to thank Dr. Clem Macintyre from the University of Adelaide's School of History and Politics for supervising this thesis. His no-nonsense style, valuable intellectual contributions and willingness to make time for the project despite an exceptionally busy schedule are all greatly appreciated. I would also like to thank my other two supervisors, Associate Professors Ray Broomhill (Adelaide) and Richard Leaver (Flinders), for their support and assistance during my candidature.

I would also like to acknowledge the support of the University of Adelaide and, in particular, the staff of the Adelaide Graduate Centre whose administrative assistance was invaluable; particularly in the earlier stages of my candidature. This research would also not have been possible without the financial support that was afforded to me by an Australian Postgraduate Award, for which I am grateful.

Special thanks also go to those in the Department of Social Inquiry at the University of Adelaide whose insights into the topic about which I have written have undoubtedly enhanced the quality of this thesis. Specifically, I would like to thank Dr. Kathryn Davidson, Dr. Roslyn Averis, Dr. Kerri Chiveralls, Dr. Kathy Muir and Mr. Patrick Wright; all of whom made a positive contribution to the project.

I would also like to express my gratitude to the following individuals for their unwavering support and encouragement over the last few years: Dr. Maryanne Kelton, for her friendship, support and good humour; Andreas Piesiewicz, for his help with a number of concepts that became central to this dissertation; Leah Skryzpiec, for her friendship and her inspirational commitment to social justice; and Jodie Curth, for her friendship, support and faith in my ability to complete this project.

On a more personal level, I would like to convey my heartfelt gratitude to Valerie, Jerusha and Andrew Nicholls, for their love and support, particularly during the more difficult stages of this candidature.

I would also like to thank my father, Ron Nicholls, for his sophisticated, learned and unique insights into the subject matter and for his assistance with both proofreading

and formatting. And finally my partner, Karen Vanderlinde, for her love, understanding and, perhaps most importantly of all, her patience in the latter stages of this project. I undoubtedly owe both of these individuals a debt of gratitude.

INTRODUCTION

I. Argument

In 1866, just seven years after political control of India was transferred from the British East India Company to the British Government, the 'Orissa famine' began in earnest. Though since the beginning of effective British conquest in 1707, India had experienced a greater than five-fold increase in the number of famines affecting the sub-continent, the Governor-General of the area did not attempt to provide famine relief to the affected population. Nor when advised to import rice and grain from surrounding areas did the Governor-General attempt to do so. Even grain from a nearby ship that had run aground and whose cargo was rotting in the holds was not permitted to be taken ashore to relieve the famine. The Orissa famine is estimated to have claimed the lives of some ten million people (Dando 1980: 137).

The Governor-General was following what he believed to be the teachings of Adam Smith. This was nothing new. Since the publication of Smith's monumentally influential *Inquiry into the Nature and Causes of the Wealth of Nations* in 1776, British famine relief policy in India, as well as in Ireland and elsewhere, was conditioned by a belief that 'unassisted trade could do more to relieve such distress as existed and effect an equable distribution of supplies than the government could do with all its resources' (Froude in Dando 1980: 136). Faced with an episode of food shortage in 1812, the Governor of Bombay:

...refused to intervene in any way with private trade. The Governor recorded in a special minute his adherence to the principles of political economy as expressed in *The Wealth of Nations* (Froude in Dando 1980: 136).

This doctrine, as interpreted by various British public officials, discouraged the control of prices, the prohibition of the export of food from famine affected areas as well as the importation of food to these areas by government action; methods which, as Froude (in Dando 1980: 136) points out, 'seemed common sense in earlier and later times'. The aforementioned examples comprise only two of a myriad of similar disasters which characterised Britain's 250 year colonial occupation, administration and

exploitation of India and its other colonial possessions. However as Dando (1980: 137) points out, many such disasters occurred ‘not because of worn out soils or overpopulation, but because of an attitude’; one derived from a tradition of thought that is as influential today as it was two centuries ago.

This dissertation is concerned with the political impact of economic *ideas* and the ways in which neoclassical economic ideas in particular act to constrain the range of policy alternatives available to governments and other actors in contemporary Australian society. It is also concerned with the ways in which ideas and *interests* intersect to produce particular social, political, economic and environmental outcomes and their impact on the broader discursive and policy milieu from within which public policy in Australia is formulated. It argues that an economic *discourse* which is derived from the principal tenets of neoclassical economics constitutes ‘one of the main obstacles to the solutions of the problems of our civilization’ (Esteva 1992: 19) and suggests that modern day *neoliberal* policies may be understood as an ideological and political vehicle through which neoclassical economic ideas have been expressed over the past three decades. The purpose of this thesis is therefore to provide an analysis of the ways in which the prevailing neoclassical economic *discourse* and associated neoliberal *policy paradigm* act to prevent the adoption and implementation of a range of potentially effective policy alternatives by ‘structuring the bounds of the possible and impossible’ (Finlayson *et al.* 2005: 520).

Hence, at one level, this research is concerned with the emergence and evolution of neoliberal policies over the past three decades and their political and discursive impact on government policy in Australia. In this context, the term *neoliberalism* is used to refer to a political-economic doctrine or set of ideas whose proponents seek to prioritise market-based modes of economic and social organisation and believe that it is ‘the responsibility of political government to *actively* create the conditions’ from within which markets can effectively function (Barry, Osborne and Rose 1996: 10 original emphasis). In contrast to their classical liberal predecessors who sought to impose limits on the state’s capacity to interfere with the spontaneous process of market exchange, proponents of *neoliberalism* view the state as a necessary and indispensable actor whose role is to maintain, facilitate and, where necessary, *create* the conditions under which markets can allocate resources and distribute rewards (Gordon 1991). Indeed as I will show, despite the ‘anti-interventionist’ rhetoric of the

majority of its intellectual and political advocates, neoliberalism comprises the ideational and philosophical foundation for a political and economic project which is interventionist, constructivist and state driven. It is, in the words of the former Chairman of the Australian Competition and Consumer Commission, Alan Fels (in Kelly 2009), ‘about government intervention to get free markets’.

At another level, however, this dissertation is concerned with the structural impact of the deeper, neoclassical theoretical assumptions and presuppositions on which neoliberal policies are predicated and the *relationship* between these assumptions and the ostensible inability of Australian governments to successfully address a number of social and environmental problems. It is argued that in addition to the institutionalisation of what could be described as a neoliberal policy paradigm in Australia and elsewhere, the past three decades have witnessed the ascendancy of an economic discourse which is derived from the meta-theoretical assumptions—or world-view—of neoclassical theory and that this discourse has achieved *hegemonic* status in the late twentieth and early twenty-first centuries. In conjunction with the political-economic doctrine of neoliberalism (which, in this context, may be understood as a political and intellectual interlocutor which lies between neoclassical theory and the ‘real world’ of policy formation), this discourse has both fashioned our understanding of the world and acted to prescribe the intellectual and conceptual parameters of the wider discursive environment. It has, in short, come to provide the epistemological foundation on which our society (and wider civilisation) is based and *order* the society in which we live (Finlayson *et al.* 2005).

Thus, although concerned with the ways in which neoliberalism has impacted upon Commonwealth public policy in Australia over the past three decades, this thesis is, in a sense, more *fundamentally* concerned with the meta-theoretical, neoclassical economic ideas on which neoliberalism is based, the extent to which these ideas have permeated Australian society and the ways in which they act to constrain the range of policy options that can be seriously considered by governments and other actors. It is the author’s central contention that these ideas have rendered our political institutions and those who are charged with the task of administering them largely incapable of resolving many of the social and environmental problems confronting our society and civilisation and that an awareness, understanding and recognition of the deleterious

effects of the dominant neoclassical discourse and associated neoliberal policy paradigm is necessary in order to solve such problems.

II. Methodology / Approach

Located within the broad-based, inter-disciplinary field of political economy, this thesis uses the work of three key authors (Finlayson *et al.* 2005, Hall 1993 and Richardson 1997) to create a theoretical framework—or prism—through which to evaluate the broader discursive and policy environment from within which Commonwealth public policy in Australia is constructed. It does this in order to provide a new conceptual lens; one that reveals a number of political and ideational obstacles to the development of policy alternatives which might prove to be more effective in a given policy area. The thesis then considers a number of policy issues and events (the 2004 federal election campaign, climate change and housing) from the perspective of the historical-theoretical framework outlined in Part 1 and employs a case study approach in Part 2 to (a) illustrate the extent to which the economic discourse that is the subject of this dissertation has become discursively hegemonic and (b) show how this discourse acts in conjunction with the dominant neoliberal policy paradigm to limit the number of policy options that can be plausibly entertained by governments, political parties, policy-makers and other actors in contemporary Australia.

In constructing a theoretical framework which seeks to expose and/or highlight a number of obstacles to the development of alternative policies, it is noteworthy that I have chosen not to adopt an existing *approach* to the study of such issues *in toto* and this is for three reasons. First, it is in keeping with the eclectic, inter-disciplinary and trans-theoretical nature of the study of political economy that the arguments presented in this thesis are derived from a range of complementary and contending perspectives including Marxist, neo-Marxist, regulationist, neoclassical, Foucauldian and others. Second, it is the author's contention that while a number of existing approaches to the study of political economy—and the role of ideas in particular—provide valuable insights into the relationship between government, the economy and the wider societal framework within which these institutions are embedded; they are, in and of themselves, insufficient to address the complexity of the dynamic interplay between

ideas, interests and a large number of additional variables. Third, and consistent with the arguments presented in this thesis, an eclectic, trans-theoretical approach to the issues is employed as a means of escaping the ideational and theoretical confines of one particular approach. This is not to negate the validity of existing approaches to the study of political economy. Indeed in the course of this project, the author has, of course, drawn extensively on material derived from a range of approaches; each of which provide pertinent insights into the ways in which economic ideas can, and do, act as an impediment to the development and implementation of a range of potentially effective policy alternatives.

Part 1 (consisting of Chapters 1, 2 and 3) is therefore based primarily on a critical analysis of a range of academic and scholarly literature pertaining to the nature and impact of both neoclassical economics and neoliberalism. It does, however, draw heavily on a number of neo-Marxist/regulationist perspectives relating to the process by which the transition from a Keynesian to a neoclassically-inspired neoliberal policy paradigm occurred in the wake of the post-war period (particularly in Chapter 2). This is a reflection, on the one hand, of the theoretical and contextual nature of the first three Chapters and, on the other, the author's penchant for explanations which acknowledge the role that economic ideas, political power *and* class-interest play in the formation of government policy.

In contrast, Part 2 (consisting of Chapters 4, 5 and 6) is based overwhelmingly on an analysis of publicly available *primary* material including speeches, interviews, media releases, policy statements, government reports and other key documents. These sources are drawn upon as a means of assessing the impact of neoclassical/neoliberal ideas on both Commonwealth public policy and 'official' political discourse in Australia. In this context, the term *discourse* is employed very broadly and used in a literal sense to refer to various forms of 'communication [through] speech or writing' (Cambridge 2009). This has enabled the author to evaluate the impact of the dominant economic discourse on the wider discursive and policy milieu from within which policy is formulated without the restrictions imposed by, for example, a purely Foucauldian approach to the study of discourse (Foucault 1990; Johnson 2002).

III. Contribution and Significance

While a sophisticated and prodigious body of literature exists in relation to ‘neoliberalism’¹ and its ostensible impact on public policy in Australia and elsewhere, there are a comparatively small number of publications which explore the *relationship* between this particular set of ideas, economics as a discipline of the social sciences and the economic discourse which has become discursively hegemonic over the last three decades. Integrated, systematic, directed and detailed analyses of the ways in which the dominant economic discourse and associated neoliberal policy paradigm act to constrain both political debate (see Chapter 4) in contemporary Australia and restrict the development of alternative policy options in a range of notionally non-economic policy areas (see Chapters 5 and 6) are also comparatively thin on the ground. From a literary and scholarly perspective, therefore, the thesis comprises an innovative and original contribution to the field of Australian political economy broadly and the literature pertaining to the impact of neoclassical economic and neoliberal ideas on public policy in Australia more specifically.

The broader significance of this contribution, however, lies in the fact that it seeks to identify and address one of the primary *structural* obstacles which exists to the resolution of a myriad of social and environmental problems afflicting Australia and, in some cases, the rest of the world; an *awareness* and understanding of which is, of course, an indispensable and necessary prerequisite for solving such problems. Thus, in addition to providing an innovative conceptual prism through which to evaluate public policy in Australia, this thesis deepens our understanding of the ideational obstacles which presently exist to the enactment of policies which are conducive to the amelioration of a range of social, environmental and other problems affecting our society.

¹ The term neoliberalism is placed in quotation marks here because of the extent to which it is so often erroneously portrayed as a political-economic doctrine or set of ideas which seeks to promote the wholesale withdrawal of government from economic and social life (see Bryan 2000).

IV. Limits of the Study

From the outset, it should be stated that this thesis is not designed to provide a comprehensive and overarching critique of neoclassical economic theory. Rather, it is intended to provide an analysis of the ways in which an economic discourse *derived* from this particular set of ideas structures the bounds of the possible in contemporary Australia by analysing and evaluating a number of policy issues and events in light of the historical-theoretical framework outlined in Part 1. However as Finlayson *et al.* (2005: 520) point out, theoretical frameworks can simultaneously ‘occlude and reveal’ and while the conceptual lens through which public policy is evaluated and analysed in this dissertation undoubtedly provides useful and important insights into the obstacles which exist in relation to the development of alternative policies, it is wholeheartedly acknowledged that the analysis presented below is both partial and selective. It is therefore intended to complement, rather than displace or subordinate, other approaches to the study of discourse and the role of ideas in contemporary Australian society as well as perspectives on policy formation which emphasise other variables.

It should be noted from the outset, too, that this thesis is principally concerned with the ways in which the dominant policy paradigm and discourse prevent the adoption of alternative policy options; rather than the qualitative nature and details of the policy alternatives themselves. In the early stages of the research it was apparent to the author that a comprehensive and detailed investigation of policy alternatives was beyond the scope of this project; particularly in light of the *pervasive* and *structural* nature of the phenomenon that the author was seeking to identify, evaluate and communicate to the reader. Thus, although a variety of potentially effective alternatives are alluded to throughout this dissertation, I have left it to others to outline the details of the wide array of policy options that presently lie outside of the bounds of the dominant discourse.

Finally, it should be acknowledged that for a variety of practical and other reasons, I have restricted my analysis of the impact of the dominant policy paradigm and discourse to *Commonwealth* public policy in Australia. Although many of the political and ideational constraints that are identified in this thesis also act to restrict the development of policy alternatives at the state and local levels, the scale and pervasiveness of the phenomenon which this thesis seeks to identify and explore

makes Commonwealth public policy the *logical* focal point for a project of this nature, as will become evident.

V. Thesis Structure and Chapter Outline

As suggested above, this work is divided into two distinct, yet equally significant parts. Part 1 provides an historical and theoretical framework through which to examine Commonwealth public policy in Australia while Part 2 shows how the neoclassically-inspired neoliberal policy paradigm and discourse that are the subjects of this dissertation structure the bounds of the possible in contemporary Australia. Each of the two parts is comprised of three chapters and each of these chapters is outlined below.

Chapter 1 Neoliberalism and the Discursive Hegemony of Neoclassical Economics: A Theoretical Framework

Chapter 1 provides a theoretical framework—or conceptual lens—through which to consider public policy in Australia. It examines the relationship between economics as a discipline of the social sciences, the political project of neoliberalism and the economic discourse to which they have collectively given rise in the late twentieth and early twenty-first centuries. It suggests that since roughly the 1960s, proponents of both neoclassical economics and neoliberalism have sought to reorganise their societies in accordance with a number of *a priori* neoclassical/neoliberal theoretical postulates and that this has resulted in the institutionalisation of a neoliberal policy paradigm on the one hand and the ascendancy of an overarching, neoclassically-oriented economic discourse on the other. It is the central contention of this chapter that both of these phenomena act in conjunction with one another to constrain the range of policy options available to governments in Australia by structuring the bounds of the possible.

Chapter 2 Neoliberalism and the Discursive Hegemony of Neoclassical Economics: The International Context

Chapter 2 provides an overview of the international and historical context from within which neoliberalism became the dominant policy paradigm of the late twentieth and early twenty-first centuries. Taking its historical point of departure from the end of the Second World War, it examines the institutional arrangements that predominated

throughout much of the West in the post-war period before presenting a stylised account of the *process* by which the transition to a neoclassically-inspired neoliberal policy paradigm occurred in the wake of the post-war boom. It also provides an analysis of the way in which neoliberalism was consolidated and institutionalised as a policy paradigm throughout much of the advanced industrialised, former Soviet and developing world in the 1990s and beyond.

Chapter 3 Neoliberalism and the Discursive Hegemony of Neoclassical Economics: The Australian Context

Chapter 3 outlines the process by which the transition to a neoclassically-inspired neoliberal policy paradigm occurred in *Australia*. It examines the unique economic and social compact by which Australia was characterised throughout most of the twentieth century as well as the reasons for the adoption of a neoliberal approach to public policy by both of Australia's major parties in the 1980s and 1990s. It suggests that the adoption of neoliberal policies in the 1980s, 1990s and early twenty-first century has been accompanied by a deliberate and overarching attempt to diffuse neoclassical/neoliberal ideas and values throughout the Australian body politic and promote the development of a more competitive, market-oriented and entrepreneurial culture in Australia. I argue that these developments have contributed significantly to the ascendancy of the neoliberal policy paradigm and associated neoclassical economic discourse that are the subjects of this dissertation.

Chapter 4 Neoliberalism and the Discursive Hegemony of Neoclassical Economics: A Case Study of the 2004 Australian Federal Election Campaign

Chapter 4 examines the impact of neoclassical economic and neoliberal ideas on the *broader discursive environment* from within which Commonwealth public policy in Australia is formulated through an analysis of the 2004 Australian federal election campaign. It argues that the 2004 campaign illustrates the extent to which the economic discourse that is the subject of this dissertation has become discursively hegemonic in contemporary Australia and acts to constrain the range of policy options that can be considered by the major parties and others in the early twenty-first century. This chapter also suggests that the 2004 election campaign highlights the extent to which the wider Australian polity is underpinned by an economic *raison d'être* and

the broader ideological and discursive climate's hostility to values and ideas that do not accord with the economic status quo.

Chapter 5 Neoliberalism and the Discursive Hegemony of Neoclassical Economics: A Case Study of Commonwealth Climate Change Policy

Chapter 5 evaluates Commonwealth climate change policy from the perspective of the historical-theoretical framework outlined in Part 1. It argues that Australian climate change policy under the Government of John Howard provides a striking example of the extent to which the economic discourse that is the subject of this dissertation has become hegemonic and looks at some of the ways in which it can act as an impediment to the development of policies which are required to effectively address *environmental* problems. It suggests that for more than a decade, the development of an effective response to this particular problem was hamstrung by the Howard Government's decision to accord unequivocal priority to the economy at the expense of the environment and that this is indicative of an underlying approach to the issue that was established by the Hawke Labor Government in the early 1990s.

Chapter 6 Neoliberalism and the Discursive Hegemony of Neoclassical Economics: A Case Study of Commonwealth Housing Policy

Chapter 6 examines the issue of Commonwealth housing policy in light of the historical-theoretical framework outlined in the first half of this dissertation. It argues that since roughly the 1980s, policy in this area has been formulated in accordance with the prevailing neoclassical/neoliberal policy paradigm and that this is at least partly responsible for the failure of both Labor and Coalition governments to adequately address the overarching problem of housing affordability (along with a range of associated issues). It is also argued in this chapter that over the past three decades, neoliberal policy initiatives have *significantly intensified* the problem of housing affordability and that Commonwealth government housing policy can therefore be said to provide another salient example of the way in which the dominant policy paradigm and discourse can act as an impediments to the amelioration of policy problems in contemporary Australia.

***PART 1: AN HISTORICAL-THEORETICAL
FRAMEWORK***

CHAPTER 1

NEOLIBERALISM AND THE DISCURSIVE HEGEMONY OF NEOCLASSICAL ECONOMICS: A THEORETICAL FRAMEWORK

1.1 Introduction

This chapter is designed to provide the reader with a theoretical framework or conceptual lens through which to consider Commonwealth public policy in Australia. It suggests that in addition to its standing as a field of social scientific inquiry, contemporary economics operates as a *hegemonic discourse* and *master social narrative*. Predicated on a number of neoclassical economic assumptions pertaining to a particular view of human nature, the centrality of markets and the role of government, this discourse/narrative is inextricably linked to the political project of neoliberalism and serves to legitimate policies conducive to the interests of an international economic elite. Moreover, it is argued that through a combination of intellectual and political activism, academic economists and their counterparts in the private sector have over the past three to four decades contributed to the formation of an economic discursive milieu that reinforces, and is in turn, reinforced by a neoliberal policy paradigm that has been institutionalised at the level of public policy; a policy paradigm which structures the bounds of the possible and thereby acts to constrain the range of policy options available to government.

1.2 Economics as Discipline

The *Oxford English Dictionary* (2005) defines *economics* as that ‘branch of knowledge concerned with the production, consumption and transfer of wealth’. Broadly derived from the ancient Greek term for ‘household management’ (*oikonomia*) (Eisler 2007: 9; Finley 1999), in a contemporary sense it is used to refer to ‘the way in which trade, industry [and] money is organised’ (Cambridge 2005). More specifically, however, the term could be said to refer to a discipline of the social sciences and one of its schools of thought in particular; that one with which the modern economics profession has in the second half of the twentieth century become synonymous: *neoclassical economics*.

1.2.1 The Origins of Neoclassical Economics

Emerging as a more or less identifiable field of social scientific inquiry in the mid-to-late nineteenth century, neoclassical economics may, as the name suggests, be understood as an intellectual descendant of its ‘classical’ historical predecessor. Inspired by the work of late eighteenth and early nineteenth century economic and ‘moral’ philosophers such as David Ricardo, Thomas Malthus, John Stuart Mill and perhaps most influentially, Adam Smith, neoclassical economics is essentially the product of what is referred to as the *Marginal Revolution* in Economics (Weintraub 2002). Whereas existing ‘theories of value’ had, until roughly the mid-nineteenth century, been predicated on the assumption that the ‘value’ of a particular item could be understood to equate to the costs of its production, the mid-to-late nineteenth century witnessed the emergence of a school of thought—particularly in the US and Europe—which stressed the relationship between the costs of production and a number of other, more subjective components, such as an individual’s desire to obtain an object and the determination of an object’s value on the basis of supply and demand (Capra 1982: 190). This was accompanied throughout the twentieth century by ‘a strong methodological turn to mathematical formulism’ and a desire for recognition as an essentially value free, utilitarian or ‘natural science’ (Finlayson *et al.* 2005: 517).

According to Mirowski (1989: 3), in order to achieve the objective of ‘hard’ scientific standing for their discipline, ‘the progenitors of neoclassical economics boldly copied the reigning physical [physics] theories of the 1870s’. They adopted their models ‘mostly term for term and symbol for symbol, and said so’. Indeed for Mirowski ‘the history of physics and the history of economics are so intimately connected that it might be considered scandalous’. And while the *physics* upon which economic researchers in the nineteenth century modeled their work have been revised by that discipline’s practitioners, neoclassical economists have held on to their original ‘proto-energetics metaphor’ (Mirowski 1989: 10). This view is shared by Capra (1982: 193), who argues that neoclassical economics is ‘based on [a range of] concepts and variables that originated several hundred years ago’ and are now hopelessly outdated.¹

¹ With respect to the extent to which modern economics may be understood as a ‘utilitarian’, ‘value-free’, ‘natural’ science, it is noteworthy that the discipline of economics has been criticised by a large number of those working within it. Weintraub (1999: 142), for example, argues that while ‘science proceeds by a series of conjectures and refutations’ in which ‘bold hypotheses are ruthlessly subject to attempts at falsification...the falsification of economic

Notwithstanding the extent to which modern neoclassical economics is notionally underpinned by nineteenth century physics, however, one thing is certain: since the mid-to-late nineteenth century, practitioners of the discipline have increasingly sought to align themselves with—and be recognised as one of—the natural sciences. Thus, although attempting to understand, explain and predict essentially social phenomena, economics has, as a direct result of the efforts of its late nineteenth century practitioners², come to enjoy a degree of scientific standing. This accounts to a certain extent for its elevated status among other disciplines of the social sciences; disciplines which, like economics, attempt to explain both human behaviour and the society in which we live.

1.2.2 Assumptions and Presuppositions

The term neoclassical economics could be said to refer to a series of fundamental assumptions and presuppositions about human nature and the way in which individuals will behave under a given set of social and economic conditions. It is, in the words of Weintraub (2002), a ‘metatheory’; one responsible for the provision of a number of ineluctable assumptions upon which almost all subsequent economic inquiries are based. Foremost among these assumptions is the idea that individuals are essentially rational utility maximisers. That is to say that human beings—regardless of race, ethnicity or underlying system of belief—are driven by a desire to increase their level of individual happiness (or *utility*) through the consumption of more and more goods and services.³ Indeed for the neoclassical economist, the economy—and indeed, society—is

theory by empirical/statistical evidence is virtually unknown to economists’. He suggests that from a Popperian scientific viewpoint, therefore, twentieth century neoclassical economic thought may be understood as a ‘melange of pre-scientific musings about social problems wrapped in the language of science, without any real science in evidence’ (1999: 142). See also: Alford 1998; Capra 1982; Edwards 2002; Fullbrook 2004; Hamilton 1994.

² Prominent nineteenth century neoclassical economists include William Stanley Jevons, Carl Menger, Leon Walrus and perhaps most influentially, Alfred Marshall, whose *Principles of Economics* (1890) became the standard economics textbook of the western world in the early stages of the twentieth century. This work offered a synthesis of a number of concepts (e.g. marginal analysis, diminishing marginal utility and general equilibrium theory) which came to distinguish the neoclassical sub-school from its classical economic predecessor (Stilwell 2002: 149). The term ‘neoclassical’ itself is believed to have been coined by Norwegian–American Institutionalists Thorstein Veblen (1900) in part III of his *Quarterly Journal of Economics* article entitled ‘The Preconceptions of Economic Science’.

³ Neoclassical economists do, however, acknowledge that the ‘utility’ (i.e. pleasure or benefit) associated with the consumption of a particular commodity diminishes as a result of increasing

comprised of a collection of ‘economic agents’ (*homoeconomicus*); all of whom seek to maximise the range of goods and services to which they have access (and thereby improve their overall sense of individual well-being) (Hamilton 1994: 14). In this context, firms, too, are believed to act ‘rationally’ by seeking to maximise profits and minimise losses (Weintraub 2002). Indeed a belief in the *innate*, rational desire of human beings to improve their level of individual happiness through the increased consumption of goods and services could be said to comprise one of the cornerstones of neoclassical economics.

Another fundamental assumption of this particular school is that, with few exceptions, the ‘market’ is the most efficient means by which to determine the allocation of scarce resources. Conceptually underpinned by the classical economic metaphor of the *invisible hand*⁴, neoclassical theorists contend that in the absence of an interventionist state the forces of supply and demand will spontaneously and efficaciously direct society’s land, labour, capital, goods and services (i.e. resources) to where they are valued and needed most. Indeed according to this school of thought, the ‘welfare’ (defined in terms of the amount of goods and services to which one has access) of both the individual and society will be maximised when markets are free and unfettered. This belief goes hand in hand with the assumption that in anything other than exceptional circumstances (i.e. market failure), government intervention will distort the propensity of the market mechanism to allocate wealth efficiently and effectively. It is for this reason that, as Hamilton (1994: 14) points out, government intervention represents the *bete noir* of neoclassical economics.

consumption. In economics, this is referred to as ‘diminishing marginal utility’ and was originally enunciated by British economist William Stanley Jevons (Stilwell 2002: 148-149).

⁴ In his monumentally influential publication entitled *An Inquiry into the Nature and Causes of the Wealth of Nations* (originally published in 1776), eighteenth century moral philosopher and founding father of classical political economy, Adam Smith (1901 [1776]: 351-352) suggested that ‘every individual’ is ‘led by an invisible hand to promote an end which was no part of his intention’. The end to which Smith (1901: 16) refers is the ‘public good’ or that ‘universal opulence which extends itself to the lowest ranks of the people’. Indeed according to Smith (1901: 20), the promotion of the public good is, paradoxically, the inevitable result of the pursuit of individual self-interest. Smith’s (1901: 20) logic is captured in his (oft quoted) statement that ‘It is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own self-interest. We address ourselves, not to their humanity but to their self love, and never talk to them of our own necessities, but of their advantages’. This is the logical essence of the invisible hand; by pursuing ones own self-interest, one is, unwittingly, serving the public good.

Those working within what Weintraub (1999: 143) refers to as the ‘neoclassical research programme’ are also predisposed to assume that explanations for social and economic phenomena are to be found at the level of the individual. Eschewing structural, historical and institutional explanations, neoclassical theory is characterised by a steadfast commitment to ‘methodological individualism’ (Richardson 1997: 59). Viewing ‘the individual, socially decontextualised actor as the fundamental unit of analysis’ (Finlayson *et al.* 2005: 517), neoclassical economics presupposes the existence of a ‘society’ comprised of individuals who on the basis of full and relevant information make choices among a range of goods and services. What many consider society is thus, for the neoclassical economist, little more than the aggregation of individual preferences expressed through the process of market exchange (Richardson 1997: 59). This has obvious and profound ramifications for the process by which economists obtain knowledge, and constitutes another important presupposition upon which neoclassical economics is based.

In addition to the above, neoclassical theory is predicated on the assumption that human behaviour is defineable, measurable, and thus able to be represented relatively accurately in mathematical models (Hamilton 1994: 30). This accounts, in part, for the ‘mathematisation’ of the discipline and is another defining characteristic of neoclassicism. Indeed in order to ‘demonstrate’ their theories, neoclassical economists have increasingly sought to express their ideas using mathematical symbols, equations and models. As Alford points out:

Modern (neoclassical) economics has been criticised for lacking realism and relevance. In pursuing formal rigour and technical elegance a high price has been paid by the discipline. History, society and real-world economic issues have all been increasingly neglected. Abstraction and mathematisation are not necessarily a bad thing, it should be stressed. In economics, however, there is now an *excessive* emphasis on mathematical techniques, and insufficient emphasis on the substance of economics, for example on empirical analysis and policy issues (Alford 1998: 48 original emphasis).

Neoclassical economics may therefore be understood as a collection of *positivist* assumptions about human nature, individual behaviour and the process by which resources are allocated and goods and services distributed on the one hand and a series of *normative* presuppositions about the most effective (or ‘optimal’) organisational

means through which to maximise individual and collective human welfare on the other. It is positivist to the extent that it assumes that human beings are essentially rational, self-interested creatures who, in order to satisfy their unlimited materialistic desires, engage in market-based exchange with other ‘economic agents’ and make choices among a range of goods and services. It is, however, also normative in so far as it presupposes that both individual and collective ‘welfare’ will be optimised when government intervention is minimised and individual economic freedom is maximised. Together, these assumptions and presuppositions comprise a meta-theoretical framework; one that purports to *explain* human behaviour and, on the basis of such an explanation, *encourage* a particular mode of social, political and economic organisation. The extent to which these assumptions and presuppositions have come to pervade the discipline of economics is staggering; such that it may not be an exaggeration to suggest that in the late twentieth century, the phrase *neoclassical economics* has, in disciplinary terms, become tautological.

1.2.3 Neoclassical Economics: A late Twentieth Century Tautology?

Before World War Two economics was a discipline in which there were several grand competing schools of thought: Marshallians, Keynesians, Ricardians, Austrians, Marxists, and German Institutionalists. All that has disappeared. In the 1960s and 1970s, economics came to be dominated by a single theory, that of neoclassical economics (Hamilton 1994: 13).

While perhaps overstated, the excerpt above illustrates something of the extent to which neoclassical theory has become synonymous with the discipline of economics itself; so much so that, for all intents and purposes, to speak of ‘neoclassical economics’ in the early twenty-first century may be tautological. Anecdotal evidence of this is the fact that while economics curriculums worldwide (but particularly throughout the Western industrialised world) are overwhelmingly predicated on (and employ the language of) the assumptions and presuppositions described above, this is *not* reflected in the qualifications received by those instructed in the logic of neoclassical theory (i.e. students do not graduate with a Bachelor of *Neoclassical* Economics, but simply a Bachelor of Economics, A Bachelor of Commerce, A Bachelor of International Business etc). Though anecdotal, this is indicative of the degree to which neoclassical economics has become disciplinarily hegemonic. Indeed as a range of authors have suggested, to refer to the discipline of economics in the

contemporary era is to refer to *neoclassical* economics (Edwards 2002; Fullbrook 2004; Hamilton 1994; Keen 2001; Richardson 1997; Weintraub 1999, 2002).

Much in the same way that ‘Keynesianism’ (itself a neoclassical variant in many respects; discussed in Chapter 2) was effectively institutionalised throughout Western university economics departments in the two-and-a-half-decades following the Second World War, neoclassical economics has, in the wake of Keynesianism’s real and perceived failures, become the economic orthodoxy. Usurping a range of alternative schools of economic thought (such as those referred to in the above quotation), its proponents have, since the 1970s and particularly the 1980s, successfully gained control of the disciplinary high ground. As economist E. Roy Weintraub so colourfully points out, although other schools of economic thought undoubtedly exist:

...to the extent [that their proponents] reject the core building blocks of neoclassical economics—as Austrians reject optimization, for example—they are regarded by mainstream neoclassical economists as defenders of lost causes or as kooks, misguided critics, and antiscientific oddballs. The status of non-neoclassical economists in the economics departments in English-speaking universities is similar to that of flat-earthers in geography departments: it is safer to voice such opinions after one has tenure, if at all (Weintraub 2002).

But how has this happened? How has neoclassical economics, as one among a number of intellectual traditions in economic thought, become the *sine qua non* of the discipline? The answer to this question is complex and varied (and is discussed more comprehensively in the following chapter). Fullbrook, however, contends that since the 1960s:

...neoclassical economists have increasingly managed to block the employment of non-neoclassical economists in university economics departments and to deny them the opportunity to publish in professional journals. They also have narrowed the curriculum that universities offer students (Fullbrook 2004: 1).

This view is shared by Keen (2001) and Hamilton (1994: 13) who argue that neoclassical economics has sidelined other approaches to such an extent that ‘generations of students...raised on the textbook of Samuelson’ are simply unaware that plausible alternatives to neoclassical economics even exist. Pusey (1991: 5-6) has

also alluded to the dominance of neoclassical economics, arguing that this particular sub-school has ‘swept through the economics departments of Australian universities’ since roughly the end of the Second World War. This has led to an extraordinary conformity of views within the academy, such that it may be apposite to speak of a neoclassical hegemony within the discipline of economics itself.⁵

The extent to which this particular field of social scientific inquiry has been ‘captured’ (to use a pejorative term) by one among a number of its influential schools of thought is profoundly significant. This is because of the unparalleled access to, and influence over, political decision makers the economics profession currently enjoys and the *discourse* with which it is associated (discussed in the following section). The point to be made here, however, is that in the twenty-first century, to speak of the economics profession and the economics discipline is to speak of neoclassical economics. Indeed as Weintraub (2002) points out, ‘when it comes to broad economic theory, most economists agree...what is taught to students, what is mainstream economics today, is neoclassical economics’. It is for this reason that in the remainder of this thesis, the terms economics, neoclassical economics, neoclassical theory as well as conventional, mainstream and orthodox economics will (unless otherwise stated) be used interchangeably to refer to the neoclassical school and the underlying assumptions and presuppositions on which it is based.

Here it is worth noting that one of the criticisms so often advanced by economists is that their discipline is caricatured; that *homoeconomicus* and other core postulates of neoclassical economics are depicted in crude, distorted terms by outsiders. This retort may well be valid to a certain extent. Indeed as Richardson (1997: 53) points out, ‘the discipline, as taught and expounded by its best practitioners, offers few certainties’. This is precisely why one must distinguish between economics as *discipline* and economics as *discourse*. While the discipline could be said to provide some useful conceptual tools with which to explain various economic and social phenomena, the absurd generalisations espoused by numerous protagonists of the discourse must, it is argued, be identified and rejected as such. The following section will identify and

⁵ This is not to suggest that alternative approaches to neoclassical economics do not exist. The Post-Autistic and Heterodox economics movements, for example, represent an intra-disciplinary attempt to contest the ‘hegemony of neoclassical economics’ in the academy and elsewhere and have, over roughly the past decade, become increasingly influential (see Lawson 2006).

discuss the mechanics of this discourse by drawing on the work of two key authors (whose work is indicative of a wider body of literature) before moving on to suggest a theoretical framework that can be used to enhance our understanding of the broader discursive and policy milieu from within which Commonwealth public policy in Australia is formulated.

1.3 Economics as Discourse

1.3.1 A Hegemonic Discourse

Much is heard of political correctness—a formula intended to place a taboo on certain views by claiming that they have tabooed certain other views—but not of its more robust counterpart, economic correctness. Yet today’s public discourse is permeated with a whole new language drawn from economics, whose users exude that combination of self-confidence and self-righteousness that comes from conversing in the “in” terminology (Richardson 1997: 52).

In 1997 James L. Richardson published an article in which he suggested that economics had become discursively hegemonic.⁶ According to Richardson (1997), recent decades had witnessed the ascendancy of an economic discourse which sought to promote smaller government and greater scope for the private sector. Predicated on the *a priori* assumptions and presuppositions of neoclassical economic theory and emphasising the desirability of neoliberal values such as ‘competition’,

⁶ In the course of constructing a theoretical framework through which to consider Commonwealth public policy in Australia I have (in the interests of concision) chosen to expound upon the work of two key authors. However, sentiments similar to those espoused by Richardson (and Finlayson *et al.* 2005) have been communicated by a number of authors who have sought to describe the process by which an economic discourse derived from the core axioms of neoclassical theory has been institutionalised (and popularised) at the domestic and international levels. Gill (1995), for example, contends that since the 1960s we have witnessed the emergence of a ‘market civilisation’. Like Richardson (1997), he believes that in recent decades, government policies worldwide have been ‘cast within a neoliberal discourse that stresses the efficiency, welfare and freedom of the market’ (Gill 1995: 401). Affirming the link between ‘neoclassical thinking’ and ‘neoliberal discourse’, he argues that ‘capitalist norms and practices’ now ‘pervade...everyday life in a more systematic way’ than at any other time in history (Gill 1995: 399). Along similar lines, Seabrook (1993) suggests that modern economics may be understood as an ideology which holds our societies together. He argues that ‘western economic ideology’ has become so deeply entrenched that even ‘radicals and dissidents’ rarely call into question its principal edicts and that economics ‘continues to colonize and expand over more and more areas of our experience’ (Seabrook 1993:9). In addition to the above, numerous other authors who argue that neoclassical economics has (effectively) become discursively hegemonic will be drawn upon throughout this dissertation.

‘productivity’, ‘efficiency’ and ‘flexibility’, this discourse suggests both that the answer to society’s ‘social ills’ (e.g. unemployment, crime, impoverishment) and the key to its prosperity lie in the promotion of free trade, economic growth, greater efficiency and reduced public sector spending (Richardson 1997: 52). Proclaiming the virtues of the above, adherents to the discourse—such as mainstream economists, politicians (from both sides of the political spectrum), representatives of the business community and the mass media—tend to *assume* that ‘all virtue lies in moving in the one direction’ (Richardson 1997: 52-53); thereby circumscribing debate and negating the possibility of alternative policy options.

Distinguishing between the discourse and the discipline from which it derives, Richardson (1997: 53) suggests that while contemporary exponents of the discourse exploit ‘the language of the discipline quite ruthlessly in the interests of one particular ideology’, the nexus between neoclassical economic theory and neoliberal political ideology is by no means exclusive. That is to say that although neoclassical economics is ‘not compatible with all political philosophies, it is [potentially] compatible with many’ (Richardson 1997: 53). In recent decades however, neoclassical economics has been used to provide the intellectual justification for a neoliberal political project that seeks to promote the virtues of free trade, competition, deregulation and associated values. Indeed according to Richardson (1997: 53), economics has become the social science of choice for those in favour of neoliberal policy prescriptions.

One of the principal reasons for this is that, like the neoliberal political ideology which seeks to invoke its core precepts, neoclassical economics is imbued with a powerful disciplinary bias: against governments and in favour of markets (Richardson 1997: 56).

Indeed as Richardson correctly points out, those trained in economics are:

...predisposed to assume that free trade, deregulation, privatisation and the rest will be beneficial, irrespective of circumstances, that governments cannot improve on the working of the free market, and so forth (1997: 56 emphasis added).

This is also true of the neoliberal political protagonists who—at least rhetorically⁷—seek to create a society in which market forces are the ever-increasing determinant of

⁷ In any examination of neoliberalism an appreciation of the disparity between ‘rhetoric and reality’ is crucial. That is to say that there is often a vast disparity between the non-

resource allocation. Invoking neoclassical economic assumptions in support of their claims, proponents of the ‘prevailing economic discourse’ have, according to Richardson, sought to promote broad-brush solutions to complex policy problems on the basis of a number of neoclassical theory’s core axioms:

For politicians...and for economists who seek to catch their attention...[t]here is a ready market for big claims and for simple policy prescriptions. Economic policy entrepreneurs are those who “claim to know how to get the magic [of economic growth] back” [sic] (Richardson 1997: 53).

However as Richardson (1997: 53) points out, ‘there is nothing in the [neoclassical] economics discipline which would justify the confidence with which the claims of the discourse are asserted’. Indeed ‘the discipline, as taught and expounded by its best practitioners, offers few certainties’ (Richardson 1997: 53). Thus, notwithstanding the disciplinary biases of neoclassical theory, for Richardson (1997) an appreciation of the disparity between the more conditional claims of the discipline and the simplistic, generalised claims of the discourse is crucial.⁸

In addition to the disciplinary biases of economics and the way in which they are distorted to justify the more generalised claims of the discourse, Richardson (1997: 54) views the discursive hegemony of economics as inextricably linked to three modern phenomenon: ‘globalisation’, the discrediting of ‘Keynesian’ economics and a desire by governments to shed previously accepted responsibilities. Globalisation, he argues, has provided a context from within which governments can plead impotence ‘in the face of overwhelming global [economic] forces’ (Richardson 1997: 55). This is in rhetorical harmony with the corresponding political project of neoliberalism, in so far

interventionist, competitive ‘free market’ market rhetoric espoused by proponents of neoliberalism and the policies enacted by governments (and others) who are ostensibly supportive of such policies (see Bryan 2000; Larner 2000; Lemke 2001; Osborne, Barry and Rose 1996). As Bryan (2000: 333) points out, ‘neo-liberalism is more than a free market program...[it entails] a range of regulatory interventions and a culture of regulation that are essential to capital...in order to secure profitability’. Indeed according to Bryan (2000: 333) ‘...the neoliberal agenda is to be explained by its political purpose, not its system of economic calculation’. One of the most egregious examples of this (rhetoric vs reality) is, of course, the subsidisation of the US and European agricultural sectors. In order to ensure the competitiveness of their exports on the international market, billions of dollars are given to farmers in the US and Europe who are then (quite often) able to sell their agricultural products below the cost of production (see Srinivas 2003).

⁸ Richardson (1997: 56) hastens to add, however, that ‘the discipline is not as innocent, or neutral’, as many economists suggest.

as it legitimates the states generalised withdrawal from numerous areas of social and economic life. Whereas the social compromises and welfare services of the post-war era (circa 1945-1970) were, in that period, viewed as both necessary and desirable, they are, in the context of economic globalisation, viewed as ‘costly impediments to efficiency, to be pared back to the bare minimum’ (Richardson 1997: 55). This narrative is consistent with the prevailing discourse to the extent that its proponents, too, seek to reduce the level of government intervention in the economy and provide greater scope for the private sector. The discourse of economic globalisation thus provides ‘powerful imagery’ (Richardson 1997: 55); imagery which serves to reinforce and legitimate both the political project of neoliberalism and the economic discourse it seeks to employ.

Richardson (1997: 55) views the ‘successful discrediting’ of the dominant post-war Keynesian ideology as a ‘striking illustration of the political power of the new [neoliberal] ideology’. Underscoring the ‘attractiveness’ of this ideology to ‘corporate elites, bankers and controllers of the media’ (Richardson 1997: 55), he suggests that the displacement of ‘Keynesian economics’ by neoliberalism is largely the result of the decimation of that ideology’s traditional support base:

It is...evident that the political power of that section of society which provided the main support base for the preceding ideology, organised labour, has been undercut by the displacement of traditional manufacturing industry from the western countries...as well as by technological changes reducing the overall demand for labour (Richardson 1997: 55).

According to Richardson (1997: 55), this has permitted the emergence of a neoliberal orthodoxy which confines Keynesianism to the ‘margins of public consciousness’ while seeking to ‘intensify those very policies which have been associated with the social and economic ills’ of recent decades.

As discussed, the dominant economic discourse is associated with a neoliberal political project which seeks to reduce the influence of government as well as an academic field of inquiry known for its ‘small government’ bias. But, as Richardson (1997: 55) asks, ‘why do governments of all persuasions fall in so readily with an ideology whose clear beneficiaries are relatively few’?. Part of the answer, he suggests, lies in the age-old

desire of politicians to achieve electoral success. To a certain extent, the prevailing discourse provides an intellectual justification for ‘shedding responsibilities which are difficult to exercise effectively without incurring unpopularity’ and is therefore ‘highly attractive’ to governments seeking to minimise their electoral liabilities (Richardson 1997: 55-56).

Thus, for Richardson (1997), the discursive hegemony of economics is reinforced by the realities of economic globalisation, the ideological displacement of Keynesian economics (by neoliberalism) and the ‘attractiveness’ of the new discourse to pragmatic political elites. Despite its popularity however, the discourse is beset by a number of paradoxes which render it vulnerable to external critique. First and foremost among these is the ‘high degree of emotional, moralistic fervour’ exhibited by many of its proponents (Richardson 1997: 52). Economics, Richardson (1997: 52) suggests, ‘...likes to present itself as an objective, value-free science’. Yet many supporters of the discourse (and discipline) exhibit ‘a sense of mission’ which is ostensibly inconsistent with the disciplines claims of scientific objectivity (Richardson 1997: 56). Indeed, rather than simply reveal the world in which they live through analytical inquiry:

...economists—with an increasingly well-founded expectation of being in a position to exercise power...look to reconstructing the world—human society in general, the particular society in which they live, its institutions, and the disciplines which underpin other conceptions of society and its institutions, and which stand in the way of what begins to appear as the totalitarian project of contemporary economics (Richardson 1997: 57).

This is not to suggest a particularly high degree of ‘self-conscious, “Machiavellian” power-seeking’ on the part of economists in general (Richardson 1997: 57). It is, however, to suggest that many proponents of economics—both discourse and discipline—seek (paradoxically) to ‘promote a degree of commercialisation, competitiveness, and egoism which will bring actual persons into closer accord with the [pre-existing] postulates of “economic man”’ (Richardson 1997: 57).

In addition to the above, Richardson (1997: 52) points out that ‘other paradoxes are not far from the surface’. He notes that ‘continuous economic growth, structural change and increased productivity and efficiency’ bring ‘little increase in the sense of well-

being' (Richardson 1997: 52). On the contrary these things are, he argues, 'associated with increasing unemployment, crime and the impoverishment of the less fortunate' (Richardson 1997: 52). Another peculiarity of the discourse is that despite neoclassical theory's tendency to ignore the dimension of power in economic relationships (particularly *structural power*⁹), its practitioners have been able to gain effective control (or at the very least, influence) over many of society's most important institutions (Richardson 1997: 57). Moreover, despite a truly overwhelming body of empirical evidence to the contrary (some of which will be presented in the second half of this dissertation), proponents of the dominant discourse been able to convince much of the wider society that by and large, the solution to society's social, economic and environmental crises lay in the promotion of 'more adjustment, further "growth"...greater efficiency [and] reduced public sector spending' (Richardson 1997: 52). However as Richardson points out:

It requires a quite extraordinary act of faith to suppose that business as usual, growth as usual, and markets as usual can adequately address the pressing problems of unemployment and social polarisation, let alone long-term ecological issues (Richardson 1997: 58).

And yet, with few qualifications, this is precisely what many champions of the prevailing discourse suggest.

In essence therefore, it is Richardson's (1997) contention that neoclassical economics has been drafted in pursuit of a neoliberal political ideology which seeks both to legitimate the privilege of its proponents and reinforce existing relations of power. This has resulted in the creation and ascendancy of an economistic *discourse* which has placed adherents of neoliberalism 'in command of the political high ground' and 'beyond effective challenge' (Richardson 1997: 53). Purporting a kind of scientific clarity, adherents to the dominant discourse continue to proclaim the virtues of 'economic growth', 'markets' and 'competition' while simultaneously marginalising the ideas of those who would advocate a less orthodox (i.e. economistic) approach. This largely negates the possibility of alternative policy options by rendering them 'irrational' and beyond the pale of 'common sense'. The result is that 'today's public

⁹ Richardson (1997: 56-57) defines 'structural power' as 'the underlying relationships which largely determine the form which markets take' as well as 'the pattern of asymmetrical rewards which are available to different actors'.

discourse is permeated with a whole new language drawn from economics'; an 'economic correctness' (akin to 'political correctness') which serves to legitimate, perpetuate and reinforce the power and privilege of its principal beneficiaries (Richardson 1997: 52).

And yet, perhaps most importantly for the purposes of this thesis, Richardson (1997) argues that an economic, neoliberal discourse derived from the central tenets of neoclassical economics has become institutionalised and ingrained to the extent that its pervasiveness escapes for the most part unnoticed. It is for this reason that, in addition to its status as an academic discipline, contemporary economics must be recognised as 'an ideology, a discourse, a secular religion, a way of exercising power' (Richardson 1997: 57). The following section will further discuss the way in which this phenomenon is manifested at both the domestic and international levels by drawing upon the work of a number of other authors who have sought to describe the phenomenon with which this chapter is concerned.

1.3.2 A Master Social Narrative

In a similar vein to Richardson (1997), Finlayson, Lyson, Pleasant, Schafft and Torres (2005) argue that economics has become the dominant discursive 'narrative' of the industrialised world. They maintain that in addition to its standing as the most 'powerfully influential' of the social sciences, economics has become predominant in 'the broader institutional arenas' of national and global governance (Finlayson *et al.* 2005: 517). More fundamentally, however, they argue that neoclassical economics operates as a 'master social narrative'; a grand theory that prescribes optimal modes of social organisation and 'structures the bounds of the possible and impossible, the acceptable and unacceptable' (Finlayson *et al.* 2005: 520) (see Figure 1). Like other grand theories of comparable scope (e.g. Marxism), neoclassical economics attempts to explain not only how society works, but what an ideal society might look like (Edwards 2002: 33). In doing so, Finlayson *et al.* (2005: 519) argue that the dominant, neoclassical economic discourse 'structures what we can think and say...in accordance with the logic, rules and values of the neoclassical narrative'.¹⁰

¹⁰ For the authors, one of the primary means by which neoclassical economics structures 'the realm of the possible' is via the transposition and extension of cost/benefit analytical models of decision making. A reliance on such models, they argue, can 'selectively occlude and reveal' (Finlayson *et al.* 2005: 520). This view is echoed by Hamilton (1994: 22) who argues that 'The

According to the authors, much of the power of the neoclassical economic narrative lies in its ability to explain, legitimate and ‘naturalize’ the existing social and economic order (Finlayson *et al.* 2005: 520). Through an ongoing process of socialisation, the ‘extraordinary’ and ‘arbitrary’ features of the social and economic order are transformed into the mundane, the taken for granted, the natural and the unquestioned (Finlayson *et al.* 2005: 522). It is in the course of this process that alternative forms of social and economic organisation are rendered ‘irrational’, unfeasible and therefore unattainable in the context of current ‘realities’ (Finlayson *et al.* 2005: 520). Internalised both by society’s ‘elites’ as well as those over whom they wield power, the dominant discourse fashions our understanding; both of the world in which we live as well as the position of ourselves within it.

At the institutional level, Finlayson *et al.* (2005) argue that over the course of the last one hundred years, public, private and non-governmental organisations and institutions alike have increasingly succumbed to the logic of the dominant economic discourse. They contend that neoclassical economic ideas have transcended the academy and ‘leached’ into policy and administrative circles, the workplace, the mass media and indeed, popular consciousness (Finlayson *et al.* 2005: 527-528). Economics, they argue, has ‘sallied forth from the confines of its own department and colonized other academic disciplines to reproduce and multiply the neoclassical narrative’ (Finlayson *et al.* 2005: 527). The result is that organisations and institutions have become ‘intertwined’ through the common language of economics (Finlayson *et al.* 2005: 527).

In respect to the macro-developmental trajectory of the contemporary international political economy, Finlayson *et al.* (2005: 526) believe that a ‘neoclassical ideology’ has ‘taken on key significance as an explanatory and justifying framework’. Writing in relation to international development, Finlayson *et al.* assert that:

The question of the direction and pace of future activities of particular regions of the world, in particular those the neoclassical narrative would call

infiltration of the economic way of thinking especially into universities and public policy institutions, has almost reached saturation point. As it has spread, the utilitarian “morality” of economic calculation has driven ethically based positions into discredit. Now we see the calculus of utility being applied to areas of life that were previously thought of as social and moral; we see economic principles applied to public education, art and culture, drug addiction, marriage, child bearing and politics itself”.

“lesser-developed”, is one which has taken on a decidedly economic character, especially in recent history. Social well-being once occupied a central role in international development, but throughout the roughly 50-year history of projects aimed explicitly at international “development”, the prominence of economic capacity for international investment and production has rapidly risen to the fore (Finlayson *et al.* 2005: 525).

Hence ‘development’ is now defined in economistic, neoclassical terms. Social well-being is subordinated to the development of economic ‘capacity’ and one among a number of potentially plausible developmental forms is rendered ‘logical’, ‘rational’ and therefore desirable. For Finlayson *et al.* (2005: 520) this is equally applicable to the ongoing developmental trajectory of the industrialised countries of the West, with the neoclassical narrative prescribing optimal forms of social and economic organisation.

For the purposes of this dissertation, the significance of Finlayson, Lyson, Pleasant, Schafft and Torres’ (2005) work can be hardly be overstated. Indicative of a wider body of literature pertaining to the way in which an economistic narrative derived from the central tenets of neoclassical theory has ‘permeated global society’ and come to prescribe the parameters of the *wider discursive milieu* from within which the policies of governments and other organisations are formulated, these authors essentially argue that neoclassical economics has come to provide the *epistemological foundation* on which our civilisation is based and *order* the society in which we live (Finlayson *et al.* 2005). As we shall see, this has profoundly affected the ability of policy-makers in Australia (and elsewhere) to successfully address a number of social and environmental issues by circumscribing debate and constraining the range of policy options available to government.

1.4 Economics as Politics: Neoliberalism

Grand theories take the small step into ideology when efforts to explain the world are hijacked by vested interests (Edwards 2002: 34).

Thus far I have discussed the work of two key authors who have sought to describe the way in which an economistic discourse derived from the central tenets of neoclassical economics has come to prescribe the intellectual and conceptual parameters from

within which to consider various means, ends and actions (be it those of an individual or organisation) appropriate or inappropriate, desirable or undesirable, rational or irrational (etc). How can we account for this state of affairs? How is it that neoclassical economics has, in the words of Weintraub (1999: 147), ‘been translated across a scholarly professions boundary into communities of administrators and policy-makers’? How and why is it that the assumptions and presuppositions of neoclassical economics—as one among a number of social science disciplines—have come to pervade social and political life in the way that they have? Why has a neoclassical economic *view of the world* become pre-eminent, particularly among Western political elites? And how can we account for the disproportionate policy influence of those trained in economics and its neoclassical school in particular? While the reasons for this are complex and varied, the answer to these and a number of other, similar questions is more readily apparent if one is to consider them in the context of the late twentieth century political project of *neoliberalism*.

Neoliberalism is a notoriously contested concept (see Cerny 2004). It is beset by a range of definitional ambiguities and is used, almost exclusively, by those who are antithetical to the stated objectives of its principal protagonists (Hartwich 2009). The term has, however, become an expedient way for critics to refer to a suite of (notionally) market-oriented policies adopted by so many first, second and third world governments in the wake of the end of the twenty five year economic boom which followed the Second World War. But what is neoliberalism? And what is its relationship to neoclassical economics? Though a significant proportion of this thesis will be dedicated to an exploration of the intellectual and political origins of the kinds of policies to which this term refers (and their discursive impact), a number of authors have suggested that neoliberalism (and the corporate-led form of globalisation with which it is so intimately associated) may be understood as an ideological incarnation of the interests of an international economic elite; a political *project* designed to ensure the preminent position of that social and economic class whom numerous scholars of political economy refer to as *capital* (e.g. Bowles, Gordon and Weisskopf 1990; Duménil and Lévy 2004; George 2000; Harvey 2006; Teeple 1995).

Far from comprising a rational, technically correct response by Western governmental and multilateral institutions¹¹ to the failure of Keynesian economic strategies in the wake of the post-war boom of the 1950s and 1960s, neoliberal policies, from this perspective, constitute an attempt to construct the political and economic conditions under which an international capitalist class can remain politically and economically dominant. It is in this sense that, as Robison (2004: 5) argues, neoliberalism may be understood as an agenda for the ‘reorganisation of economic and political hegemony’; an ideology behind which ‘a complex social and political alliance is assembled’. The ‘social and political alliance’ referred to here is comprised of an assortment of individuals, institutions and organisations who stand to benefit from the adoption and implementation of competitive free market policies worldwide. Included in this particular cohort are transnational corporations, international investors, highly skilled workers, those with inherited wealth and a range of others who are able to take advantage of the ‘opportunities’ presented by the imposition of policies such as privatisation, deregulation and trade and financial liberalisation (Gill 1995: 401).

Justified by a neoclassically-oriented economic narrative which underscores the desirability of a competitive, market-based international economic order, the inevitability and irrevocability of such an outcome and a dearth of viable organisational alternatives to [neo]liberal-democratic-capitalism (Wade 2002), neoliberalism is closely associated with what could be described as the politics of no alternative. As George points out:

No matter how many disasters of all kinds the neo-liberal system has visibly created, no matter what financial crises it may engender, no matter how many losers and outcasts it may create, it is still made to seem inevitable, like an act of God, the only possible economic and social order available to us (George 2000).

Reinforcing this notion (that there are few, if any, feasible alternatives to market-based economic integration and competitive global capitalism) is the suggestion by neoliberal policy advocates that society’s economic prosperity is linked inextricably to that of the private/corporate sector. To govern in the interests of business is thus,

¹¹ In respect to the extent to which neoliberal economic policies have been depicted as a ‘largely technical set of devices for managing an open economy’ (particularly since the 1990s), see Hay (2004: 503).

according to the rhetoric of the neoliberal, to govern in the interests of society, as the profitability of the former will *ipso facto* result in the prosperity of the latter.¹² In conjunction with one another, these ideas serve to legitimate the implementation of pro-business policies; policies which are, in reality, likely to favour the wealthy at the expense of the wider society.

Charged with the task of facilitating the implementation of policies conducive to the pecuniary interests of an international capitalist class at the supra-national or ‘global’ level are the multilateral institutions of the International Monetary Fund (IMF), World Bank, Organisation for Economic Cooperation and Development (OECD) and World Trade Organisation (WTO)—among others. Through the negotiation of bilateral, regional and multilateral trade agreements, the *imposition* of ‘Structural Adjustment Programs’,¹³ conditional loans and a number of other mechanisms (e.g. ‘shock therapy’), nation-states worldwide have at the same time been coerced and persuaded (Conley 2004; Finlayson *et al.* 2005) to open their economies (and societies) to large scale foreign direct investment. Teeple (1995: 98) contends that this is at least partially the result of a general decline in the number of productive investment opportunities available to capital since the 1970s.¹⁴ He argues persuasively that since that time, capital has sought to gain access to hitherto decommodified areas of the economy (e.g. public corporations, essential services infrastructure etc) in order to enhance their own profitability.

¹² The suggestion that business profitability would result in higher standards of living for the population at large was popularised by former US President Ronald Reagan who argued that the prosperity of the former would ultimately ‘trickle-down’ to the latter. The ‘trickle-down effect’, as it became known, was used to justify many of the so-called ‘supply-side’ (i.e. neoliberal) economic policies (which included tax cuts for the wealthy) of the Reagan administration in the 1980s.

¹³ The IMF (2009) defines ‘structural adjustment’ as ‘Changing the way in which an economy is organised in order to raise productive capacity’. It goes on to suggest that ‘Reforms associated with structural adjustment can include liberalization of trade and investment policies and anti-competitive agricultural policies; removal of exchange and price controls; and reform of tax policies’. In the 1980s and 1990s the World Bank and the IMF imposed structural adjustment programs on a number of African and Latin American countries as a condition of debt rescheduling and/or the creation of new loans. Critics argue that these policies were ‘intended to channel more of the adjusted country’s resources and productive activity toward debt repayment’ and ‘open’ their economy’s to foreign direct investment (from which the economies of creditor nations would ultimately benefit) (Korten 2001: 163).

¹⁴ Teeple (1995: 95) suggests that technological changes have made it possible for fewer productive units to supply a single world market and that, in addition to this, third world indebtedness, rising unemployment, intensified international competition and the destruction of nature have all combined to reduce opportunities for capital accumulation.

Whereas political leaders in the industrialised world have proven themselves largely amenable to the implementation of neoliberal policy prescriptions such as privatisation, financial deregulation and trade liberalisation (all of which facilitate capital's access to potentially profitable enterprises at home and abroad), in the developing world many such policies have been imposed, somewhat ironically, by the very institutions which have ostensibly been charged with the task of facilitating their economic development (e.g. the IMF, World Bank etc). Indeed it is the view of a number of neoliberalism/globalisation's critics that 'Bretton Woods' and a number of other multilateral institutions (e.g. the WTO) have become the political vehicles through which neoliberal policies—defined as policies which benefit the rich—are imposed on the poor.

This is, however, not to suggest too great a degree of ideological and institutional harmonisation on the part of supra-national institutions and the (predominantly Western) governments on whose behalf they implement policy. Larner (2000), for example, contests the 'programmatic coherence' of neoliberalism. She argues that while neoliberalism is often depicted as a coherent and unified (indeed monolithic) political philosophy imposed in a 'top down' manner by right-wing political actors who have gained control of the state's key institutions, one is compelled by the evidence to acknowledge the 'compromises, contradictions and inconsistencies' that characterise geographically specific neoliberal political projects (Larner 2000: 13). Having acknowledged this point, however, one of the strengths of this conception of neoliberalism (as an ideological incarnation of the interests of an international economic elite or political project) is that it acknowledges (indeed emphasises) the role that political power and economic self-interest play in the international political economy. It suggests, in a nutshell, that neoliberalism has been created by 'people with a purpose', and is principally reflective of the interests of a wealthy minority (George 2000).

Lending a certain amount of empirical weight to this viewpoint are figures pertaining to changing patterns of global income distribution over the past three decades. Whereas throughout the post-war period, inequality both within and between nations could be said to have been mitigated by the *comparatively* progressive domestic redistributory and international developmental/aid policies of Western social-

democratic governments (see Chapter 2), since the 1970s there has been a dramatic and well-documented increase in global inequality. The United Nations (1999: 28) estimates, for example, that in 1960 the 'income gap' between the fifth of the world's people living in the richest countries of the world and the fifth of the world's people living in the poorest was 30-1. By 1990, the UN estimates that this gap had widened to 60-1 and that, by 1998, the income gap between the two groups had increased to 74-1.

Even more revealing are the truly spectacular economic gains made by the world's ultra wealthy since the 1980s, particularly in the United States. Whereas in 1982, the average net worth of the *Forbes* 400 (richest Americans) was \$200 million, by 1986 this figure had climbed to \$500 million. While in 1982, 'only' \$91 million was required for inclusion and the list included 13 billionaires, by 1999 \$625 million was required for inclusion on a list that included more than 250 billionaires. Moreover, whereas in 1980 the salary gap between top US executives and production workers was 42-1, by 1998 this gap had grown to 419-1. And in the space of only two years (1997-1999), the wealth of the *Forbes* 400 grew by an average of \$940 million *each*, or more than 1.3 million dollars (on average) per *day* (Gates 2000). Indeed in 2008, Kroll (2008) estimated that there were more than 1,100 billionaires worldwide with a combined net worth of \$4.4 trillion (up from \$3.5 trillion in 2007).

In contrast, it was estimated that as of 1998 the inflation-adjusted median hourly wage in the United States was 7 percent lower than in 1973, and that as of 1999 the net income flowing to the middle 60 percent of US households was the lowest recorded since 1977, with the after-tax income of the bottom 20 percent of households falling 9 percent during this period (Gates 2000). International figures tell a similar story. In the four years to 1999, for example, it is estimated that the world's richest 200 individuals more than doubled their net worth, bringing their combined wealth to a total of more than \$1 trillion, or approximately \$5 billion each. This while the 1999 UN Human Development Report claimed that 80 of the world's countries had per capita incomes lower than one decade prior, and that 60 of the world's countries had been growing steadily poorer since 1980 (United Nations 1999: 2).

Distributional changes such as those to which the above statistics allude could, of course, be attributed to a range of political and economic variables. There is, however, a substantial body of evidence to suggest that many of these changes are a direct result

of neoliberal policies. Gates (2000), for example, observes that since 1977 the top 1 percent of US households have received an average annual tax cut of \$40,000 (an amount exceeding the average annual income of the middle fifth of US households). Weissman (2002), too, points out that more than half of the tax cuts enacted by the Bush administration in 2001 were scheduled to go to the wealthiest 1 percent of US taxpayers. Such statistics suggest a definitive nexus between the enactment of neoliberal policy prescriptions (e.g. income tax cuts) and the political and economic fortunes of the wealthy. They also support the idea that neoliberalism is, first and foremost, a political project ‘of the rich, by the rich, and for the rich’.

Numerous critics of neoliberalism have, therefore, suggested that neoliberalism be understood as a product of class interest; an ideological tool through which capital has sought to render its goals synonymous with those of the wider society and compel governments worldwide to prescribe policies which foster its interests, largely at the expense of the overwhelming majority of their citizens. They eschew the idea that the contemporary form of economic globalisation to which all nations are presently subject is an essentially benign, apolitical force from which all can potentially benefit (Peck and Tickell 2003). They seek, in essence, to repoliticise the phenomenon of ‘globalisation’ and acknowledge the influence of political power, economic interest and perhaps most important of all, *agency*.¹⁵ It is for this reason that a number of its detractors have sought to employ the term Neoliberal *globalism*, as a means of acknowledging the ideological component innate to this phenomenon (Laxer 2001).

As will become evident in subsequent chapters, this is a view to which the author is somewhat predisposed (albeit with a number of important caveats). The following section will discuss the relationship between economics as an academic discipline of the social sciences, the crude, yet pervasive economic discourse of which has been spoken above and the political project of neoliberalism. It will do so in order to suggest a theoretical framework that can be used to enhance our understanding of the *broader discursive and policy milieu* from within which Commonwealth government policy in Australia is formulated as well as the ways in which the assumptions and

¹⁵ This viewpoint (implicitly) rejects, for example, ‘transformationalist’ perspectives on globalisation which emphasise the role of transportation and communications technologies (see Held *et al.* 1999).

presuppositions that are embedded in such an environment act to constrain the range of policy options available to government.

1.5 Neoliberalism and the Discursive Hegemony of Neoclassical Economics: A Theoretical Framework

How did market economics come, by century's end, to dominate all other forms of narrating economic activity? We do not need a story of progress to appreciate the remarkable changes over this century's institutions, political discourse, and instruction of the young in favour of market economies (Weintraub 1999: 147).

Under neoclassical economics, power is veiled by the rhetoric of free-markets, self-interests and rational actions (Finlayson *et al.* 2005: 532).

In this chapter I have suggested that in addition to its standing as a *field of social scientific inquiry* and the most 'powerfully influential' of the social sciences, contemporary (neoclassical) economics may be understood as a *hegemonic discourse* and *master social narrative*; one that not only configures our understanding of the world and our place within it but prescribes 'optimal modes of social organisation' (Finlayson *et al.* 2005: 517: 520). I have also suggested that one of the ways in which the associated phenomenon of *neoliberalism* may be understood is as a political project that seeks to ensure the political and economic supremacy of an international capitalist class via the ongoing extension of market-based modes of economic integration.

As suggested above, the purpose of this section is to examine the relationship between these three phenomena (discipline, discourse, neoliberalism) and, in doing so, suggest a theoretical framework that can be used to enhance our understanding of the *wider discursive and policy milieu* from within which Commonwealth government policy in Australia is formulated. However, in suggesting that Australia's political, bureaucratic and administrative elite are both responsible for, and subject to, a politically hegemonic economic discourse which determines, to a significant extent, the qualitative nature of Australian political debate and the range of policy options available to government, I am not suggesting that proponents of neoclassical economics in business, the academy and elsewhere have *monopolised* or 'captured' (or

been captured by) the political decision making process *in toto*.¹⁶ Indeed as Finlayson *et al.* (2005: 524) point out, though powerful and influential, hegemonic domination is never total. It is rather an active, contingent phenomenon; one subject to ongoing contestation by counter-hegemonic forces for extensive control of civic discursive space. This is undoubtedly the case in Australia, where Commonwealth government policy is the product of a complex array of political, ideological, economic, institutional and electoral forces (see Kingdon 1995).

And yet our society—indeed our civilisation—is underpinned by an essentially economic *raison d'être* and this is consistently reflected in political discourse and public policy. Indeed to the extent that alternative discourses are marginalised by the dominant neoclassical narrative it could be argued that economics (and economists) is/are enjoying a ‘hegemonic moment’ (Finlayson *et al.* 2005: 521). But how might one characterise the relationship between economics (as an academic discipline of the social sciences), the crude yet pervasive economic discourse of which has been spoken above and the political project of neoliberalism? This is a complex question to which a significant amount of attention will be given in the following chapter. The point to be made here, however, is that since roughly the 1960s, proponents of both neoclassical economics and neoliberalism have worked together (albeit largely indirectly and by default) to reorganise their societies (and indeed, the societies of others) in accordance with a number of the most fundamental of *a priori* neoclassical theoretical postulates.

This has been undertaken, at one level, by a range of actors whose inspiration derives from a genuine desire to improve standards of living (both domestically and internationally) and ameliorate social and environmental problems through the optimal allocation of scarce resources. This group is comprised largely of academic and professional economists, graduates of economics and commerce and others to whom predominantly market-based modes of social and economic organisation have become sacrosanct but who nonetheless *believe* that competitive free markets are the best way

¹⁶ One of the central contentions of ‘theorists of state’ is that ‘the state, broadly understood as the executive, legislature and judicial apparatus of the nation, has an important impact of its own on the nature of public policy and considerable independence from organized social interests and the electoral coalitions that might otherwise be said to drive policy’ (Hall 1993: 275). It is this sense that I am suggesting that Australia’s political, bureaucratic and administrative elite are both ‘responsible for’ and ‘subject to’ a politically hegemonic economic discourse.

to achieve such an outcome. Individuals such as these can be found in the economics and commerce departments of higher educational institutions, government bureaucracies, as well as administrative centres, statistical organisations and elsewhere. Many of them would consider themselves progressive, 'left of centre' and deeply concerned about social and environmental issues (Edwards 2002: 27). Indeed as economist Keen (2001: xiv) so astutely observes 'for a group of people who espouse...a philosophy of individualistic hedonism', most of those trained in neoclassical economics are 'remarkably altruistic in their commitment to what they [see] as the common good'.

Edwards (2002: 27) suggests that this is in, fact, the 'greatest source' of the discourse's power. Writing in relation to the Australian experience, she argues that 'most of the nations most powerful economic rationalists are convinced that they are on the side of righteousness...they [genuinely] believe their prescriptions will build the foundations of a better future'. And although on account of their academic training (which, as Richardson (1997: 56) points out, predisposes those instructed in mainstream economics to assume that neoliberal policies such as privatisation and deregulation will be beneficial irrespective of circumstances), many of these individuals who ultimately recommend and support policies which appear to 'favour rich over poor, capitalist over worker, privileged over dispossessed' (Keen 2001: xiv) are highly unlikely to view themselves as supportive of a political project which seeks to legitimate the privilege of its principal beneficiaries and reinforce existing relations of power.

At another level, however, the attempt to construct, legitimate and naturalise a society in which resource distribution is overwhelmingly determined by market forces (and individual *economic* freedom is maximised at the expense of broader socio-political objectives) has been undertaken by a range of organisations and individuals to whom neoclassical economics represents a proverbial 'means to an end'. As discussed in the preceding subsections of this chapter, for these actors, neoclassical economics serves as a powerful *ideological tool* through which to *legitimate* the enactment of policies conducive to the interests of a transnational economic elite. It is in this respect that neoclassical economics may be understood as a political *instrument* utilised by an economic elite to reinforce existing relations of power as well as perpetuate and normalise an extraordinarily inequitable international social and economic order.

Unlike their more ‘magnanimous’ counterparts scattered throughout the academy and elsewhere, those acting on behalf of capital tend to be found in the boardrooms of large corporations, the ‘think tanks’ established, supported and financed by them and the organisations established to represent the interests of business at the political, media and public relations levels (see Chapter 2 sub-section 2.5.2). This is not to suggest a conspiracy. Far from it. Indeed from a neoclassical viewpoint, as ‘rational utility maximisers’ these actors (e.g. corporations) are simply attempting to derive a financial return on the human, material and financial capital with which they are fortunate enough to be endowed. The objective of these actors is, therefore, neither conspiratorial nor nefarious, but ‘rational’ and in perfect accordance with the core axioms of neoclassical theory.¹⁷

Thus, whereas the first of these two groups is concerned with the realisation of a society in which individual economic actors, relatively unimpeded by (state) regulatory constraints, can compete with one another to pursue personal material goals on a more or less ‘level playing field’, the second is disposed to promote policies that ‘privatise’ profit, ‘socialise’ risk and ‘subject the majority to market forces whilst preserving social protection for the strong’ (Gill 1995: 401). This is what Chomsky (1998: 34) refers to as ‘really existing free market doctrine’. He argues that while ‘masters of the private economy’ (defined chiefly as ‘huge corporations’) are vocal proponents of free market policies, they are interested in what Gill (1995) has described as ‘disciplinary neoliberalism’ only when advantageous to the corporate sector itself. Though on the whole it could be argued that Chomsky overstates the extent to which society is dominated by the corporate sector, his work nevertheless highlights the viewpoint to which international capital is heavily predisposed.

It is through the combined actions of these two groups over the past three to four decades that neoclassical economics has become both discursively hegemonic and institutionally dominant throughout the industrialised countries of the West and the anglophone states in particular (i.e. the US, UK, Canada, Australia and New Zealand). Through a combination of intellectual and political ‘activism’, academic ‘economists’

¹⁷ This is not to suggest, however, that some of the means through which large corporations, for example, seek to maximise their ‘utility’ (in the form of increased profits or market share) are not problematic in an ethical, moral and legal sense (see, for example, Mokhiber 1997).

(including those *trained* in economics) along with their ‘free market’ counterparts in the private sector¹⁸ and elsewhere have succeeded not only in gaining privileged access to those in whose hands political power resides (Edwards 2002), but to positions of power themselves.¹⁹

This has resulted in the institutionalisation of what Hall (1993: 293) has described as a ‘policy paradigm’; that is, a pervasive conceptual framework which specifies not only the goals of policy and the instruments that can be used to attain them, but the nature of the problems themselves. Likening such paradigms to those identified by Kuhn (1970) in the natural sciences, Hall (1993) suggests that when dominant, these frameworks become the ‘prism’ through which policy-makers view the world. In this dissertation it is argued that Commonwealth public policy in Australia has been underpinned by a neoliberal policy paradigm for more than two decades and that, because of the extent to which this particular paradigm (and indeed, neoliberalism more generally) is predicated on the meta-theoretical assumptions and presuppositions of neoclassical theory, Commonwealth public policy in Australia is, in fact, fundamentally underpinned by an economistic logic derived from the central tenets of neoclassical economics. Indeed as we shall see, neoclassical economics and neoliberalism may be understood as two sides of the same proverbial coin.

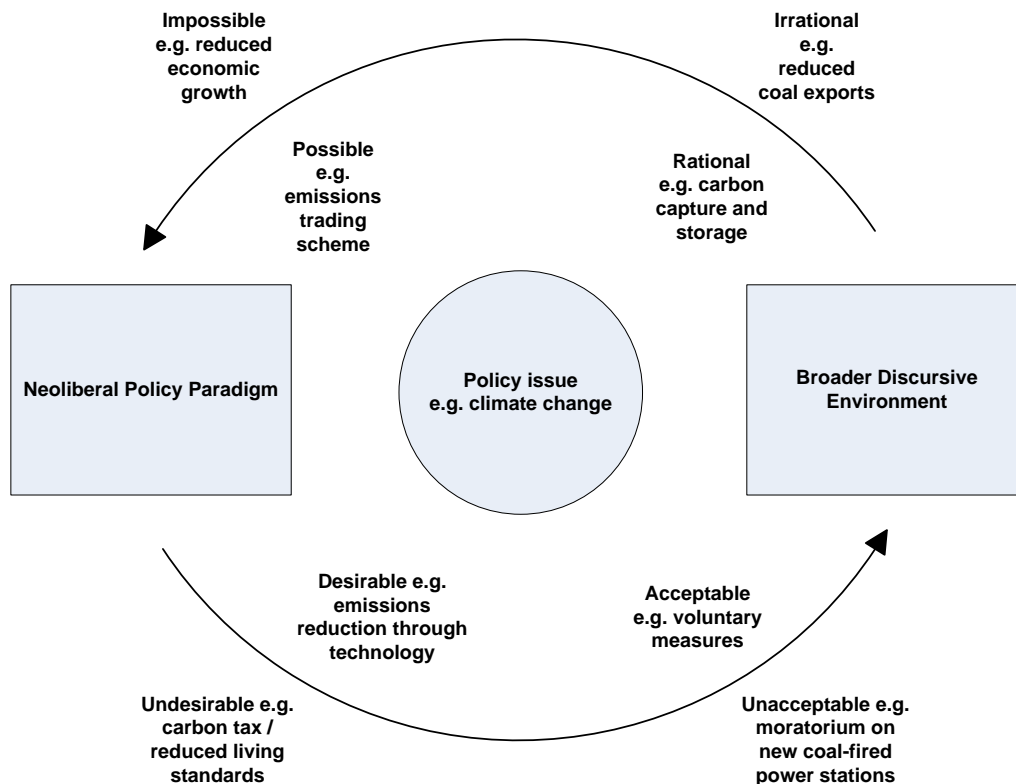
In addition to the suggestion that a neoclassically-inspired neoliberal policy paradigm has been institutionalised at the level of public policy in Australia over the past two to three decades, it is the author’s contention that proponents of neoclassical economics in the academy, business and elsewhere have successfully translated an economic doctrine ‘into the language of experience, moral imperative and common sense’ (Apple 1993: 29). This has resulted in the emergence of a neoclassically-oriented economistic discourse which prescribes the *broader discursive terrain* on which

¹⁸ This is, of course, not to suggest that all (or even most) of those economists who are working in the private sector are Machiavellian instruments of the corporate world. Nor is it to imply that the corporate/private sector in Australia and elsewhere (or those working within it) is universally supportive of neoliberal policies.

¹⁹ Echoing Pusey’s (1991) influential thesis pertaining to the influence of ‘economic rationalism’ in Canberra, Alford (1998: 42) suggests that in Australia ‘Economics trained graduates increasingly dominate the corridors of power, [both] in parliaments and senior ranks of the public service’. This is strongly supported by Edwards (2002: 7), who points out that ‘in 1999, the Canberra branch of the economic society was the only branch across Australia to report a strengthening membership’. Though anecdotal, Edwards (2007: 7) maintains that such a statistic reflects a belief by Australian bureaucrats that ‘their careers will hit a ceiling if they do not have economics qualifications’.

political debate takes place and the overarching environment from within which policy is formulated. Noteworthy here is that the relationship between the prevailing *neoliberal policy paradigm* and the *broader discursive environment* from within which policy is formulated is both symbiotic and mutually reinforcing. That is to say that while ‘the deliberation of public policy takes place within [the] realm of discourse’ (Anderson quoted in Hall 1993: 279), it is equally the case that policy-makers influence the wider discursive environment within which they are situated (see Figure 1).

Figure 1: Structuring the Bounds of the Possible A diagrammatic representation of the boundary that lies between policy initiatives and ideas that are considered possible and impossible in the present context as well as the symbiotic relationship that exists between the prevailing neoliberal policy paradigm and the broader discursive environment from within which policy is formulated.



In essence, therefore, it is the author’s contention that the hegemonic status of economics is the product of a defacto ‘alliance’ between capital and ‘the economists’;

both of whom have worked hard to ensure the ‘paradigmatic’ and ‘discursive’ supremacy of economics at the political (i.e. policy) and popular (i.e. wider societal) levels. Utilised instrumentally by proponents of a neoliberal political ideology who have sought to justify and legitimate the enactment and perpetuation of policies conducive to the interests of an international capitalist class, the efforts of this cohort have resulted in the institutionalisation of a neoliberal policy paradigm which has acted in conjunction with the broader discursive environment from within which policy is formulated to *constrain the range of policy alternatives available to government by structuring the bounds of the policy possible*. This is significant to the extent that it has rendered our political institutions and those who are charged with the task of administering them largely incapable of addressing the panoply of social and environmental problems confronting our society and civilisation (as we shall see). And although it is the domestic Australian manifestation of the economic discourse which has hitherto been described that comprises the primary focus of this dissertation, many of the arguments presented throughout this dissertation are equally applicable elsewhere.

1.6 Conclusion

This chapter has endeavoured to provide the reader with a theoretical framework through which to consider Commonwealth public policy in Australia. In addition to suggesting that in the early twenty-first century the discipline of economics is dominated by its neoclassical tradition, I have argued that economics operates as a hegemonic discourse and master social narrative; one that prescribes optimal modes of social organisation as well as the intellectual and conceptual parameters from within which to consider various means, ends and actions appropriate or inappropriate, desirable or undesirable, rational or irrational.

I have also suggested in this chapter that neoliberalism may be understood as an ideological incarnation of the interests of an international capitalist class who have sought to legitimate the enactment of policies conducive to their pecuniary interests by framing them in accordance with the dominant (neoclassical) discourse. It is also the author’s contention that the institutionalisation of neoliberalism (in the form of a neoliberal policy paradigm) at the level of public policy and the broader discursive

hegemony of economics are attributable to the intellectual and political activism (undertaken in the second half of the twentieth century) of a number of actors who have sought to reorganise their societies (and formulate policy) in accordance with a number of *a priori* neoclassical theoretical postulates. This, it is argued, has constrained the range of policy alternatives available to government by structuring the bounds of the policy possible.

The following chapter is designed to provide an overview of the international and historical context from within, and process by which, the transition to a neoclassically-inspired neoliberal policy paradigm occurred in the wake of the post-war boom. This is followed by an examination of the geographically and historically specific context from within which the transition to a neoliberal policy paradigm occurred in Australia.

CHAPTER 2

NEOLIBERALISM AND THE DISCURSIVE HEGEMONY OF NEOCLASSICAL ECONOMICS: THE INTERNATIONAL CONTEXT

2.1 Introduction

In the previous chapter it was suggested that neoclassical economics operates as a hegemonic discourse and master social narrative; one that prescribes the intellectual and conceptual parameters from within which to consider various means, ends and actions appropriate or inappropriate, desirable or undesirable, rational or irrational. It was also argued that neoliberal policies may be understood as an ideological and political vehicle through which capital has sought to restore business profitability and economic growth in the wake of the end of the post-war boom and that neoclassical economic theory (with its emphasis on market-based modes of resource allocation) has been used to legitimate the implementation of policies conducive to the interests of an international economic elite.

This chapter is designed to provide the reader with an overview of the international and historical context from within which neoliberalism (and, *ipso facto*, the neoclassical economic theory with which it is associated) became the dominant policy paradigm (and indeed, ideological and discursive ‘common sense’) of the late twentieth and early twenty-first centuries. To achieve this, a brief examination of the social, political, economic and institutional arrangements which predominated throughout much of the West in the post-war period is presented. Discussed under the rubric of the post-war ‘Social Contract’, this is intended to provide the reader with an understanding of the political and economic conditions which preceded the ascendancy of neoliberal political and economic thought in the advanced-democratic-capitalist world. This is followed by a stylised account of the international and historical (i.e. post World War II) context from within, and process by which, the transition to a neoclassically-inspired neoliberal policy paradigm occurred in the wake of the post-war boom (e.g. popular political mobilisation /stagflation), an analysis of the nature of neoliberal political and economic ideas and the means by which they were ‘translated’

into the political domain in the 1980s and consolidated and institutionalised in the 1990s.

Though broadly concerned with the process by which the transition to a neoliberal policy paradigm occurred in the West, this chapter emphasises the way in which this occurred in the ‘neoliberal heartlands’ of the United States (US) and the United Kingdom (UK), where proponents of neoliberalism can be said to have gained some of their ‘earliest and most dramatic triumphs’ in the 1980s (Peck and Tickell 2003; Robison 2004: 1).¹ Moreover, it should be noted that although this chapter comprises a modest attempt to outline and explain the process by which the transition from a ‘Keynesian’ to a ‘neoliberal’ policy paradigm occurred, it is *not* designed to document and articulate this process in detail. Rather, it is intended to provide the reader with an international and (comparatively recent) historical context from within which to understand the arguments presented in subsequent chapters and therefore comprises an important and necessary component of this dissertation.

2.2 A Provisional Alliance: Business Profitability and the Post-war Social Contract

2.2.1 Laying the Foundations: The Bretton Woods System

In July 1944, more than seven hundred representatives from forty-four of the world’s nations met at Bretton Woods (in the US state of New Hampshire) for the United Nations Monetary and Financial Conference. The conference was designed to establish a cooperative international economic framework that would prevent a recurrence of the international economic disorder which preceded the onset of the Second World War. To that end, allied nations led by the Britain and the United States adopted a set of rules and institutions that became known as the *Bretton Woods System* (1945-1971). Characterised by an international monetary regime based on fixed exchange rates, a comparatively free and open international trading system and US political, economic

¹ In addition to the fact that the US and the UK may be understood as ‘centres of [neoliberal] discursive production’ or ‘neoliberal heartlands’ (Peck and Tickell 2003: 164), the disproportionate focus on these two countries is also attributable to the fact that it is these two nations which have indisputably exerted the most intellectual and political influence over Australia since the establishment of the first British colony in 1788.

and military hegemony², the Bretton Woods System created the *international* institutional and regulatory framework from within which the prosperity of the subsequent post-war economic ‘boom’ could be realised.³

The Bretton Woods System was based, in part, on the ideas of British economist John Maynard Keynes.⁴ As one of the principal architects of the agreement itself and the institutions created to achieve its objectives (The IMF and the International Bank for Reconstruction and Development or World Bank), Keynes was able to actualise at the international level his vision of a less volatile form of international capitalism. This involved a far more cooperative approach to international trade and monetary policy than had ever been seen previously and, in some instances, the subordination of some aspects of crude national interest to the international common good. This was especially the case for the United States, who emerged from the Second World War the most powerful nation on earth—politically, economically and militarily. Indeed in many respects it was the US decision to underwrite the Bretton Woods System that enabled it to flourish in the post-war era (Hawes 1990).

It was, however, in the area of domestic economic policy that Keynesian ideas were to become most influential in the post-war period. Having gained intellectual momentum in Britain in the late 1930s and the United States in the 1940s, Keynes’ vision of a less volatile form of capitalism (achieved through appropriate state fiscal management) was to be realised in the two-and-a-half decades following 1945. Underpinned by a belief in the efficacy of demand-side macroeconomic management⁵, ‘Keynesianism’ was

² The US, for example, was the only country capable of providing the kind of defacto reserve currency that was necessary for the system to function in the immediate aftermath of World War II.

³ It is important to acknowledge from the outset the essentially ‘western’ nature of this boom. In the words of Michael Hawes (1990: 155), ‘the Bretton Woods system was a compromise that met almost everyone’s needs – at least everyone in the developed market economies’.

⁴ In having suggested that the Bretton Woods System was based on the ideas of John Maynard Keynes, it is important to point out that at the Bretton Woods conference itself, the pre-eminent economic and political power of the United States was effectively leveraged by US Treasury official (and chief US negotiator) Harry Dexter White to produce an outcome (and framework) which favoured the United States and the ideas of White in particular. Thus, although highly influential, there is little doubt that the ideas of Keynes were limited by the political and economic reality of US power in the mid-1940s.

⁵ By demand-side macroeconomic management I refer to the process by which governments facilitate an increase in overall economic demand for goods and services so as to create a self-perpetuating cycle of growth and employment. Usually financed through deficit spending, this typically involves government expenditure on public works and other forms of public spending.

(though in various forms and to varying degrees) to become the political and economic orthodoxy of the post-war era; replacing its predecessor, neoclassical theory, as the dominant economic orthodoxy pervading the Western economic landscape.

2.2.2 The Post-war Social Contract

Social Contract. An agreement among the members of an organized society or between the governed and the government defining and limiting the rights and duties of each (*American Heritage Dictionary* 2000).

Over the past three decades, numerous scholars have sought to ascribe labels to the post-war era (circa 1945-1970) as a means of encapsulating that period's essential characteristics. Peck and Tickell (1994), for example, use the term 'Fordism-Keynesianism' to describe the overarching ideological consensus and institutional framework that underpinned political, economic and social relations throughout much of the Western industrialised world during this period while Ruggie (1982) refers to this period as one characterised by an 'embedded liberal[ism]' compromise. Others, such as Esping-Andersen (1990), use the term 'welfare capitalism' to describe the institutional dynamics of the post-war period while additional labels include, *inter alia*, *The Social Democratic Accord* (Apple 1993), *The Social Democratic Compromise* (Harvey 2006), *The Post-war Consensus* (Cerny 2004), *The Keynesian Consensus* (Duménil and Lévy 2004) and *The Golden Age* (Maddison 1982). While all of the aforementioned labels emphasise different aspects of the period, there are several 'core' characteristics upon which most analysts agree. For analytical purposes, I have distilled these key features and combined them under the rubric of the post-war *Social Contract*. This term refers to that fundamental group of institutional characteristics which predominated throughout almost all of the advanced-democratic-capitalist world in the period under discussion. Using this label enables one to identify the most basic of post-war trends. This label is defined below and is used throughout subsequent sections of this chapter and dissertation.

Keynesianism

One of the most prominent institutional features of the post-war Social Contract was a generalised commitment to *Keynesianism*. This commitment saw Western

Demand-side management policies may also involve a *reduction* in public spending during times of economic growth and expansion (i.e. when such expenditure is no longer necessary).

governments of the 1940s, 1950s and 1960s embrace a policy framework that was *derived* largely from the work of British economist John Maynard Keynes. In contrast to those who subscribed to the conservative, neoclassical view that capitalist economic systems exhibited an inherent tendency to move towards full employment equilibrium and that the solution to the economic problems of the 1930s and 1940s were to be found in wage cuts and a *reduction* in public expenditure (i.e. tighter fiscal policy), Keynes contended that the economy was not self-adjusting, could reach equilibrium without full employment and that the solution to high unemployment and inadequate private investment lay in the management of aggregate demand (Whitwell 1986: 39). According to such logic, as demand for goods and services increased, so too would employment as businesses employed more staff to meet greater demand. What was required, therefore, was a monetary infusion sufficient to raise aggregate demand to a level that was commensurate with a high rate of employment (Whitwell 1986: 50). If, however, the private sector was either unable or unwilling to provide such an infusion (in the form of private investment), Keynes suggested that inadequate levels of *private* investment should be replaced by an appropriate level of *public* investment; largely in the form of government spending on public works (e.g. road building etc) and other forms of economic activity that generated employment. This was the logical essence of what became known as *Keynesianism*; the notion that governments could regulate the level of economic activity, reduce unemployment and control inflation through state fiscal policy.

In many ways, Keynesianism represented something of a pragmatic synthesis between market-based, *laissez faire* capitalism on the one hand and state-based government intervention on the other. Though in favour of a more active and interventionist role for the state than had hitherto been considered appropriate by proponents of neoclassicism, Keynes believed that the overwhelming majority of economic decision making should be left to the private sector and that there was ‘no obvious case for a system of state socialism which would embrace most of the economic life of the community’ (Keynes in Whitwell 1986: 50). Thus, in the immediate aftermath of World War II, Keynesian ideas were conducive to both socialist demands for a more active and interventionist state and conservative (neoclassical) calls for a more market-oriented approach. Moreover, in light of the spectacular fashion in which government-led wartime economic expansion in the United States had restored full employment

and lifted the economy out of depression (see Renshaw 1986), it is in many ways unsurprising that, in the policy arena at least, Keynesianism quickly became the dominant policy paradigm from within which decisions about the economy were made in a large number of advanced-democratic-capitalist states (Hall 1993).

And yet, in having suggested that a derivative, stylised version of Keynes' ideas (something which could quite accurately be referred to as *Keynesianism*) achieved orthodox status among Western political elites in the 1940s, 1950s and 1960s and became the dominant ideational framework (or policy paradigm) from within which to understand how the capitalist economy functioned and the most appropriate means by which to achieve full employment, economic growth and stability, it is important to point out that in many ways, 'there was no [parallel] Keynesian revolution' in the discipline of economics itself. Indeed in the wake of his death in 1946, the ideas of Keynes were quickly 'submerged within the neoclassical schema' (Whitwell 1986: 169; see also Fullbrook 2006). According to Whitwell (1986: 172), this was largely achieved through the work of economists such as John Richard Hicks, Don Patinkin and most influentially, Paul Samuelson, who combined a number of Keynesian theoretical precepts with neoclassical theory to create what became known (in the 1950s) as the 'neoclassical synthesis'⁶; a hybridised version of neoclassical/Keynesian theory which, in the absence of persistent unemployment (a problem which appeared to have been solved by Keynesian demand management policies in the post-war period), was concerned primarily with the 'traditional' (neoclassical) problems of 'resource allocation and the role of relative prices'.

Notwithstanding the extent to which Keynesian ideas were contested (and indeed co-opted) by proponents of neoclassicism in the academy in the post-war period however (see Fullbrook 2006), there is little doubt that in broad terms, a policy framework which could appropriately be described as 'Keynesian' in orientation was adopted by most Western *governments* in the two-and-a-half decades following World War II, as the extract below (from *Time* magazine in 1965) suggests:

⁶ The term 'neoclassical synthesis' was first used by American economist Paul Samuelson in the 1955 edition of his highly influential textbook *Economics: An Introductory Analysis*; a publication which, although first published in 1948, went on to become the most influential and widely utilised economics textbook of all time (Whitwell 1986: 172).

Today, some 20 years after his death, [Keynes']...theories are a prime influence on the world's free economies, especially on America's, the richest and most expansionist. In Washington the men who formulate the nation's economic policies have used Keynesian principles not only to avoid the violent cycles of prewar days but to produce a [sic] phenomenal economic growth and to achieve remarkably stable prices. In 1965 they skillfully applied Keynes' ideas...to lift the nation through the fifth, and best, consecutive year of the most sizeable, prolonged and widely distributed prosperity in history (*Time* 1965).

Moreover in an interview in the same year, neoclassical economist (and high profile critic of the interventionist logic on which Keynesianism was predicated) Milton Friedman even conceded that 'In one sense, we are all Keynesians now' (*Time* 1965).⁷ Indeed, given the extent to which Keynesian-style macroeconomic policies were *perceived* (by a large number of economists, policy-makers and others) to have underpinned, facilitated and enabled the post-war boom, moderated inflation, reduced unemployment and mitigated the cycle of 'boom and bust' which had plagued capitalist economic systems for centuries, it is in many ways unsurprising that Keynesian ideas became institutionalised (during this period) in the way that they did.

This is not to suggest, however, that Keynesian policies were (by any stretch of the imagination) *wholly* responsible for the economic success of the post-war era. Indeed in light of the extraordinary (and in many ways, historically exceptional) political, economic and social conditions that prevailed in the aftermath of the Second World War, many have argued that Keynesian demand management policies were, in fact, far less responsible for the extraordinarily high levels of economic growth and employment than is commonly understood and that, in any event, it wasn't until the mid-1960s that Keynesian demand management techniques were utilised extensively in countries like Britain and the United States (see Macfarlane 2006). As a constituent element of the overarching post-war Social Contract which the author suggests was common to a number of advanced-democratic-capitalist countries during the post-war period however, the significance of Keynesian ideas and the importance of *Keynesianism* (as an overarching economic policy framework or policy paradigm) can

⁷ It should be acknowledged that while Friedman suggested in 1965 that 'In one sense, we are all Keynesians now', he also suggested (in the same interview) that 'in another [sense], nobody is any longer a Keynesian' (*Time* 1966).

scarcely be overstated; particularly in light of its *normative* impact on the assumed relationship between government and the economy. Indeed in many respects, Keynesianism can be said to have precipitated a ‘significant reorientation in attitudes toward the role of the state in economic life’ (Yergin and Stanislaw 1998: 42); one that continues to influence policy-makers today and has proven remarkably difficult to repudiate (in its entirety) by those in favour of a more market-oriented approach to economic and public policy more broadly.

The ‘Limited Capital Labour-Accord’*

The thirty-year period following the end of World War II represents the ‘golden age’ of trade unionism in the advanced capitalist economies. The post-war accords negotiated between capital and labour in virtually every OECD country meant power and influence beyond the imagination of most prewar trade unionists. By 1950 trade unions organised between a third and two-thirds of all workers, wielded considerable clout in national politics, and became important partners in the pursuit of sustained economic growth (Phelan 2007: 16).

In addition to the growing bipartisan commitment to ‘Keynesianism’ that was evident in the 1940s and 1950s, the two to three decades following World War II witnessed the development of a limited compromise between the constituent elements of capital and labour. Fearing a return to the industrial conflict of the interwar years, both the business community and organised labour sought to create a framework from within which *relatively* harmonious relations could be realised. Throughout much of the West, this facilitated the institutionalisation of a symbiotic relationship between two political constituencies whose interests had traditionally been perceived to be at odds with one another. In the interests of stability, profitability and reconstruction however, labour movements throughout the advanced-democratic-capitalist world were allowed to emerge from the Second World War considerably stronger than many of their pre-war antecedents and as a result, a comparatively successful era of industrial relations was able to ensue.

* The term ‘limited capital-labour accord’ was coined by Bowles, Gordon and Weisskopf (1983; 1990) and is used in their analysis of the institutional dynamics of the post-war United States to describe the relative industrial peace which existed throughout this period. Though contested to a certain extent (see, for example, McIntyre and Hillard 2008), the term can be said to provide a convenient shorthand for the *comparatively* harmonious industrial relations which existed between business and organised labour in the 1950s and 1960s (in the US and elsewhere) and is utilised here for precisely this purpose.

Underpinned and enabled by extraordinary levels of productivity, business profitability and economic growth and characterised by significant working class gains (e.g. improvements in wages and working conditions), this accord comprised a particularly important component of the post-war Social Contract. For capital, this entailed the acceptance of an influential and well-organised labour movement as a more or less permanent feature of the post-war industrial relations landscape. In practice, this meant collective negotiation with trade unions over wages and conditions, a commitment to the provision of a ‘social wage’ (manifest through rising real incomes linked to productivity growth and inflation) and, more broadly, an institutionalised assurance that minimal living standards for workers would be protected. Conversely for labour, workers conceded capital’s right to control the labour process and determine overall corporate strategy, to have wage growth linked to gains in productivity and to have resource allocation determined for the most part by market forces (Bowles *et al.* 1990: 56-57). The accord also served to limit calls for more radical (e.g. socialist/communist) forms of financial redistribution by appealing to less ideologically radical elements of the political spectrum (Bowles *et al.* 1990; Wilford 2002).

But what enabled this accord between capital and labour? And why at this particular historical juncture? As suggested above, fears on both sides of a return to the industrial conflict of the interwar period was certainly one factor, as was the prospect of a return to the overall economic instability of the 1930s; still fresh in the minds of policy-makers, business and workers. It could be argued however that, in the United States at least, the roots of the limited capital-labour accord to which Bowles *et al.* (1990) (and others) refer lay in the New Deal reforms of the 1930s and the creation of the *National Labor Relations Act 1935* (or ‘Wagner Act’), which was designed to:

...protect the rights of employees and employers, to encourage collective bargaining, and to curtail certain private sector labor and management practices, which [might] harm the general welfare of workers, businesses and the U.S. economy (NLRB 2009).

Though significantly amended as a result of the *Labor-Management Relations Act 1947* (otherwise known as the ‘Taft-Hartley Act’) which sought to curtail the power of unions and strengthen the power of business/capital, the Wagner Act conferred the *right* to collective bargaining on millions of American workers and, perhaps more

significantly, *legitimated* the existence of trade unions as a political, economic and social actor with which business would have to negotiate and, ultimately, coexist. This contributed to the emergence of an ‘uneasy compact between capital and labour’⁸ (Harvey 2006: 148) in the United States in the wake of the end of the Second World War and resulted in significant economic benefits for those who were affiliated with the organised labour movement (see Bowles *et al.* 1990: 56).

On the other side of the Atlantic, ‘accords’ (between capital and labour) similar to that which was ‘negotiated’ in the United States under the auspices of the New Deal framework of the 1930s emerged in Austria, Belgium, Britain, Denmark, Finland, France, (West) Germany, Ireland, Italy, the Netherlands, Norway and Sweden after 1945 (see Phelan 2007). This is not to negate the significant array of qualitative and institutional differences that existed between Western industrialised states (in terms of industrial relations) in the post-war period. Nor should the degree to which a ‘consensus’ was achieved in this area in any or all of the aforementioned countries be overstated. Indeed although it is widely acknowledged that in the two-and-a-half decades following World War II, a *comparatively* harmonious era of industrial relations was able to ensue as a result of a defacto or tacit alliance between capital and labour (see Nissen 1990 and Poulsen 2008), numerous scholars have suggested that the accord to which Bowles *et al.* (1990) refer was never as comprehensive as suggested by many. In addition to the suggestion that a degree of industrial conflict persisted throughout the post-war period (see Lichtenstein 2002; McIntyre and Hillard 2008 and Nissen 1990), they argue that the benefits of collective bargaining and regulation were never extended to workers in all industries (a point which is also conceded by Bowles *et al.* 1990). More fundamentally however, many scholars who have been critical of the suggestion that an accord between capital and labour (and the images of peace and cooperation which that term implies) actually existed during the post-war period have argued that while capital:

...pragmatically accommodated themselves to unions, this adaptation was never deep or philosophical. At the philosophical level, the vast majority of employers were committed to unions only at the level of convenience...they were “realists” rather than converts to the “progressive”

⁸ To be sure, there is disagreement among scholars in respect to how cooperative this relationship actually was. See, for example, Fones-Wolf 1990 and McIntyre and Hillard 2008.

position of harmonious interests between employer
an union (Nissen 1990: 197).

And yet, with all of the aforementioned caveats in mind (e.g. the persistence of a degree of industrial conflict, disparities within and between Western democratic states in which ‘accords’ had been negotiated and the absence of an underlying or fundamental commitment by capital to the terms of the accord), it is the author’s contention that it is, in fact, apposite to speak of a ‘limited capital-labour accord’ as a definitive and, indeed, distinguishing characteristic of this period. This is because, as Campbell, Fishman and McIlroy (1999: 70) point out, during this period there existed a *degree* of consensus between capital and labour that was ‘real and distinctive, if not all embracing’; particularly in comparison to the preceding and ensuing periods. Indeed, even if one is to concede that the business community in the US and elsewhere never *fully* accepted the ‘institutional existence of unions’ and that what emerged in the post-war period was a ‘partial truce’ between capital and labour ‘rather than an accord’ (McIntyre and Hillard 2008: 248), it is evident that this period was a comparatively stable and peaceful one from an historical viewpoint. Indeed as we shall see, the extent to which such an accord actually existed would become strikingly evident as it was challenged by capital in the 1970s and 1980s; particularly in the ‘neoliberal heartlands’ of the US and the UK (Peck and Tickell 2003).

The Welfare State

Also emerging throughout much of the West in the wake of the Second World War was a form of economic organisation that Esping-Andersen (1990) and others have referred to as *welfare capitalism*. In contradistinction to many of its pre-Second World War (and indeed nineteenth century) incarnations, this form of capitalism can be said to have been characterised not by *laissez faire* and a belief in the welfare maximising effect of the ‘free market’ but by government intervention and regulation along with a *conscious* attempt to distribute the benefits of economic production more evenly through redistributory social and economic policies. In the immediate aftermath of World War II, this commitment to a more progressive and welfare-oriented form of capitalism resulted in the creation of the post-war *welfare state*. Welfare states were those—typically advanced-democratic-capitalist—states that, in the wake of the carnage and destruction of the Great Depression and Second World War, sought, to varying degrees, to promote economic growth, regulate markets and redistribute wealth as a

means of providing for the economic well-being (or 'welfare') of the vast majority of their citizenry. Indeed according to Esping-Andersen (one of the world's leading authorities on the development of capitalist welfare states), in the second half of the twentieth century 'what once were night-watchman states, law-and-order states, militarist states, or even oppressive organs of totalitarian rule' became 'predominantly preoccupied with the production and distribution of social well-being' (Esping-Andersen 1990: 1).

In having suggested that the welfare state as a form of economic and social organisation emerged 'throughout much of the West' in the post-war period and that a number of advanced-democratic-capitalist states became 'preoccupied with the production and distribution of social well-being', it is important to point out that *significant* qualitative and institutional differences existed between states that adopted a more welfare oriented approach to economic and social policy and that the model adopted by each particular country was determined largely on the basis of social, political, cultural, historical and institutional characteristics. The US welfare state, for example, remained minimal in comparison to many of its European counterparts (including the UK). Though involving a more extensive commitment by government to the well-being of the nation's citizenry (than had existed previously), post-war social policy in the US continued to be informed by traditional, Anglo-Saxon, liberal precepts pertaining to 'welfare'; namely that individual welfare should be determined by the market and, where necessary, supplemented by a safety net through which no citizen should fall (Spicker 2000). Welfare provision in the US and a number of other 'liberal' welfare states was thus conceived broadly in the post-war period and in predominantly market-based terms. Full employment policies, public works programs, minimum wages and the creation and perpetuation of robust economic conditions were all in this context considered key components of welfare provision, with direct benefits or cash payments provided for only a limited period (if at all), and only to those unable to manage outside of the market (Esping-Andersen 1990; Spicker 2000).

In contrast to the 'liberal' system of welfare provision adopted by the United States in the post-war period, a number of European states who were less constrained by the 'liberal obsession with market efficiency and commodification' (Esping-Andersen 1990: 27) opted to develop their welfare states on the basis of *solidarity* and/or *corporatism* (Esping-Andersen 1990; Spicker 2000). Conceptualising welfare

predominantly in terms of mutual responsibility and/or reciprocity, *solidaristic* (also referred to as ‘conservative’ or ‘corporatist’ by Esping-Andersen) welfare states such as France, Germany and Italy were characterised by a commitment to the provision of benefits on the basis of social differentiation. Underpinned by a strong historical commitment to the preservation of stability and order through social and economic stratification, in these, mainly continental European states, extra-market welfare entitlement was determined by and large by one’s contribution to various social insurance schemes. Administered by a variety of predominantly non-state actors (e.g. employer associations and labour organisations), in the post-war period these kinds of schemes provided a degree of economic security for the vast majority of the citizenry while at the same time restricting the tax burden to an intermediate level (Esping-Andersen 1990; Spicker 2000).

Though smaller in number, institutional’ or ‘social democratic’ welfare states were established (in the post-war period) largely on the basis of equality and universality (Esping-Andersen 1990; Spicker 2000). Exemplified by Scandinavian states such as Denmark, Sweden and Norway, welfare provision in this context was destigmatised and its provision both institutionalised and universalised in the second half of the twentieth century. This involved an extensive commitment to large-scale financial transfers through extraordinarily high levels of income and other forms of taxation. Due to its universality and consequent political acceptability however, the Scandinavian welfare model continued throughout the post-war period to epitomise the modern welfare state *par excellence* (Esping-Andersen 1990).

Though characterised by significant qualitative and institutional differences, a number of characteristics can be identified that were common to almost all post-war Western welfare states. These include a commitment to the nationalisation of essential services such as electricity generation, telecommunications and health care and the assumption of state responsibility for education, which, in many instances, was provided free of charge to citizens. Perhaps the most striking feature of post-war social policy—evidenced by the development of the welfare state itself—was *the state’s commitment, both implied and overt, to the well-being of its citizenry*; a commitment that was central to the overarching post-war Social Contract which the author suggests was common to a large number of Western industrialised countries during this period. This commitment engendered a new role for the state. Indeed by assuming a much greater

degree of *responsibility* for its citizens, the state was compelled to expand into previously commodified areas of social, political and economic life. And yet, although it was able to expand and prevail in the two-and-a-half decades following World War II, in the wake of the end of the post-war era the welfare state would be challenged by those who would once again seek to *redefine* the role of the state in accordance with economic liberal ideas pertaining to the correct and appropriate role of government in an advanced-democratic-capitalist society.

2.2.3 Economic Growth, Corporate Profitability and the Collapse of the Bretton Woods System

Throughout much of the post-war period the welfare state, capital-labour accord and Keynesian orthodoxy were accompanied by historically unprecedented levels of both corporate profitability and economic growth. In the US, for example, corporate profitability (defined as the average after-tax rate of profit enjoyed by the US Non-financial Corporate Business (NFCB) Sector⁹) rose from around 8 percent in 1950 to nearly 10 percent in 1966; averaging some 6.9 percent between 1948 and 1966 (Bowles, Gordon and Weisskopf 1989: 110). Although peaking around 1967, this rate remained high until the mid-1970s (averaging 7.0 percent between 1966 and 1973) (Bowles *et al.* 1989: 110). Indeed when compared with two successive periods (1973-79 and 1979-87), the profitability of the post-war period for US corporations is clearly discernible. Between 1973 and 1979, profitability in the US NFCB sector averaged 5.5 percent per year; rising only slightly during the period 1979-87, to an average of 6 percent per year (Bowles *et al.* 1989: 109).¹⁰ Figures pertaining to the profitability of the UK Private Non-Financial Corporate (PNFC) business sector during the post-war period tell a similar story. Between 1965 and 1972, for example, British companies (comprising this sector) enjoyed a net rate of return of more than *10 percent* (on average) while between 1973 and 1979, the after-tax rate of return for this sector averaged around 7.0 percent (Office for National Statistics 2009). Though indicative only, the figures presented above illustrate something of the extent to which the post-war period was a *particularly* profitable one for US and British companies.

⁹ Bowles *et al.* (1989: 131) calculate the US corporate after-tax rate of profit by fully adjusting net-corporate profits plus net interest payments, minus corporate tax payments divided by net fixed capital stock plus inventories measured at their replacement cost for the Non-financial Business Sector.

¹⁰ For a comprehensive analysis of the decline of US corporate profitability in the 1970s, see Bowles *et al.* 1989).

With respect to the issue of economic growth, it is evident, too, that the post-war period was an exceptional one. In the US, real Gross National Product (GNP)¹¹ grew by an average of 4.4 percent for the period 1948-66. This was followed by an average growth rate of 3.2 percent for the period 1966-73 and 2.6 percent for the period 1973-79 (Bowles *et al.* 1989: 109). Western European rates of economic growth in the post-war period were similarly robust. Between, for example, 1953 and 1973, European economic growth averaged 4.8 percent per year, *twice* as fast as for any comparable period either before or since (DeLong and Eichengreen 1991). During a similar period (1950-73), Britain, West Germany and France averaged per capita growth rates of 2.4, 5 and 4 percent respectively; with a number of other European countries such as Spain, Italy and Austria each averaging per capita growth rates of around 5 percent (Van Ark and Crafts 1996: 3). Much of this growth can, of course, be attributed to the need for European reconstruction in the wake of the devastation of World War II and the progressive extension and diffusion of mass consumption norms in the post-war period (which, in turn, sustained aggregate demand). The trend itself, however, is unmistakable: economic growth—however evenly or unevenly distributed its bounty was one of the definitive characteristics of the post-war period.

The significance of the figures presented above can hardly be overstated; as it was precisely the *prosperity* to which such figures allude that both *underwrote* the overarching post-war Social Contract that has been described in this chapter and *enabled* it to endure for as long as it did. Moreover, of particular importance are the figures pertaining to US post-war corporate profitability and economic growth. As suggested at the beginning of this chapter, the Bretton Woods System provided the international regulatory (and financial) framework from within which the prosperity of the post-war period could be realised. Itself underwritten by US economic and financial strength, however, the Bretton Woods System, long boom, and accompanying post-war *Social Contract* could only be sustained as long as US economic prosperity (both real and perceived) was sufficient to underwrite the system of fixed exchange rates and dollar-gold convertibility that comprised the cornerstone of this system (Hawes 1990).

¹¹ GNP (Gross National Product) is distinguished from GDP (Gross Domestic Product) by the fact that the former *includes* output produced *outside* of a particular country's borders (e.g. the value of output produced by multinational corporations operating abroad, for example).

As early as the mid-1960s however, numerous challenges to US economic, military and political hegemony (and by extension, US corporate power) both at home and abroad were conspiring to weaken the pre-eminent economic position of the US in international affairs and by the late 1960s, the US was no longer in a position to convert dollars to gold on request.¹² As a consequence, under the auspices of President Nixon's *New Economic Policy*, in 1971 the US withdrew from the Bretton Woods System and abandoned the system of fixed exchange rates which had, for more than 25 years, provided an historically unprecedented degree of international monetary stability and, *ipso facto*, the foundation for a spectacular increase in the volume of world trade.¹³ Combined with a number of other, structural political and economic changes (discussed below), the US withdrawal from the Bretton Woods System of fixed exchange rates can be said to have signaled 'the beginning of the end' of the post-war boom and the emergence of a new economic order; one based less on international economic cooperation and 'welfare capitalism' than on international *competition*. This new order would have far-reaching consequences for a significant proportion of those residing in the advanced-democratic-capitalist world; many of whom had grown accustomed to the (seemingly) ever-increasing prosperity of the post-war period. It would also precipitate a limited abandonment of the overarching Social Contract by which the post-war era had been characterised.

2.2.4 A Provisional Alliance

The post-war Social Contract (as discussed in this context) can therefore be said to have been characterised by a generalised commitment to Keynesianism, a limited accord between the constituent elements of capital and labour and a tacit commitment by governments throughout the West to provide for the well-being of their citizenry where necessary through the creation of the welfare state. Underpinned by a relatively

¹² Whereas in 1945, the US was in a position to exchange dollars for gold to its Bretton Woods partners at US\$35 an ounce, by the late 1960s it was evident that the ability of the US to continue to underwrite the system of fixed exchange rates (and defacto gold standard) that had emerged at the end of the Second World War was in doubt. Indeed by 1971, the depletion of US gold reserves (a product of relative American decline) meant that America's outstanding foreign dollar holdings (estimated at around US\$80 billion) *greatly exceeded* its gold stocks (with an estimated value of US\$10 billion) (Hawes 1990: 158).

¹³ Between 1948 and 1973, world trade grew by an *average* of 7 percent per annum. This was in stark to the preceding and ensuing periods, in which world trade grew by an average of just 0.5 percent and 3.5 percent in the periods 1913-48 and 1973-81 respectively (Hawes 1990: 158).

widespread commitment to social democratic principles and enabled by high levels of economic growth, business profitability and a comparatively cooperative ‘alliance’ between capital, labour, government and the general citizenry, a period of economic prosperity was able to ensue in which material benefits and a degree of political power were extended to a range of historically marginalised and often disempowered groups such as women, the poor, racial minorities and the working class (Apple 1993: 30). *By no means free from tumult*, a substantial degree of institutional harmonisation can be said to have existed throughout the first two decades of the post-war period in particular, largely as a result of the ‘contract’ discussed above.

The alliance between capital, labour, government and the citizenry which enabled such a contract was, however, a *provisional* one. Contingent upon strong economic growth, increasing productivity, robust consumer demand and perhaps most importantly, business profitability, this settlement could endure only so long as its most powerful participant—namely capital—was willing to compromise on the basis of perceived self-interest. By the mid-1960s however, in the US and UK especially, higher living standards, the extension of social rights and the political power of a strong labour movement were to produce a series of rather unintended (if perhaps not entirely unexpected) consequences. Indeed it was during this period that a number of sustained and increasingly well-organised challenges to corporate and state power materialised ‘from below’ (Bowles *et al.* 1990). Coupled with decreasing profits, reduced growth, lower productivity, high inflation and unemployment and insufficient consumer demand, these factors combined to produce fertile ground from within which a ‘revival of the liberal creed’ could take root (Taylor in Peck and Tickell 2003: 170).

Such a revival would ultimately lead to the widespread adoption of what critics would refer to as neoliberal policies by Western governments and a challenging of the Social Contract which had evolved since 1945. Preceding, and to a certain extent, precipitating, the ‘neoliberal revolution’ however, would be a period of social, political and economic upheaval. Corporate power—particularly in the United States—would be contested by those who were increasingly seeking to use the state as a vehicle to extend economic and social rights to historically disenfranchised and marginalised groups and counter particular aspects of post-war society that were considered to be problematic and/or unjust in the eyes of a number of citizens. The following section provides a cursory overview of such challenges, an appreciation of which is essential

to any analysis of the rise of neoliberalism as a policy paradigm in the 1980s and 1990s.

2.3 A Chink in the Armour: Challenges to Corporate Capitalist Power

2.3.1 Popular Social and Political Movements in Europe and the United States

Along with the mass diffusion of economic prosperity and the rise of the welfare state came a number of changes. Prior to the 1960s, in the interests of prosperity, stability and reconstruction (in Europe), war weary Western populations had, by and large, sought to cooperate with their respective business and government elites. By the late 1950s and early 1960s, however, the social and political movements of a number of constituencies who were *opposed* to various aspects of the post-war social, political and economic order (despite the existence of a comparatively progressive Social Contract) were beginning to gain momentum. Foremost among these in the initial instance was the Civil Rights Movement in the United States. Rising to prominence in the mid-1950s and continuing into the 1960s, the movement secured a significant number of political and legal victories as a direct result of its participants burgeoning struggle for social and political equality.¹⁴ Working through prominent organisations such as the National Association for the Advancement of Colored People (NAACP), the Southern Christian Leadership Conference (SCLC) and numerous others, the Civil Rights Movement compelled the US Government (and indeed, the wider US citizenry) to acknowledge the egregious social, political and economic inequalities pervading American society in the post-war era; particularly those that were resulting from legally sanctioned racial discrimination.

¹⁴ As early as 1954, civil rights lawyers and activists working through organisations such as the National Association for the Advancement of Coloured People (NAACP) and others had convinced the US Supreme Court to order the desegregation of US schools (*Brown vs Board of Education Topeka 1954*). By the mid-1960s, however, the Civil Rights Movement had facilitated the creation of a *number* of progressive pieces of legislation. Examples include the *Civil Rights Act 1964* (which prohibited segregation in all ‘public accommodations’) and the *Voting Rights Act 1965* (which significantly expanded black suffrage). The political activities of the Civil Rights Movement also contributed to the creation of the US Equal Employment Opportunity Commission (1965) which was designed to prevent workplace discrimination on the basis of race, religion, nationality and gender.

Though an early example of the kind of civil and political activism that would eventually become synonymous with the 1960s, by the middle of that decade the Civil Rights Movement had become one among a number of popular social and political movements that had undertaken to mobilise in the interests of their particular constituency. Inspired by the achievements of their counterparts in the Civil Rights Movement, groups representing the interests of students, young people, women, the environment, the poor (and working poor), the elderly, and a host of others (e.g. the new left, the anti-war movement, the gay liberation movement, the counter-culture etc) mobilised in order to ameliorate injustices believed to be emanating from the very structure of post-war American society. Adopting a number of the political and legal tactics which had proven successful for their African-American counterparts, social and political activists in the United States sought to contest numerous aspects of the existing social, political and economic order. And although far from possessing uniform goals, values or beliefs, these movements combined to produce a degree of popular politicisation arguably witnessed neither before nor since.

Yet how does one account for such mass politicisation and popular mobilisation? Why was it that, in the midst of such a prosperous and *comparatively* egalitarian era (see Duménil and Lévy 2004), American citizens, along with so many of their counterparts in other advanced-democratic-capitalist nations sought to challenge so many aspects of a political and economic system which had enabled so many to achieve a material standard of living almost unthinkable only two decades earlier? One of the most obvious answers to this is that, for many, the prosperity of the post-war era remained elusive. For those without access to stable or permanent employment or, if employed, the benefits enjoyed by workers protected by the organised labour movement (estimated at some 40 percent of the workforce in the US, for example), the existing accord between capital and labour was of relatively little consequence. Indeed according to Bowles *et al.*(1990: 67), between 1948 and 1966 the wage disparity between ‘primary’ and ‘secondary’¹⁵ workers increased by some 15 percent. Thus, for many of those engaged in service industries or employed by small business (such as women, racial minorities and younger workers), the ‘prosperous fifties’ was hardly

¹⁵ By ‘secondary’ workers I am referring here to those to whom the benefits of the capital-labour accord did not extend or were limited to spillover effects from union political and economic victories (e.g. non-union labour employed by small and medium-sized businesses, those working in service industries etc) (Bowles *et al.* 1990: 67).

something with which they could readily identify. Moreover the reality of the limited American welfare state meant that by the end of the 1950s up to one-fifth of the population (or 40-50 million people) lived below the official poverty line. Under such circumstances, perhaps it was indeed only a matter of time before those who had been unable to access the ‘bountiful garden of productivity dividends...began to knock at the garden gate’ (Bowles *et al.* 1990: 57).

But the prosperity of the post-war period *did* substantially improve the material circumstances of many. So much so that by the mid-1960s, a large proportion of those residing within advanced-democratic-capitalist nations had become accustomed to a level of material prosperity and financial *security* that was particularly high by historical standards. In their analysis of the institutional dynamics of the post-war United States (referred to by the authors as the ‘Post-war Social Structure of Accumulation’), Bowles *et al.* (1990: 73) show that during this period, low unemployment and high social spending (on programs such as Medicare, Medicaid and food stamps etc) combined to *weaken* the power/leverage of capital and *strengthen* the economic—and consequent political—power of unions, workers and others (e.g. social, political and environmental activists) who were increasingly seeking to challenge ‘the basic logic of capitalist profitability’ in numerous areas. *Empowered* by their new-found material affluence and *emboldened* by gains that were made in the areas of industrial relations and consumer and environmental protection¹⁶, for example, those who were opposed to various aspects of post-war American society and the perceived dominance of the business (and corporate) community in particular continued to campaign for ever more (government) intervention and regulation to ameliorate inequality, protect the environment and consumers and further the interests of various causes and constituencies (e.g. conservation, students etc). Over time, this began to impose *significant* costs (through increased taxation and regulation of business practices, for example) on a business community that was already having to contend with a number of *structural* economic problems that were emerging in the late 1960s

¹⁶ By the early 1970s, the US government had created a number of agencies that were devoted to consumer and environmental protection (as well as worker safety) as a direct result of the action of US citizens. These included the Environmental Protection Agency (1970), the Occupational Safety and Health Administration (1970), the National traffic Safety Commission (1970), the Consumer Product Safety Commission (1972) and the Mine Safety and Health Administration (1973). (Edsall 1984: 113).

and early 1970s (e.g. falling productivity, growing inflation, competition from Germany, Japan and the newly industrialising countries etc).

In a large number of other advanced-democratic-capitalist countries, counter-hegemonic challenges to particular aspects of the post-war order (as well as the 'larger ensemble of power relations' by which such societies were characterised e.g. economic, bureaucratic, patriarchal and racial) emerged as a diverse array of individuals, organisations and movements sought to secure, *inter alia*, genuine democracy, social equality and peaceful international relations through collective social action (Boggs 1986: 21; 50). Indeed, although throughout much of the Western world, Keynesian demand management policies, the welfare state and a strong labour movement had discernibly improved the quality of life of a large number of people, the negative consequences of an inequitable economic and social system that was dominated by private capital and associated with environmental degradation, economic exploitation (at home and abroad) and social breakdown conspired to produce a hostility (by many throughout the West) to that very same system. This resulted in the proliferation of a large number of organisations and movements in Western Europe which, in the 1960s, 'converged around a variety of struggles and themes' (e.g. Civil Rights, feminism, the environment, opposition to nuclear weapons, the Cold War and American intervention in Vietnam) and mobilised (often in conjunction with their North American counterparts) to confront problems like air pollution, toxic waste, threats to occupational health and safety and the killing and mistreatment of animals—among others (Boggs 1986: 41).

Manifest overwhelmingly in the form of direct action (e.g. demonstrations, marches, sit-ins etc) and 'grass-roots' political and social campaigns (e.g. telephone and letter writing etc), this 'huge, amorphous movement' sought to challenge many of the foundations (and assumptions) on which much of the post-war order was predicated. And although the overwhelming majority of the aforementioned movements (and the individuals and organisations which comprised them) were *not* seeking to seize control of the state or repudiate capitalism *in toto*, they did seek to contest corporate capitalist power in numerous areas of social, political and economic life and were undoubtedly perceived, by much of the business community, as a threat to their interests. Indeed as we shall see, many of the aforementioned developments in this area (e.g. popular mobilisation) in the 1960s would contribute to a politicisation of the US and British

Business communities in the 1970s. Further fueling the business community's reaction to the popular political and social movements outlined above, however, was the emergence of a number of *structural* economic problems which came to affect virtually every advanced-democratic-capitalist nation. It is to an examination of such problems that this chapter now turns.

2.4 The Honeymoon is Over: Stagflation and the Crisis of Keynesianism

If the 1950s and 1960s can be said to have been characterised by economic growth, profitability and relative economic stability then the 1970s may be understood as a period of economic instability, recession and crisis. It was during this period that economic problems of a *structural* nature began to emerge in the advanced-capitalist-democratic states of the West; problems that orthodox 'Keynesian' policies (e.g. deficit spending) appeared unable to attenuate. Unlike previous economic downturns since the end of Second World War which had been comparatively mild in both scope and duration (Lavelle 2005: 758), by the early-to-mid 1970s it was evident that many of the problems with which policy-makers were confronted in countries such as the US and Britain were *anything* but mild or cyclical. Foremost among such problems was a generalised international economic slowdown which saw global GDP growth fall from an annual average of 5 percent in the 1960s to 3.6 percent in the 1970s and 2.8 percent in the 1980s (Lavelle 2005: 759). Other problems which began to emerge in the late 1960s and early 1970s throughout much of the Western world included falling profitability (see sub-section 2.2.3), lower productivity growth, increasing inequality, lower taxation revenues and a consequent 'fiscal crisis of the state' (Cerny 2004).¹⁷ Of *particular* significance during this period, however, were the seemingly intractable problems of *unemployment* and *inflation* which, in conjunction with the aforementioned slowdown in economic growth, combined to produce what became known as 'stagflation'; a phenomenon which had hitherto been considered highly unlikely (if not impossible) by most economists due to the deflationary impact that the

¹⁷ In 1973, American sociologist/economist James O'Connor (1973) published a book of the same title in which he argued that there existed a 'structural gap' in advanced capitalist countries between budgetary expenses and the revenues required to pay for them. Since that time, the term 'fiscal crisis of the state' has been used as convenient shorthand to refer to such a phenomenon.

lower demand which was characteristic of a recession usually had on prices (Macfarlane 2006a).

But why did this happen? How can we account for the emergence of ‘stagflation’ and the end of a boom which had delivered unprecedented levels of prosperity to so many of those who were living in the advanced-democratic-capitalist world and which had led many influential economists to believe that a solution (in the form of Keynesian demand management) had been found to the macroeconomic problem and the ‘boom and bust’ cycle which had plagued capitalist economic systems for centuries? (Lavelle 2005: 758; Macfarlane 2006a; Whitwell 1986). Clearly, it was not simply the result of one particular factor but rather a combination of circumstances and events which conspired to bring the ‘golden age’ of capitalist growth and expansion to an end. Indeed although the stagflation and recession of the mid-1970s is often attributed to the impact of the Yom Kippur War of October 1973 and the subsequent four-fold increase in the price of crude oil (which severely *exacerbated* the economic problems that the Western industrialised countries were already experiencing), it is important to recognise that ‘cracks’ in the international and domestic economic foundation of the post-war Social Contract were beginning to appear in the 1960s. For example, by 1968 (and perhaps even earlier) it was evident that the Bretton Woods system ‘was on the verge of collapse’ as a result, *inter alia*, of the United States’ inability to exchange dollars for gold on request (Hawes 1990: 158). Extraordinarily high levels of military spending (due in large part to its involvement in Vietnam and Cold War competition with the Soviet Union), welfare state expansion (e.g. President Johnson’s ‘Great Society’ programs) and economic competition from Europe (in particular West Germany), Japan and the Newly Industrialising Countries (e.g. Taiwan and South Korea) all conspired to weaken the pre-eminent economic position of the US internationally and ultimately compromised its ability underwrite the international financial and regulatory framework from within which the post-war boom had occurred.

Although not burdened by military spending in quite the same way as the US, in the late 1960s numerous other Western industrialised countries began to experience domestic fiscal crises as the budgetary cost of welfare expenditures (many of which proved exceedingly difficult to wind back), social policies, public services, nationalised industries and bureaucracies grew faster than government revenues

(Cerny 2004: 8; O'Connor 1973). Moreover, it was in the late 1960s that the 'limited capital-labour accord' of which has been spoken above began to become strained; particularly in the US and Britain, as an increasingly militant labour movement (in Britain) and the 'costs' (to capital) of high wages and 'inflexible' working conditions (in the United States) were blamed for the slowdown in economic growth and investment (not to mention profitability). It was in the context of a pre-existing systemic crisis, therefore, that the Organization of Petroleum Exporting Countries (OPEC) oil crisis of 1973 (which simultaneously raised prices and reduced real spending in the economy) plunged the world into recession in 1974 and officially ended the post-war economic boom (Lavelle 2005: 758; Macfarlane 2006a).

Compounding the economic problems by which numerous Western industrialised countries were beset in the 1970s was the fact that the Keynesian economic orthodoxy which had prevailed since the end of the Second World War appeared singularly ill-equipped to deal with the crisis. This was because 'Keynesianism had neither an explanation [for] nor a solution' to the 'inauspicious constellation of circumstances' (e.g. stagflation) with which policy-makers were confronted in the early-to-mid 1970s (Hay 2001: 207-208). Indeed although from the late 1960s, Keynesian demand-management strategies were increasingly used (most notably in Britain but also in the US and elsewhere) to promote economic growth by pushing Western industrialised economies to their expansionary limits, over time it became evident that more of the same Keynesian 'medicine' would not solve the problem of stagflation and that a new policy framework was needed to restore dwindling growth and profitability and to bring the problems of inflation and unemployment under control (Macfarlane 2006a). It was this 'crisis' of Keynesianism that would precipitate, in part, the transition to a new policy paradigm; one that appeared—to many—to not only be able to *explain* the causes of the economic problems of the 1970s but provide policy *solutions* for their amelioration.

2.5 Neoliberalism as Intellectual Construct: The Rise of Neoliberal Political and Economic Thought in Europe and the United States

According to Lavelle (2005: 758), the end of the post-war phase of capitalist economic development and growth 'produced considerable economic and political confusion'.

As it became more and more evident in the 1970s that ‘traditional Keynesian measures’ were unable to restore economic growth, business profitability or prevent the inexorable rise of stagflation (inflation, for example, peaked at 25 percent in Britain in 1975 while unemployment reached more than 10 percent in the United States in 1979, Hay 2001: 208; Macfarlane 2006a), many policy-makers in Western Europe and the United States became convinced that an alternative approach was required to deal with the seemingly intractable *structural* economic problems that Western industrialised countries were experiencing; problems for which, it has been argued, the existing Keynesian ‘policy paradigm’ had ‘neither an explanation nor a solution’ (Hay 2001: 208). But how can we account for the rise of *neoliberal* political and economic policies in the late 1970s and early 1980s and why is it that the *monetarist* ideas of economist Milton Friedman ‘initially...filled the vacuum created by the failure of Keynesianism’? (Lavelle: 2005: 760). Peck and Tickell (2003: 170 original emphasis) suggest ‘that the developing political and economic crisis around the Keynesian-welfare state during the 1970s was not *destined* to translate into the ascendancy of neoliberalism’. And yet, that it was largely the ideas of those who were arguing in favour of an economic liberal approach to public policy that were able to fill the political and intellectual void left by Keynesianism is hardly surprising in light of the extraordinary degree to which the proponents of such an approach had been working to re-establish the intellectual validity of their ideas in the post-war period.

Indeed, although in many respects it would be difficult to overstate the extent to which Keynesianism (with all of the caveats implied by that term) became institutionalised in Western academic and political circles in the aftermath of the Second World War (see sub-section 2.2.2), the post-war period also saw the development of two interrelated phenomena which ultimately led to the displacement of the dominant Keynesian policy paradigm by neoliberalism: the ascendancy of neoclassical economics in Western (but particularly US and British) university economics departments and the proliferation of a network of corporate-backed think-tanks whose primary objective was to persuade both policy-makers and the population at large that the answer to many of society’s social and economic problems lay in the large-scale application and implementation of what would become known as ‘neoliberal’ policies. As suggested in the previous chapter, the dissemination and promotion of right-wing, economic liberal ideas was undertaken by a wide variety of actors, many of whom did ‘not necessarily...[have]

much in common in other respects' (Stilwell 2002: 372). Through their combined efforts, however, a surprisingly diverse group of individuals and organisations was able to discernibly alter the political and ideological landscape of the West by 'capturing' the intellectual high ground, gaining access to political power, creating a new policy orthodoxy and disseminating their ideas internationally through international institutions such as the IMF and the World Bank. It is to an examination of these two processes that we now turn.

2.5.1 The Rise of Neoclassical Economics

In having suggested that elements of 'Keynesian' economic thinking became institutionalised throughout Western (and particularly US and British) university economics departments in the two to three decades following the Second World War (albeit in the form of the 'neoclassical synthesis' which was described in sub-section 2.2.2), it is important to point out that during the aforementioned period, Keynesian ideas were contested by a minority of economists who remained vehemently opposed to the interventionist character of Keynesianism. Relegated to the intellectual, political and ideological periphery as a result of their preferred school of thought's failure to provide either an explanation or a solution to the economic problems of the 1930s, proponents of the *neoclassical* school which had emerged in the late nineteenth century and gained traction during the early stages of the twentieth were forced to endure nearly three decades in the intellectual and political wilderness before they would once again find their ideas fêted by those who were capable of *actualising* their ideas (i.e. policy-makers) (Peck and Tickell 2003: 171). And yet, it was during the period of relative Keynesian hegemony that the *foundations* were laid for the neoclassical school of thought's subsequent intellectual (and ultimately political and ideological) ascendancy in the 1970s and 1980s; both in the neoliberal 'heartlands' of the US and the UK and elsewhere.

In many respects, the roots of the neoclassical—and ultimately neoliberal—revolution(s) lay in the United States. Although in the immediate aftermath of the Second World War, it was generally believed that an economic stimulus (in the form of wartime government spending) of the kind that was advocated by Keynes had brought the United States out of recession and pushed the economy into a virtuous cycle of growth

and consumption that was essentially self-reinforcing (Renshaw 1986), Fullbrook contends that while:

At one level [that] ended the argument...at the theoretical level...the argument had only just begun. In 1946 Keynes died and neoclassical economists began their counterinsurgency (Fullbrook 2006: 4).

According to Fullbrook (2006: 4), those in favour of neoclassical ideas (within prominent US universities) were aided immeasurably in this ‘counterinsurgency’ by the US Defense Department who ‘lavishly funded university research in mathematical economics’. Intrigued by the strategic and military potential of emerging mathematical concepts and techniques that were utilised and applied by neoclassical economists (such as game theory and linear programming), in 1965 the US Air Force established a fellowship program for both graduate students and post-doctoral researchers ‘who best fitted the [neoclassical] mold’ at the Universities of California, Harvard, Stanford, Yale, Chicago, Columbia and Princeton (Fullbrook 2006: 4). Over time, such funding enabled the research output and *ideas* of the economics departments that were housed by the aforementioned institutions to become dominant throughout the profession, particularly in the United States (Bernstein 1999; Fullbrook 2006: 5).

But how might we account for the ascendancy of neoclassical economic ideas in the higher educational institutions of other Western industrialised nations? Clearly, the answer to this question is bound inextricably to the international power and influence of the United States in the immediate aftermath of the Second World War. Indeed according to Bernstein, it was during this period that organisations such as the American Economic Association (AEA) sought to disseminate neoclassical economic ideas to countries over which the US was afforded a significant degree of political influence as a result either of occupation (e.g. Germany and Japan) or Marshall Plan aid (Western Europe). Through, for example, the provision of American economic journals (free of charge) to numerous war torn countries outside of the Soviet Union and its sphere of influence and the defacto reconstruction and reconstitution of economics curriculums in various parts of Europe and Asia, the American economics establishment was able to export and diffuse ‘American-style thinking on scholarly matters to foreign lands’ (Bernstein 1999: 104). Given such influence, it is in many ways unsurprising that as the synthesised version of Keynesianism that was articulated by Samuelson in the 1940s and 1950s began to give way to a more traditional (and

arguably less nuanced) incarnation of neoclassical theory in the late 1960s and early 1970s, such changes were reflected in the economics departments of other parts of the world; particularly those who were closely aligned with the United States and whose academic trends tended to mirror those that were emerging in North America.¹⁸

In the US itself, the intellectual and ideological nucleus of the neoclassical economic ‘counter-revolution’ which began to gain traction in the late 1960s and early 1970s was the University of Chicago; home to the ‘Chicago School’ of economics and some of the most vociferous advocates of neoclassically-oriented ‘free market’ ideas. Opposed to the interventionist character of the prevailing Keynesian economic orthodoxy, academic economists such as Milton Friedman, Ronald Coase, George Stigler, Richard Posner, Robert Lucas, Gary S. Becker and others also ‘exhibited a hostility to many of the projects of the American progressive tradition [more broadly] just as progressive ideas and institutions were losing favour in American society’ (Nelson 2001: 18). This ‘hostility’ to the ‘American progressive tradition’ of social and political liberalism by academic economists of the Chicago School (and others throughout the American academic community who rejected Keynesianism in favour of neoclassicism) would prove decisive in the 1970s as it was the work of these and other scholars that provided the *intellectual foundation* for the emerging ideology of neoliberalism; an ideology that was utilised *instrumentally* by many of those who were seeking to reshape the Western political and economic landscape in accordance with their own pecuniary interests.

2.5.2 ‘Think-Tanks’ and the Politicisation of the Business Community in the US and UK

It should come as little surprise that the large, powerful institutions of corporate capital fund other organisations to produce information and promote values conducive to their interests. Often nominally established as ‘research centres’, these ‘think-tanks’ are usually directly concerned with propaganda. Not much thinking necessarily occurs. Their typical modus operandi is the dissemination of more or less blatant ‘free-market’ ideology through schools and the media, and the direct lobbying of decision makers in government and other public institutions. They make common cause in this endeavour with

¹⁸ Bernstein (1999: 106) cites the example of the UK’s London School of Economics (LSE) whose economics curriculum was restructured by University of Chicago Professor Harry Johnson in the 1960s.

right-wing economists, including some of quite senior professional standing (Stilwell 2002: 372).

As has been suggested throughout this chapter, the post-war Social Contract (between government, capital, organised labour and the citizenry) of which has been spoken above was provisional upon economic growth and ongoing business profitability. Thus, when the broader economic conditions upon which such an ‘alliance’ was contingent began to deteriorate in the late 1960s and collapse in the 1970s, it was—in retrospect perhaps—only a matter of time before conflict erupted between a number of constituencies whose interests were perceived to be incompatible with one another under such circumstances. Moreover from the mid-1960s, there was a growing perception ‘among the upper classes’ in the US and elsewhere that ‘the anti-business and anti-imperialist climate’ that was emerging was going too far (Harvey 2006: 149) and that the additional economic costs that were being imposed on the business community by the state (through greater regulation and higher taxation, for example) on behalf of the popular social, political and environmental movements that had emerged in the 1950s and 1960s were becoming intolerable (Bowles *et al.* 1990). In addition to the above, public perceptions of the business community (especially major corporations) in the US in particular were at an all time low during this period as a result, *inter alia*, of perceived links between American corporations, the Watergate scandal and the US corporate sector’s role in the ongoing Vietnam conflict (e.g. provision of weaponry and materiel) (Edsall 1984: 112-113).

It is hardly surprising, therefore, that under such circumstances the business community decided to mobilise in pursuit of its own material interests. What was extraordinary, however, was the way in which it decided to do so. Writing in relation to the US, Edsall suggests that what was novel about the mobilisation of the business community in the 1970s was that it:

...refined its ability to act as a class, submerging competitive instincts in favour of joint, cooperative action in the legislative arena. Rather than individual companies seeking only special favour in the award of a contract...the dominant theme in the political strategy of business became a shared interest in the defeat of such bills as consumer protection and labor law reform, and in the enforcement of favorable tax, regulatory and anti-trust legislation (Edsall 1984: 128-129).

This is not to suggest that competition within the business community ceased or that the business community was *entirely* unified in terms of its aims and objectives. It is, however, to suggest that in the early 1970s the perceived threat to the private sector as a whole was sufficient to compel ‘a host of business interests, many of them competing for the same markets in the private sector, to join together on larger issues’ and act cooperatively in the face of a common threat (Edsall 1984: 129). Interestingly, one of the principal ways in which the business community in the US attempted to respond to the challenges presented by those who were seeking to exercise greater control over the activities of the corporate sector through government intervention and regulation was to adopt many of the tactics which had proven to be so effective for their ‘adversaries’ in the 1950s and 1960s. Whereas in the past, the corporate sector’s preferred tactic was to exert pressure on elected representatives (and others) ‘behind closed doors’ in order to achieve limited and specific objectives (a federal government procurement contract, for example), in the 1970s the US business community began to adopt ‘grass-roots’ lobbying tactics (characterised by telephone, letter writing and advertising campaigns) that were designed to convey the impression to both policy-makers and the population at large that broad-based support for a number of pro-business policies existed in the community. Over time, the adoption of such tactics proved *highly* successful as a result of the business community’s ability to leverage financial resources and mobilise shareholders, employees and management in pursuit of its interests (Edsall 1984: 110-117).

In addition to the adoption of ‘grass-roots’ tactics that were designed to influence the decisions of policy-makers directly, in the 1970s the business community (in the US, UK and elsewhere) also sought to construct an overarching ideological and discursive climate that was conducive to their interests. One of the primary means by which they sought to achieve this was through the establishment of a large number of organisations and institutions whose principal task was disseminate libertarian/economic liberal ideas and argue in favour of pro-business, neoliberal policies. As a result, the 1970s saw the proliferation of a large number of right-wing, pro-business ‘think-tanks’ on both sides of the Atlantic. In the US, this ideological offensive was led by organisations such as the Heritage Foundation and Cato Institute established in 1973 and 1977 respectively (Peck and Tickell 2003: 171). In conjunction with organisations such as the American Enterprise Institute (AEI),

Hoover Institution on War, Revolution and Peace (which were established much earlier but ‘converted to a strong version of conservative economics’ in the 1970s; Peck and Tickell 2003: 171) and Manhattan Institute for Policy Research (est. 1978), the aforementioned institutions (along with numerous others) were at the forefront of what Cockett has described as the ‘economic counter-revolution’ of the 1970s (Cockett 1994).

In the UK, this ‘economic counter-revolution’ was led by the influential Institute of Economic Affairs (IEA) and supported by organisations like the Centre for Policy Studies and Adam Smith Institute; all of whom espoused economic liberal ideas and advocated what would later become known as ‘neoliberal’ policies. While a detailed analysis of the impact of such organisations is beyond the scope of this chapter (see Cockett 1994; Edsall 1984; George 1997; Harvey 2006; Peck and Tickell 2003; Stilwell 2002), the point to be made here is that although many of those which existed prior to the 1970s were confined to the political and ideological periphery in the two and a half decades following World War II, organisations like the IEA ‘played a crucial role in keeping neo-liberal ideas alive’ during the post-war period (Peck and Tickell 2003: 172). Moreover as Stilwell (2002: 372) points out, when combined with the considerable largesse afforded to them by the private sector in the 1970s these organisations became exceptionally powerful *vehicles* through which a *variety* of individuals (including high profile exponents such as Friedman and Hayek who were affiliated with a number of the aforementioned organisations), constituencies and interests could disseminate their ideas and influence society. Nor was this ideological offensive exclusively sub-national in scale. At the international level, organisations such as the Mont Pélérin Society (established by Hayek in 1947) provided a forum for the discussion of libertarian/economic liberal ideas and, perhaps more significantly, linked ‘economists and others’ from different parts of the globe ‘who believed in the superiority of markets and the inefficiencies of governments’ (Peck and Tickell 2003: 172).

And yet, as Peck and Tickell (2003: 171) correctly point out, ‘for all of the apparent intellectual coherence of the emergent neoliberal project, prior to the 1980s it remained largely confined to the realm of ideas rather than policies’. The intellectual and ideological offensive alluded to above was, however, significant to the extent that it can be said to have ‘prepared the ground’ for the neoliberal *political* project that

followed; one that was bound inextricably to the ascendancy of a number of influential *political* figures who would dramatically reshape the political and ideological landscape of the Western world in the 1980s, with profound implications for the wider discursive climate from within which policy issues were understood and debated.

2.5.3 Neoliberalism as Intellectual Construct

Thus far I have argued that the 1970s witnessed the ascendancy of a range of ideas that would provide the *intellectual* and *ideational* foundation for the impending neoliberal *political* project of the 1980s (discussed in the subsequent section). But what is exactly is *neoliberalism*? What are the historical origins of the term itself and how did it become synonymous with the adoption of ostensibly market-based policies by numerous governments in the 1980s and 1990s? Although conventionally associated with the economic and political ideas of high profile ‘libertarian philosopher economists’ such as Friedrich von Hayek and Milton Friedman (Wallace 2007) and the market-oriented reform programs of Margaret Thatcher and Ronald Reagan, the term neoliberalism has undergone a complex evolution since it was first coined by Alexander von Rüstow in the late 1930s. Originally designed to refer to emerging currents of liberal thought that were opposed to the ‘collectivist’ ideologies of both communism and socialism but which differed significantly from the ‘vulgar liberalism’ of the early nineteenth century (in so far as their proponents took issue with the notion of *laissez faire* and acknowledged the need for a much stronger state to ensure the broader political conditions under which markets could operate) (Gamble 2006: 21; Rüstow in Hartwich 2009: 16), over time the term has been used in a number of contexts to describe a range of phenomena. In the discipline of international relations, for example, the term neoliberalism (or ‘neoliberal institutionalism’) has been used to refer to the development and proliferation of liberal international institutions in the wake of the Second World War (e.g. The UN, IMF and World Bank etc). In the study of international and domestic political economy, however, it is used to refer to a political-economic doctrine or set of ideas whose proponents place the *market* (as an institution) at the very heart of society and believe that it is ‘the responsibility of political government to *actively* create the conditions from within which entrepreneurial and competitive conduct is possible’ and from within which markets can function (Barry *et al.* 1996: 10 original emphasis; Cerny 2004: 7).

Clearly, it is the term as used in the latter of these two contexts that comprises the focus of this dissertation and it is within that context that two major *strands* of neoliberal thought have emerged since the end of the Second World War: the ‘social market’ strand which is associated with the West-German *Ordoliberals*¹⁹ and the ‘*laissez faire*’ strand which is associated with the Chicago School of economics (Gamble 2006; Gordon 1991; Lemke 2001). Whereas the former is predicated on the idea that an active and interventionist state is needed to ensure that the ‘free market [is able] to reach its full potential’ (Gamble 2006: 21), the latter is based on the notion that government is a ‘necessary evil’ which, although required to maintain law and order, provide for defence and enforce contracts, should be minimised to the furthest extent feasible so as to allow the market to allocate resources as efficiently and effectively as possible.²⁰ Although in the Anglophone world, it is the *laissez faire* strand which has become dominant over the past three decades (at the rhetorical level at least), it is important to recognise that although the aforementioned sub-schools of thought differ in respect to the *extent* to which government intervention is necessary, *all* neoliberals *recognise* (however reluctantly) that a *strong* state is required to overcome the obstacles and resistance to the creation of a free market economy as well as create and maintain a variety of non-market institutions which are necessary for a market society to function (Gamble 2006: 22). Indeed from a theoretical viewpoint, it is (in many ways) this which distinguishes twentieth century *neoliberal* thought from its classical liberal antecedents. That is to say that whereas proponents of eighteenth and nineteenth century economic liberalism sought to impose *limits* on the state’s capacity to interfere with the process of market exchange (which is believed to occur spontaneously as a result of the innate human ‘propensity to truck, barter and exchange’), twentieth century *neoliberals* acknowledge the need for a powerful state to maintain, facilitate and, where necessary, *create* the conditions under which a competitive free market can function (Gordon 1991).

This creates an assortment of theoretical and practical dilemmas for those—in business, the academy and elsewhere—who support the idea of a market-based international and domestic economic order. As suggested above, neoliberals of all persuasions

¹⁹ This particular group of scholars were referred to as *Ordoliberals* (or the ‘*Ordoliberalen*’) because of their association with the journal *Ordo* (see Gordon 1991: 41).

²⁰ For a comprehensive analysis of the distinction between the abovementioned sub-schools, see Gamble 2006, Gordon 1991 and Lemke 2001.

acknowledge the need for an overarching political and legal superstructure—however extensive or minimal—which is capable of enforcing the rules of the economic game (i.e. a state). But as Gamble (2006: 28-29) rhetorically asks: How far should one go in dismantling the state? Can the state be minimised and/or reformed to the point where it simply enforces the rules of the game? And to the extent that neoliberals believe in the idea of democracy and popular sovereignty, can the *population* be trusted to elect governments that are committed to creating and/or maintaining a market society? Moreover, if human beings are intrinsically motivated by rational self-interest and a desire for material gain (as neoliberals suggest), how can the state (which is inevitably comprised of such individuals) be *trusted* to simply uphold the rules of the game while not being subject to competition? All of the aforementioned questions create fundamental dilemmas for those who subscribe to this latter day incarnation of economic liberalism²¹; questions which remain unresolved at a theoretical level. The complexities associated with neoliberalism at the theoretical level, however, pale in comparison to the complexities associated with the implementation of neoliberal *policies*. The following section provides an epigrammatic overview of the process by which a number of neoliberalism's most influential proponents sought to actualise their ideas in the late 1970s and 1980s. This is then followed by a brief discussion of the process by which neoliberalism became the dominant policy paradigm of the 1990s.

2.6 Neoliberalism as Political Practice: Thatcher, Reagan and the Neoliberal 'Revolution' in Britain and the United States

In the preceding section it was argued that neoliberal ideas (initially in the form of monetarism) pertaining to the role of the state and the market filled the *intellectual* vacuum that was left in the wake of Keynesianism's real and perceived failures in the 1970s. It was also suggested that the ascendancy of neoliberal political and economic ideas during this period was a result of the intellectual activism of a number of

²¹ It should be noted that the *laissez faire* strand of neoliberalism which has become dominant in the Anglophone world over the past three decades resembles the economic liberalism of the eighteenth and nineteenth centuries far more closely than the social market strand (which is far less hostile to the idea of an interventionist state). This accounts to a large extent for the fact that the terms economic liberalism and neoliberalism are so often used interchangeably by authors seeking to describe the emergence of a range of pro-market ideas in the late twentieth century.

neoclassical economists in the academy and elsewhere and the neoliberal ‘think-tanks’ (and other organisations) that were established and funded by the business communities in the neoliberal heartlands of the US and UK. Capturing the intellectual high ground and gaining access to political power are, however, two different things. Indeed, although a radical program of neoliberal reform had been undertaken in Chile by the notorious ‘Chicago Boys’²² in the wake the US-backed military coup of 1973, ‘in the mid-1970s, neoliberalism was perceived as a kind of experimental shock treatment, suitable perhaps for basket-case economies of the developing world, but hardly a basis on which to establish a viable governing ideology’ in the West (Peck and Tickell 2003: 170).

However as Gamble (2006: 23) points out, in the late 1970s and early 1980s many were surprised by the ‘speed with which the ideas of neo-liberalism jumped the barrier into practical politics [and] establish[ed] themselves as leading ideas...in the national politics of particular states’. Two of the most influential and high profile countries in which this occurred were Britain and the United States; both of whom saw the election of charismatic political figures that were determined to restore business profitability and economic growth through the implementation of neoliberal policies such as privatisation, deregulation as well as trade and financial liberalisation. In the UK, the neoliberal political offensive was led by Margaret Thatcher; a well known disciple²³ of Hayek and member of the Mont Pélérin Society. Elected as Prime Minister in 1979, Thatcher embarked on a radical (and well-documented) program of political and economic restructuring in the 1980s which involved, *inter alia*, the deregulation of Britain’s financial sector, the privatisation of numerous publicly owned enterprises (e.g. British Petroleum, British Aerospace, British Telecom, British Airways and British Gas), reduced public expenditure on social and welfare services (e.g. education) and the enactment of legislation (e.g. *Trade Union Act 1980*) which imposed legal restrictions on trade unions, restricted strike action and limited the scope for collective bargaining (Peck and Tickell 2003). Other neoliberal reforms undertaken by

²² The term ‘Chicago boys’ refers to a group of Chilean economists who were educated at the University of Chicago under the tutelage of academic economists Milton Friedman and Arnold Harberger in the 1960s and 1970s (Letelier 1976).

²³ In many respects, the word ‘disciple’ is an accurate characterisation of the relationship between Thatcher and Hayek. According to Yergin and Stanislaw (1998: 107), almost immediately after she became leader of the opposition in the mid-1970s, Thatcher visited the Conservative Party’s research department, reached into her brief case, pulled out a copy of Hayek’s *The Constitution of Liberty* and announced that ‘This is what we believe’.

the British Government under Margaret Thatcher included the large-scale sale of public housing, a reduction in personal income tax rates (along with a corresponding increase in broad-based consumption taxes e.g. the Value Added Tax) and the introduction of private sector management techniques into the UK civil service (Gamble 2006: 30-31).

In the US, neoliberal political and economic policies were systematically pursued in the 1980s by the Republican Administration of President Ronald Reagan. Although Reagan's Democratic predecessor, Jimmy Carter, had adopted a neoliberal approach to monetary policy in the late 1970s in order to control inflation²⁴, it was Reagan who sought to restore business profitability and economic growth through the widespread adoption and implementation of neoliberal policies. Elected to office in 1980, Reagan suggested that the economic problems of the 1970s and early 1980s were primarily the result of excessive government spending, overregulation and a disproportionate and unsustainable tax burden (Reagan 1981, 1981a). 'Government', Reagan argued, was 'not the solution' to America's economic and social problems, but one of the principal causes (Reagan 1981a). What was required, therefore, was less government spending, lower marginal tax rates and 'relief from overregulation' (Reagan 1981) and it was in accordance with such rhetoric that the Reagan administration proceeded to 'water down' environmental and other forms of regulation (which were perceived to have imposed unacceptable costs on American industry) and cut public expenditure on numerous social programs such as welfare and unemployment benefits, Medicaid and food stamp programs, for example (See Edsall 1984: 227). In addition, the Reagan Administration attempted to stimulate the ailing US economy through the adoption of 'supply-side' economic policies which, in contrast to their Keynesian-inspired predecessors, were designed primarily to facilitate an increase in production (or 'supply') rather than consumption (or 'demand'). One of the primary means by which the administration sought to achieve this was through a reduction in individual and corporate taxation rates which would, it was argued, increase the amount of money that was available for private investment (in turn leading to a greater overall level of

²⁴ In 1979, newly appointed US Federal Reserve Chairman Paul Volcker sought to reduce inflation by *dramatically* increasing the US federal funds rate of interest (i.e. the rate of interest at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight). This saw the *prime rate* of interest (i.e. the rate at which banks and other financial institutions lend to preferred customers) peak at more than 21 percent in 1981 (up from an average of around 11 percent in 1979) (US Federal Reserve 2009).

economic activity and lower unemployment) (Edsall 1984: 202).²⁵ Moreover, like his ‘conservative’²⁶ British counterpart (with whom he shared a personal and political affinity), Reagan also sought to weaken the political and industrial power of unions and inflict long-term damage on the US labour movement (Cook and Polsky 2005; Peck and Tickell 2003).²⁷

This is not to suggest too great a degree of similarity between the British and American neoliberal political projects of the 1980s, undertaken as they were in substantially different political, historical, economic and institutional contexts and emphasising different aims and objectives. Having said that, it is important to recognise that both Thatcher and Reagan (and, of course, their respective governments/administrations) were *driven* by a desire to (re)create the political and economic conditions that were required for profitability and growth and *guided* ‘by a clear, if still evolving set of programmatic principles’ that were *derived* from the ideas of a number of leading neoclassical/neoliberal thinkers in the academy, think-tanks and elsewhere. Moreover, both sought to legitimate and justify their respective positions/policies by framing their ideas within the (re)emerging neoclassical economic narrative; a narrative which *assumed* that the market was a more efficient (and effective) allocator of resources than government (see Chapter 1 sections 1.2 and 1.3).

²⁵ Between 1981 and 1982, for example, the marginal corporate tax rate in the United States was reduced from 33.1 to 15.8 percent while those earning between \$100,000 and \$200,000 received a tax cut of more than \$8,000. In contrast, those on incomes of less than \$10,000 received a tax cut of less than \$58 (which, it should be noted, resulted in a net *loss* of income of around \$95 when inflation and other factors were taken into account). Both this, and numerous other policies which resulted in an egregious and self-evident redistribution of income from lower to upper income earners were legitimated and justified (to a large extent) by the ‘supply side’ economic ideas (associated with economists Robert Mundell and Arthur Laffer) which emerged in the 1970s and gained political traction in the 1980s (Edsall 1984: 205; 226).

²⁶ The word *conservative* is placed in italics here because of the comparatively *radical* nature of many of Thatcher’s ideas and reforms. Indeed although she was leader of the British Conservative Party, many of Thatcher’s policies were *anything* but conservative when considered in the context of what can be said to have constituted the ‘status quo’ in Britain in the 1970s and 1980s.

²⁷ Early in his presidency, Reagan was confronted with a strike by US air traffic controllers and, after giving them an ultimatum to return to work in 48 hours, sacked more than 11,000 government workers. According to many, this sent a powerful signal to employers that the government would back them and that strike activity would not be tolerated. In addition to direct political/industrial confrontation, the Reagan Administration also reduced the strength of the National Labor Relations Board (established by Roosevelt in the 1930s) by appointing a large number of pro-business activists to its board of directors (Cook and Polsky 2005: 585).

Nor, it should be acknowledged, were the UK and the US the *only* two countries who willingly adopted what Peck and Tickell (2003) have described as ‘Roll-Back’ neoliberal policies in the 1980s (i.e. policies that were designed to dismantle or ‘roll-back’—*as far as politically feasible*—the key institutions of the post-war Keynesian welfare state). Political leaders in Australia (discussed in more detail in the following chapter), New Zealand and, to a lesser extent, Sweden and France (under the Presidency of François Mitterrand), all engaged in geographically diverse attempts to reform their economies along market lines in the 1980s (Henderson 1995: 62). For much of the rest of the world outside of the Soviet Union and its Eastern Bloc satellites, however, it was through their experience with the IMF, World Bank and other multilateral institutions that they came to understand and appreciate the profound influence that neoclassical/neoliberal ideas were beginning to have on the globe. Indeed as the ideological tide began to turn in the neoliberal heartlands of the West, a corresponding transformation in the outlook of the international institutions over which countries such as the US and the UK exercised disproportionate control²⁸ was also occurring, as Keynesian economists were ‘purged’ from multilateral agencies like the IMF and replaced by ‘neoliberal monetarists’ in the early 1980s (Harvey 2006: 151). The IMF and the World Bank thereafter became influential and high profile *vehicles* through which neoliberal policies were ‘exported’ to the developing world; primarily through ‘structural adjustment programs’ and other mechanisms (e.g. conditional loans) which compelled countries of the global ‘south’ (particularly in Latin-America and Sub-Saharan Africa) to adopt neoliberal policies such as deregulation, privatisation and trade liberalisation in exchange for desperately needed financial resources (Hoogvelt 2001; Korten 2001).

And yet, despite the extent to which neoliberal ideas (and policies) were diffused worldwide in the 1980s, in the US and the UK their principal political protagonists (in the form of Thatcher and Reagan) were unable to restore economic growth to post-war levels. Indeed as Harvey (2006: 152) points out, the 1980s ‘belonged to Japan, the East Asian “tiger” economies and West Germany’ and it was ‘only in the 1990s that neoliberalization began to pay off for both the US and the UK’. Nor were Thatcher and

²⁸ Together, the US and Britain control more than 20 percent of the ‘voting rights’ that are allocated to member countries in the IMF, for example. And because major decisions by the IMF require an 85 percent ‘supermajority’, the US in particular (which holds more than 16 percent of the vote) is able to exercise disproportionate control over this organisation (IMF 2010).

Reagan able to significantly reduce government spending as a proportion of GDP.²⁹ They were, however, able to restore business profitability to a certain extent, redirect income to the wealthy (see Chapter 1 section 1.4), weaken the power of organised labour (along with a number of other progressive social movements) and undermine the terms of the Social Contract which had evolved since the end of the Second World War.³⁰ And while the social, political and economic fallout from such a (comparatively) radical program of market-oriented reform (e.g. debt crises, widening inequality, recession etc) suggested that the neoliberal political and economic experiment may be ‘nasty, brutish and short’ (as political opposition to the reforms steadily mounted) (Peck and Tickell 2003: 175), the following decade would (contrary to the expectations of many) see the *consolidation* and *institutionalisation* of neoliberalism as a policy paradigm throughout much of the advanced industrialised, former Soviet and developing world—with profound implications for the broader discursive environment from within which public policy is formulated.

2.7 After the Revolution: The Consolidation and Institutionalisation of Neoliberalism as a Policy Paradigm

In 1994, economic geographers (and prominent regulation theorists) Jamie Peck and Adam Tickell published an article in which they suggested that neoliberalism (as an overarching approach to public policy) appeared to be ‘unsustainable’ in light of its inability to promote and *sustain* economic growth and its ostensible tendency to intensify and deepen the business cycle, exacerbate economic and social inequality, undermine the production of public goods and services and degrade social and environmental resources (Peck and Tickell 1994). Unlike the post-war, Keynesian ‘institutional fix’ which preceded it (which was constructed on the basis of a much broader socio-political coalition), neoliberalism, they argued, represented the *absence* of an institutional fix; a kind of ‘jungle law’ which ‘broke out’ in response to the ‘regulatory vacuum’ that emerged in the wake of the collapse of the relative political

²⁹ While the Reagan Administration was able to reduce government spending as a proportion of GDP only marginally; in the UK, government spending as a proportion of national income was, in fact, higher when Thatcher left office in 1990 (see Gamble 2006: 29-30).

³⁰ In the UK the after-tax rate of return for Private Non-Financial Corporations (PNFCs) rose from around 8 percent in the 1970s to more than 10 percent in the 1980s while in the US, the after-tax rate of return for the Non-Financial Corporate Business (NFCB) sector increased from an average of around 5.5 percent in the period 1973-79 to 6 percent in the period 1979-87 (Office for National Statistics 2009; Bowles *et al.* 1989: 109).

and institutional consensus of the post-war period (Peck and Tickell 1994). Less than a decade later, however, Peck and Tickell (2002) published a subsequent article in which they suggested that many (themselves included) had underestimated the political durability, adaptability and transformative capacity of neoliberalism as a political-economic project and that during the 1990s, the neoliberal project had metamorphosed in the face of the deleterious economic and social consequences and evident political limitations of the crude neoliberal policies of the 1980s.³¹

Indeed, contrary to expectations, it was during the 1990s that neoliberalism was *consolidated* and *institutionalised* in the US, UK and elsewhere as a large number of political parties on the right *and* the left of the political spectrum (most notably New Labour in Britain and the Democratic Party in the United States, see Lavelle 2005) saw little alternative but to adopt neoclassically-oriented neoliberal policies (albeit in local form) as a means of achieving electoral success in the wake of the ideological offensive that was waged by Thatcher, Reagan and their supporters in the academic and business communities. This ideological offensive had a profound and discernible impact on numerous domestic and international policy making institutions (and policy-makers) worldwide and the wider discursive (and political) environment from within which these institutions were operating—and from within which political parties were competing (Finlayson *et al.* 2005: 517). Thus, as the ‘moment of aggressive neoliberalism...passed in Britain and the United States...the 1990s witnessed the effective “normalisation” of neoliberal modes of regulation’ (Peck and Tickell 2003). According to Hay (2004), one of the primary ways in which neoliberalism was ‘normalised’ during this period was via the institutionalisation of a policy paradigm derived from its central tenets. As suggested in Chapter 1, the term ‘policy paradigm’ was coined by Peter A. Hall to refer to the pervasive interpretive and conceptual framework which (at a given point in time) specifies the goals of policy and the instruments that can be used to attain them (Hall 1993: 279). Drawing on the work of

³¹ The early 1990s, for example, saw economic recessions in the US, UK, Canada, Australia and New Zealand (along with more than 10 other OECD countries). Although not *exclusively* the result of neoliberal policies, there is little doubt that market-oriented reforms such as financial deregulation (undertaken in a number of countries in the 1980s e.g. Australia, Finland and Sweden) contributed to debt-fueled booms that were both unsustainable and inflationary and which ultimately resulted in the subsequent international economic downturn of the 1990s (see Macfarlane 2006b).

Hall (1993), Hay (2004: 502; 504) suggests that in the 1990s, neoliberal ideas were ‘internalized by politicians, state managers and policy experts alike’ in the UK and elsewhere; particularly in the area of economic policy.

In respect to the process by—and extent to which—neoliberalism was consolidated and institutionalised in the 1990s, it is noteworthy also that during this period, neoliberal political and economic ideas were disseminated to new geographical frontiers as a result of the end of the Cold War in 1989 and the collapse of the Soviet Union in 1991. Whereas the 1980s saw neoliberal policies imposed on much of the ‘Third World’ (e.g. Latin America and Sub-Saharan Africa) by international organisations like the IMF and the World Bank under the auspices of ‘structural adjustment’, the early 1990s witnessed the imposition of ‘shock therapy’ in Russia and a number of Eastern European countries (notably Poland) that were formerly subject to Soviet rule. Shock therapy involved the implementation of measures that were designed to facilitate the transition to a market-based economy in a comparatively short period of time (through, for example, trade liberalisation, the abolition of currency and price controls and the privatisation of state-owned assets) (Robison 2004; Taber 1992). And although, like neoliberal political reform programs the world over, the adoption of such policies was both geographically specific and varied (even haphazard) in practice, there is little doubt that the aforementioned policies were a direct expression of the burgeoning power and influence of neoliberal ideas at the international level (see also Cerny 2004; Gamble 2006 and Harvey 2006).

Not surprisingly, the consolidation, institutionalisation and normalisation of neoliberalism as a policy paradigm in the neoliberal heartlands of the US and the UK in the late 1990s (albeit in a somewhat more socially democratic, modified form e.g. ‘Third Way’) along with the dissemination of neoliberal ideas and the enactment of neoliberal policies in much of the former Soviet Union and Eastern Europe in the wake of the end of the Cold War has entailed a range of range of profound consequences for policy-makers worldwide (as well as the populations on whose behalf they ostensibly make decisions). In the context of the argument(s) presented in this dissertation, one of the most significant aspects of this neoliberal policy convergence is the degree to which the institutionalisation of the aforementioned policy paradigm structures the bounds of the policy possible by normalising a range of ideas and policy prescriptions which accord with the values and assumptions of the prevailing orthodoxy while

simultaneously rendering much of that which does not accord with the dominant paradigm ‘off-limits’ in mainstream political debate (Peck and Tickell 2003). Thus, balanced budgets, flexible labour markets, the control of inflation through monetary policy and fiscal discipline, low rates of personal and corporate taxation, central bank independence, an aversion to deficit spending and government borrowing, a reduction in barriers to international trade and investment, the restriction of monopolistic and oligopolistic practices along with the application of private sector management techniques (to the public sector) and the desirability of greater competition in the public and private sectors all comprise core components of the prevailing neoliberal policy paradigm. As a result, they are generally considered rational and desirable in the context of contemporary political debate (Cerny 2004; Gamble 2006; Harvey 2006; Hay 2001; 2004; Peck and Tickell 2003).

Again, this is not to negate the disparity which so often exists between the *rhetoric* espoused by those who subscribe to the prevailing policy paradigm and discourse and the *reality* of their policies. As powerful as the dominant neoclassical/neoliberal policy paradigm and discourse is, there is little doubt that political and electoral imperatives (in the form of interest groups, general elections etc) are often far more immediate and compelling to incumbent governments than the exigencies of the reigning policy orthodoxy.³² The enactment of policies which run contrary to the dominant policy paradigm are, however, often derided as ‘irresponsible’ by political opponents and are ‘widely recognised to run against the grain of more fundamental policy priorities’ (Peck and Tickell 2003: 177). This entails profound consequences for policy-makers by constraining the range of policy alternatives available to governments (and other actors) in numerous ways, as shall be demonstrated in Part 2 of this dissertation.

³² A good example of this is the deficit spending that was undertaken by a variety of OECD (and other) countries in response to the Global Financial Crisis of 2008. Nothing if not Keynesian, these packages flew in the face of the prevailing policy paradigm and discourse whose proponents are generally opposed (at least, in a rhetorical sense) to large scale spending of the kind that was undertaken in, for example, the US, the UK and Australia.

2.8 Conclusion

This chapter has endeavoured to provide the reader with an overview of the international and historical context from within which the transition from a ‘Keynesian’ to a ‘neoliberal’ policy paradigm occurred in the West (and elsewhere) in the wake of the post-war boom. It has argued that during the post-war period (circa 1945-1970) an overarching and comparatively progressive social contract (characterised by a generalised commitment to Keynesianism, a limited accord between capital and labour and a commitment by governments throughout the West to provide for the well-being of their citizenry where necessary) emerged throughout much of the advanced-democratic-capitalist world and that this was both underpinned and enabled by high levels of economic growth and business profitability. It has also been argued that post-war challenges to corporate capitalist power (in the form of US and European popular social and political movements) along with the emergence of a number of *structural* economic problems in the 1960s and 1970s (e.g. stagflation) resulted in the politicisation of the British and American business communities and the establishment of a trans-Atlantic network of corporate-backed ‘think-tanks’ that were charged with the task of disseminating libertarian/economic liberal ideas and promoting pro-market, neoliberal policies. In conjunction with their market-oriented (neoclassical) counterparts in the US and British academy’s, these organisations (and individuals) sought to counter the trend towards (government) intervention, regulation and progressive redistribution that was characteristic of the post-war period and thereby restore the political and economic conditions under which both profitability and growth could (re)occur.

As a result of the election of Margaret Thatcher in the UK and Ronald Reagan in the US in the 1970s and 1980s, neoliberal ideas moved decisively from the intellectual periphery to the ideological and political ‘core’. Moreover, in the 1990s neoliberalism was consolidated and institutionalised as a policy paradigm throughout much of the advanced industrialised, former Soviet and developing world; entailing profound implications for the broader discursive environment from within which public policy is formulated. The following chapter is designed to provide the reader with an overview of the way in which the aforementioned changes taking place at the international level affected the Australian political landscape. This is followed by an examination (in Part 2 of the thesis) of the *process* by, and ways in which, the extant neoliberal policy

paradigm (and associated neoclassical economic discourse) acts to constrain the range of policy options available to policy-makers (and others) in contemporary Australia by structuring the bounds of possible.

CHAPTER 3

NEOLIBERALISM AND THE DISCURSIVE HEGEMONY OF NEOCLASSICAL ECONOMICS: THE AUSTRALIAN CONTEXT

3.1 Introduction

In the previous chapter it was argued that the political and economic turmoil of the 1960s and 1970s resulted in the politicisation of the British and American business communities and the establishment of a trans-Atlantic network of corporate-backed ‘think-tanks’ that were charged with the task of promoting pro-market, neoliberal policies. This, it was hoped, would restore the political and economic conditions under which both profitability and growth could be (re)occur in the wake of the post-war boom. It was also suggested that the 1970s witnessed the ascendancy of an economic philosophy in the academy and elsewhere (i.e. neoclassical economics) that was hostile to the post-war ethos of government intervention, regulation and progressive redistribution and that, in the 1980s, neoclassical/neoliberal ideas moved decisively from the intellectual periphery to the ideological and political ‘core’ as a result of the election of Margaret Thatcher in the UK and Ronald Reagan in the US. It was also argued in the previous chapter that neoliberalism was consolidated and institutionalised as a policy paradigm throughout much of the advanced industrialised, former Soviet and developing world in the 1990s and beyond.

This chapter is designed to provide an overview of the process by which the transition to a neoclassically-inspired neoliberal policy paradigm occurred in *Australia* over the past three decades as a means of further contextualising the case studies that follow. During the 1980s, a significant proportion of Australia’s political, economic and bureaucratic elite were convinced that in light of a number of new and inescapable international economic ‘realities’, key features of Australia’s institutional framework, political economy and civil society needed to be restructured so as to enable Australia to compete efficiently and effectively in an increasingly competitive and market-oriented international economic order. This resulted in the breakdown of the unique social contract by which *Australia* had been characterised since the beginning of the twentieth century and the consequent adoption of a neoliberal approach to public

policy by both of the major parties (i.e. one that was predicated on the assumption that it was the role of government to actively create the conditions under which markets could effectively function). It is also suggested in this chapter that over the past three decades, the major parties have attempted to entrench a neoliberal system of values into the population at large and foster the development of an 'enterprise culture'; one conducive to economic success in a dynamic and rapidly changing international economic environment. It is argued here that these developments have contributed to the ascendancy of the economic paradigm and discourse that are the subjects of this dissertation. This chapter therefore comprises a necessary framework (or context) from within which the arguments presented in Part 2 of this thesis may be understood.

3.2 The Australian Settlement: Australia's Twentieth Century Social Contract

Politically, Australia is distinguished by its very long tradition of social democracy. Indeed, the ALP traces its origins back to the early 1890s and Labor first took office at State level in Queensland as early as 1899, making it the world's first social democratic government (Bramble and Kuhn 1999: 28).

Conflicts that took up to a century to play themselves out in Northern Europe were compressed into scarcely more than a decade in Australia, resolved by the inclusion of the leadership of the organized working class in a redistributive and interventionist state. Welfare state arrangements that took most European countries until the middle of the twentieth century to consolidate were achieved in Australia at the very beginning of that century. Unlike their European counterparts wedded to nineteenth-century ideas about the limits of the state, Australian liberals...recognised the threat to social stability posed by uncontrolled laissez-faire economics (Dryzek 2002: 123)

Whereas the previous chapter discussed the 'rise and decline' of the post-war Social Contract in the US and Western Europe in the latter stages of the twentieth century and the process by which a neoliberal policy paradigm was institutionalised throughout the West (and elsewhere) in the wake of the economic crisis of the 1970s (particularly in the US and the UK), comparatively little attention was paid to the social, political, economic and institutional dynamics by which Australia was characterised in the twentieth century. This is because, in addition to the fact that this dissertation is

principally concerned with the extent to which public policy in *Australia* is structured by neoliberalism and the economic discourse with which it is associated, the Australian situation is an historically unique one and, as such, requires a more comprehensive and detailed analysis in light of the objectives of this dissertation.

It is somewhat ironic that despite Australia's peripheral position in international affairs, it was here that a number of what were to become important constituent elements of the post-war Social Contract in the US and Europe were in place well before the Roosevelt administration's New Deal or the publication of Keynes' *General Theory of Employment, Interest, and Money* in 1936. To be sure, the political, economic and institutional similarities between Australia prior to World War II and, for example, post-war Britain or the United States should not be overstated. And yet, in comparison to a number of anglophone countries (e.g. Britain, the US, Canada and New Zealand), Australia's early twentieth century social contract (conceived broadly as a more or less stable and enduring agreement between the government and the governed) was in *many* ways, highly progressive. This enabled Australians to enjoy some of the highest standards of living in the world in the first half of the twentieth century (see Emy and Hughes 1991: 12-13) and a level of social and economic equality (both real and perceived) that was largely unparalleled among Commonwealth countries.

3.2.1 The Australian Settlement

The political and ideological foundation upon which the Australian polity was constructed in the early stages of the twentieth century has become popularly referred to as the *Australian Settlement* (see Frankel 2002; Kelly 1992; Maddox 1998; Norton 2001; Stokes 2004). Coined by author and Australian political commentator Paul Kelly (1992) in his influential publication entitled *The End of Certainty: The Story of the 1980s*, this term refers to the suite of political, economic and institutional characteristics that, Kelly suggests, defined Australia from Federation until roughly the 1980s. According to Kelly (1992), the 'Australian Settlement' was distinguished by five core characteristics. The first of these was a highly restrictive immigration policy that was designed to keep Australia as racially homogeneous (i.e. British/white European) as possible. Codified in the *Immigration Restriction Act 1901* (the first major piece of legislation to be passed by the new Australian parliament), the

notorious *White Australia Policy* was intended to ensure that the Australia of the twentieth century would continue to resemble the Australia of the nineteenth in a racial and cultural sense.¹

The second component of the Australian Settlement was *Industry Protection*. Based on the imposition and maintenance of tariffs on imported, manufactured goods (as well as a number of other, non-tariff barriers to international trade), this component of the Australian Settlement ensured that products produced by Australian companies would remain far more competitive in price terms (on the domestic market, at least) than those that were produced by their overseas counterparts. Indeed Australian manufacturing industries continued to ‘benefit’ from such protection for decades and as long as the economic inefficiencies associated with such a strategy could be offset by other, more competitive areas of the economy (e.g. agriculture and later mining), Australia could sustain its comparatively high standard of living while making relatively few sacrifices (Kelly 1992: 4).

Working in tandem with the above was the third component of the Australian Settlement—*Wage Arbitration*. In return for high tariff barriers and other forms of economic protection (e.g. import restrictions), Australian industry agreed to a system of legally binding, centralised wage fixation. Determined initially by the Commonwealth Arbitration Court (and later by its successor institutions), wages and working conditions were set according to ‘human need’² and were, by definition, extricated from the vagaries and oscillations of what would otherwise have been a competitive labour market. According to Kelly (1992: 7-9), the significance of wage arbitration lay in the underlying philosophy that it promoted, reinforced and ultimately enshrined in law; that ‘industrial relations required an umpire and could not be left to employers and employees’ and that ‘man could defy the anarchy of the marketplace and impose a system of just prices to secure his material dignity’. Though critical both

¹ Bipartisan support for such a draconian and overtly restrictive immigration policy (which had effectively operated since the 1880s at the colonial level) was underpinned by a mixture of ideologically-based views on racial superiority (e.g. social Darwinism), ideas pertaining to social cohesion through racial and homogeneity and economic pragmatism on the part of Australian workers and their representative institutions. That is to say that Australian workers (of European origin) had no desire to see a mass influx of ‘cheap labour’ from Australia’s northern (i.e. Asian and Oceanic) neighbours (see, for example, Jupp 2002 and Day 2000).

² Specifically, wages levels (as determined by the Commonwealth Arbitration Court) were based upon the amount of money that was needed to ‘reasonably’ sustain a family of five in ‘frugal comfort’ (Denoon *et al.* 2000: 236).

of its implementation and maintenance, Kelly (1992) (along with numerous others e.g. Edwards 2002; Henderson 1990; Stokes 2004) acknowledges the centrality of wage arbitration as a key component of Australia's twentieth century political landscape.

The penultimate pillar of the Australian Settlement was *State Paternalism*. In essence, Kelly (1992) suggests that in Australia (more so than in most other nations and especially Western democracies) there developed a culture and philosophy which viewed extensive government intervention as a necessary and desirable means of ensuring individual rights and promoting individual happiness. In practice, this involved a 'fusion between the interests of the individual and the state' and a far greater 'reliance upon government' than was apparent in most other Western societies (Kelly 1992: 10). For Kelly, this particular aspect of the nation's collective psyche stemmed from Australia's origins as a penal colony and he argues that:

State Paternalism—individual happiness through government intervention...originates not with federation but with the white mans arrival in 1788 to establish a prison. Belief in state power was rooted in a society shaped by former convicts, military officers and a 'colonial secretary' mentality (Kelly 1992: 9).

In conjunction with both industry protection and wage arbitration, such a philosophy would ultimately give rise to one of the world's earliest modern welfare states and would (albeit in variety of forms) be emulated throughout much of the West in the second half of the twentieth century.

The Australian Settlement was also underpinned—particularly in the first half of the twentieth century—by a belief that Australia's prosperity and security was ultimately underwritten (and indeed, guaranteed) by the British Empire (Kelly 1992:11). Kelly (1992) labels this aspect of the Australian Settlement *Imperial Benevolence*. He argues that the decision to federate in 1901 was driven not by a desire to disentangle Australia from its colonial past but for practical reasons such as defence, trade and border protection (Kelly 1992). Indeed according to this author, Australian policy-makers at the turn of the century saw Australia's future as inextricably linked to that of the British Empire and that, despite what amounted to a 'declaration of independence' in 1901, 'they [Australian leaders] sought to make Australia strong by refurbishing the bond with Britain. A strong empire meant a strong Australia; nationalism and empire loyalism were bedfellows' (Kelly 1992:11). Australia, therefore, continued to rely on

the Imperial Navy (for its physical protection) and British investment and trade preference (for its economic security) well into the twentieth century (Kelly 1992: 11).

Though popularised by Kelly (1992) in the early 1990s, a number of others such as Castles (1985; 1994) and Henderson (1990) have depicted the unique social, political and economic compact that characterised Australia between Federation and roughly the 1980s in remarkably similar terms. Henderson (1990), for example, refers to the 'Federation Trifecta' of centralised wage fixation, economic protectionism and White Australia which prevailed in the years immediately following the turn of the twentieth century while Castles (1985: 102) suggests that what emerged in Australia as a result of arbitration was a 'wage earners' welfare state'; one that emphasised good wages and working conditions in lieu of extensive, state-based welfare provision. Others, such as Stokes (2004), for example, have suggested that while the idea of an 'Australian Settlement' provides a potentially useful theoretical framework through which to evaluate Australia's history, the aforementioned pillars on which it is based should be expanded to include a number of additional ideas and policies that were central to Australian society in the twentieth century. These include, *inter alia*, state secularism, masculinity, democracy, welfare minimalism and the idea of *Terra Nullius* (Stokes 2004: 20). Indeed, although there is little doubt that Paul Kelly's concept has been utilised widely by scholars of Australian history and politics, it is *necessarily* selective and should therefore be treated with caution (see also Frankel 2001: 216).

Few, however, would dispute the—at least partial—validity of Kelly's core assertions. There is no doubt, for example, that for much of its post-Federation history Australia maintained a highly restrictive, racially based immigration policy that was designed to keep the continent as racially homogeneous as possible. Moreover, it is a matter of historical record that for decades, Australian policy-makers continued to protect many of Australia's manufacturing industries through tariff and other barriers to competition and international trade; largely as a means of achieving a number of broadly conceived, overarching developmental objectives (e.g. economic and population growth, see Brennan and Pincus 2002: 8). Relatively indisputable also is the fact that for most of the twentieth century, both capital and labour were subject to a system of centralised wage arbitration and labour market regulation that was simultaneously intended to safeguard the living standards of Australian workers while reducing the

scope for industrial conflict between employees and employers.³ Arguably, the extent to which the Australian ‘state’ could be considered paternalistic is a more complex issue, as is the degree to which Australia identified with the imperial interests of Britain (both of which fluctuated over time as a result of a large number of international and domestic political and economic variables e.g. the party in power, defence, trade and commercial interests etc). Notwithstanding debates pertaining to the exactitude of Kelly’s conclusions however, it is sufficient for present purposes to acknowledge that Kelly’s notion of the Australian Settlement, despite its flaws and omissions, is widely recognised by scholars to have captured something of the essence of Australia’s twentieth century policy paradigm. For this reason it is utilised here to discuss changes to the twentieth century Australian social, political and economic landscape which occurred in the 1980s.

3.2.2 Australia’s Twentieth Century Social Contract

The Australian Settlement comprised a unique form of social contract that was, in many respects, remarkably similar to that which was adopted by a number of Western European countries as well as the United States in the aftermath of the Second World War; at least in terms of the *principles* on which it was predicated. Indeed arguably, the decision by early Australian policy-makers to adopt a decidedly *protectionist* economic development strategy (contested as this was by the Free Trade Party and others) can be said to have represented a pre-Keynesian attempt to ensure capitalist economic development through government intervention and regulation. Unlike a number of their Western—and particularly Anglo-Saxon—contemporaries, Australian policy-makers openly acknowledged the need for extensive government intervention in the economic affairs of the nation. In contrast to the dominant, *laissez-faire* political and economic doctrines of the early twentieth century, a large proportion of Australia’s political, economic and bureaucratic elite⁴ continued to preach economic protection

³ The Commonwealth Court of Conciliation and Arbitration was established under the *Conciliation and Arbitration Act 1904*. The Court had the power to determine both wage levels and conditions of employment and impose penalties on any party who failed to comply with its provisions. Though replaced by the Commonwealth Conciliation and Arbitration Commission and the Commonwealth Industrial Court in 1956 (and later by a number of other, successor institutions), wage arbitration continued until the early 1980s, when the Fraser Government ‘declared its intention to dismantle the system’ (Kelly 1992: 9).

⁴ Brennan and Pincus (2002: 7), for example, point out that for much of the twentieth century, Australia’s ‘protectionist’ regime enjoyed widespread political support among political parties,

and state intervention as a means of achieving full employment, economic development and a more equitable distribution of national income (see, for example, Brennan and Pincus 2002; Dryzek 2002; Groenewegen and McFarlane 1990).

This is not to suggest too great a similarity between the demand-side macroeconomic management strategies advocated by Keynes in the 1930s and 1940s (and adopted by most Western governments in the 1950 and 1960s) and the pre-World War II interventionist and protectionist economic policies of the Australian Commonwealth.⁵ Indeed, significant qualitative differences existed between the two. The point to be made here is simply that, broadly interpreted, a Keynesian-*style* commitment to economic development through state intervention and regulation was evident in Australia long before the 1940s (when Keynesian economic policies became institutionalised throughout the West) and that this commitment to state-directed economic development comprised an important feature of what could be referred to as the *Australian Social Contract*.

Another feature of the early Australian political and economic landscape which bore a striking resemblance to the post-war political and economic terrain of Europe and the United States was the corporatist style accord which existed between capital, labour, and the state (referred to in the previous chapter as the ‘limited-capital labour accord’). Long before the Roosevelt administration secured US unions a genuine ‘place at the bargaining table’ under the auspices of the New Deal reforms of the 1930s (and, in particular, the *National Labor Relations Act 1935*), a comparatively cooperative tripartite arrangement can be said to have existed in Australia which would later be emulated—however coincidentally—throughout much of the Western World (albeit in various forms and under different political and institutional circumstances). In Australia, the emergence of this arrangement is largely attributable to the economic depression of the 1890s and the emergence of an influential and organised labour movement that was well-represented at the political level through the Australian Labor Party (est. 1891). Moreover, much in the way that US and European leaders in the

voters and economic elites, with ‘almost all prominent economists’ being protectionists until the 1960s.

⁵ It could, however, be argued that the extensive diffusion of comparatively high wages (through wage arbitration) contributed to overall demand for goods and services, thus mimicking the kind of fiscal stimulus that was advocated by Keynes during an economic downturn.

1940s sought to avoid a return to the class conflict, industrial instability and widespread poverty of the 1930s (the latter of which was viewed as an underlying cause of the Second World War), Australian political and economic elites sought to create a framework from within which relatively harmonious industrial—and therefore social—relations could be sustained under the auspices of the new Commonwealth.

The principal institution through which this arrangement was manifest was arbitration. As suggested above, the Commonwealth Court of Conciliation and Arbitration had the power to confer legally binding obligations (pertaining to both wages and working conditions) on both capital and labour. This cemented the role of the state as a direct and indispensable player in Australian industrial relations. And although the Harvester Judgment of 1907 (which established the ‘basic wage’) was, in fact, successfully challenged in the High Court of Australia in 1908 (*R vs. Barger 1908*), the Federal government continued to exercise a degree of control over wages and working conditions by granting import protection only to those manufacturers who complied with the working conditions and wage levels prescribed by the Commonwealth Arbitration Court (Dryzek 2002: 123; Macintyre 2003: 8). Arbitration was therefore a key institutional foundation on which the Australian corporatist arrangement was built, and arguably comprised an important component of what could be described as the early twentieth century Australian Social Contract.

The most important component of the early Australian Social Contract was, however, a generalised commitment by the state to the wellbeing of the Australian citizenry. Labeled ‘state paternalism’ by Kelly, this aspect of the Australian Social Contract led to the creation of one of the world’s earliest modern welfare states. Though largely ‘residual’ (i.e. means-tested, non-universal) in nature, the ostensible ‘lack of generosity’ by which the Australia’s system of welfare provision was characterised throughout most of the twentieth century is misleading due to the fact that compensating for this was a regulatory regime (i.e. arbitration) that ‘prevented waged poverty and delivered a reduced disparity of incomes’ (Castles 2001: 537). Benefit receipt in Australia (including a non-contributory age pension from 1909 onwards) was also largely de-stigmatised, with means-testing ‘designed to exclude the well-off rather than focus benefits exclusively on the very poor’ (Castles 2001: 537). In combination with a protectionist and overarching economic development strategy that sought to create ‘plenty of jobs, good wages and a high standard of living...[for] the

country's workers' (Edwards, 2002: 11), this resulted in the creation of a society that was both relatively affluent and comparatively egalitarian by international standards.

This is not to overstate the State's commitment to the welfare of the Australian population (see Hartman 2005). Indeed it could be argued that reports of a 'workers paradise' have been greatly exaggerated. The point to be made here, however, is that for much of the twentieth century the Australian body politic was pervaded by a conscious and widespread *belief* (and indeed, institutionalised acceptance) that government had a responsibility to ensure the well-being of its citizenry *and* that government intervention and regulation were acceptable means through which this could be achieved (Argy 2006; Brennan and Pincus 2002; Dryzek 2002). This was expressed in the form of a Keynesian-style commitment to economic development, a tri-partite, corporatist style accord between capital, labour and the state, wage arbitration and a generalised commitment by the state to the 'public good'.⁶ This was the essence of the *Australian Social Contract*; a contract that would, in various forms, endure for more than three quarters of a century before changing ideas, interests and international political and economic circumstances would conspire to weaken the ideational, political and economic foundations on which such a contract was contingent.

⁶ It is unambiguously acknowledged that pervading Australia's twentieth century history are a number of highly problematic political traditions. Perhaps the two most obvious of these are the systematic mistreatment of Australia's indigenous people as well as the implementation and retention of an exclusive and egregiously racist immigration policy. It should be stated explicitly, therefore, that the analysis of Australia's twentieth century political and economic landscape presented above is not designed to be comprehensive. It is simply intended to illustrate a number of specific political tendencies as a means of contextualising changes having taken place in more recent decades.

3.3 Laying the Foundations: Hawke, Keating and the Reform Imperative

3.3.1 Globalisation and the Reform Imperative

Hawke's enduring legacy...is as a reforming Prime Minister whose government was instrumental in dismantling the Australian Settlement of the early Federation era and constructing in its place an open, modern, diversified economy with matching international and domestic policies (Kelly 2004).

In recent years a great deal has been written about the reforms undertaken by the Hawke and Keating Labor governments of the 1980s and 1990s. Most commentators and scholars agree that the implications and significance of these reforms can scarcely be overstated. This is not surprising. For more than three quarters of a century, bipartisan support ensured the survival of the basic tenets of Australia's unique social contract. It would, however, take less than 15 years to transform the Australian political and economic landscape and, in the process, dismantle much of that which could be said to have comprised the Australian Social Contract.

While the implications and significance of the economic reform process during the 1980s and early 1990s are widely acknowledged (e.g. Beeson and Firth 1998; Bell 1997; Broomhill 1996; Conley 2004, 2007; Catley 1996; Castles 1988; Edwards 2002; Kelly 1992; Schwartz 2003), there is considerably less agreement among scholars as to why such reforms were undertaken or the desirability of such measures. As Conley notes:

The shift to economic liberalism has been seen variously: as the dominance of a particular set of ideas, as in the longer-term interests of capital, as signalling changes in Australian society, as a result of particular state responses to contingent crises, and as an international imperative, forcing domestic adjustment (Conley 2004: 184).

Conley (2004: 184) correctly points out that it is the last of these explanations that has become conventional wisdom. Proponents of this view (e.g. Brennan and Pincus 2002; Catley 1996; Higgott 1991; Kelly 1992) argue that during the 1980s and 1990s, successive Federal Labor governments sought to restructure key elements of Australia's institutional infrastructure in order to ensure that Australia would remain economically competitive (and thus prosperous) in the face of changes taking place at

the international level; that is to say, in the face of changes resulting from *globalisation*.⁷ They argue that, due to the constraints that were imposed by an increasingly liberalised, competitive and market-based international economic order, policymakers during this period had *no choice* but to undertake a particular kind of domestic economic reform process. As the then Prime Minister, Bob Hawke, suggested at the height of the reform process in 1991:

...this tough, increasingly competitive world of five and a half billion people does not owe, and will not give, seventeen million Australians an easy prosperity. The days of being able to hitch a free ride in a world clamouring, and prepared to pay high prices, for our rural and mineral products, are behind us [and]...we must face the fact unflinchingly that we need to equip ourselves, further, to meet the challenges of exposure to international competition (Hawke 1991).

Proponents of this thesis also contend that the need for reform in Australia was amplified by structural weaknesses in the Australian economy, such as the dependence on commodity exports and the existence of an uncompetitive, protected, inefficient and declining manufacturing sector (see Brennan and Pincus 2002).

While not denying the significance of external economic circumstances, others emphasise the importance of ideas (Edwards 2002; Pusey 1990; Quiggin 1999; Sawer 2003; Whitwell 1986). In his influential exposition of the process by which the Commonwealth public sector was reorganised during the 1980s, Pusey (1991) asserts that during this period, policy-makers were subject to an ideologically pervasive economic discourse (i.e. economic rationalism) which largely determined the way in which Australia's economic problems were diagnosed as well as the range of (policy) alternatives that were available for their amelioration. Likewise, Edwards (2002: 13; 16) argues that during the 1980s 'free market liberalism came to permeate the nation's economic policy' and that this resulted in 'Canberra's policy circles...reach[ing] a consensus that the economic rationalist route [was]...the only option open to Australia'. In a similar vein, Whitwell (1986: 264) suggests that from the 1970s

⁷ 'Globalisation' is a notoriously contested concept and one that is beset by conceptual and definitional ambiguities. Problematic though this term may be, however, it is not an entirely 'meaningless word' as Schwartz (2003: 47) suggests. Indeed, for scholars of political economy, the term globalisation is useful for describing the process by which nation states and a number of other actors are becoming increasingly interconnected and interdependent through ongoing market-based economic integration.

onwards, it was the Australian Treasury which ‘took the lead in propagating the neoclassical faith’ by insisting upon ‘the need to give greater scope to market forces’. Moreover in Australia in the 1980s (as elsewhere), ‘think-tanks’ (e.g. the Centre for Independent Studies, H.R. Nicholls Society and Institute for Public Affairs) associated with what was then referred to as the ‘new right’ were also influential in determining the *nature* and *trajectory* of the ALP’s policy response to the economic circumstances of the 1970s and 1980s (i.e. one that was based upon neoclassical/neoliberal ideas pertaining to the correct and appropriate response to such circumstances e.g. deregulation, privatisation etc) (see Stilwell 2002 and Sawer 2003).

This is not to negate the importance of other factors which drove the reform process under Labor. Bell (1997: 362), for example, points out that reinforcing external pressures for economic reform under Hawke and Keating were numerous ‘domestic causal factors’. He maintains that, along with pressure from an emerging ‘free trade coalition’ comprised of Australian mining, farming, transnational and financial interests (i.e. externally oriented sectors), neoliberal reforms were vigorously promoted by a range of domestic economic and business elites who were seeking to reduce costs, discipline labour and restore profitability (Bell: 362-363). In Bell’s (1997: 363) view, this was part-and-parcel of a broader strategy by neoliberal political and economic elites to ‘re-balance the political scales put out of alignment by the extraordinary ‘Fordist’ conditions of post-war full employment, labour empowerment and state growth’. This perspective is shared by Bramble and Kuhn (1999: 34), who argue that from the late 1960s, much of the Australian business community was beginning to view tariffs and other protectionist measures as ‘prohibitively costly and an enormous drain on internationally competitive sectors of the economy’. So much so that by the 1980s ‘influential sections of business’ were demanding reduced tariffs and a ‘rationalisation’ of protected industries.

Still others point out that the reforms of the 1980s were essential because of ‘internal contradictions arising within the former policy regime’ (Brennan and Pincus 2002: 19). Proponents of this view underscore the essentially unsustainable nature of the Australian Settlement (and thus the Australian Social Contract) and argue that while external imperatives undoubtedly accelerated the pace of domestic economic reform, the reforms themselves were both necessary and belated. Labor’s reform program was therefore not entirely attributable to *external* political and economic factors,

international and domestic intellectual trends or political and economic interest groups per se; but comprised a seemingly rational response to a constellation of circumstances (and policy regime) that had been unsustainable since at least the end of the Second World War due to political, economic, demographic and other changes which were occurring *within* Australia itself (Brennan and Pincus 2002: 22-24).

And yet, regardless of the extent to which each of the aforementioned factors was responsible for Labor's decision to embark upon a market-oriented economic reform program, there is little doubt that from the early-to-mid 1980s, key members of Australia's political, economic and bureaucratic elite *believed* that wide-ranging reforms were necessary if Australia was to secure a share of the prosperity generated by an increasingly competitive and newly restructured international political economy. Undeniable also, is the fact that external pressures were reinforced by a range of domestic factors such as changing ideas, sectoral interests, structural weaknesses in the Australian economy and changing demographics. The nature and timing of the reform process however, were largely products of the way in which policy-makers *perceived* Australia's international economic position. As Schwartz (2003: 47) points out, 'policy responses...are a function of how politically powerful groups understand...problem[s] in relation to their interests'. Debates pertaining to economic policy during the period under discussion were thus dominated by a discourse which emphasised Australia's vulnerability to external economic forces (particularly competition). This perception led to the adoption of a suite of policies which would radically alter Australia's social, political and economic terrain over the next two to three decades and, indeed, the political and economic environment from within which public policy in Australia is formulated.

3.4 The Neoliberalisation of Australian Public Policy and the Breakdown of the Australian Social Contract

3.4.1 The Garnaut Report

As suggested above, the market-based economic reform process that was spearheaded by the Hawke and Keating Labor governments in the 1980s was driven by a multitude of domestic and international factors. There is little doubt, however, that fears pertaining to the possibility of an Australian economy that was uncompetitive,

inefficient, commodity-export dependent and located in an economically dynamic and rapidly changing part of the world drove the process of macroeconomic restructuring under Labor to a significant extent. Such a scenario was articulated in the landmark ‘Garnaut Report’ of 1989. Commissioned by the Hawke Labor Government and authored by Professor of Economics at the Australian National University, Ross Garnaut, the report, formally entitled *Australia and the Northeast Asian Ascendancy*, sought to assess the ‘implications for Australia of economic growth and structural change in East Asia’ (Garnaut 1989: v). It was also designed to provide the Commonwealth Government with a number of policy recommendations that would, it was hoped, ‘increase the economic, political and wider benefits and reduce the costs to Australia of East Asia’s continuing economic growth and structural change’ (Garnaut 1989: v).

In essence, Garnaut (1989: 7) argued that in order to take advantage of the opportunities presented by the rapid and sustained economic expansion of Northeast Asia (specifically China, Japan, Hong Kong, Taiwan and the Korean republics), Australia needed to ‘accelerate progress in domestic economic reform’ and ‘build a flexible, internationally-oriented economy’. In this context, ‘domestic economic reform’ referred primarily (though not exclusively) to further trade liberalisation, immigration reform and the opening of Australia to foreign direct investment. As Garnaut asserts:

Of greatest direct relevance are the needs to press ahead with trade liberalisation, towards the abolition of all official restrictions in trade imposed at Australia’s borders by the end of the century; to maintain a strong economic orientation in a non-discriminatory immigration program on the current scale; and to continue with liberal, non-discriminatory policies on foreign direct investment (Garnaut 1989: 7).

The need to sustain ‘macroeconomic stability’ and avoid the kind of ‘unsustainable increases in wages and costs’ that the author believed to have ‘undermined Australian economic performance at earlier times of temporary prosperity’ was also underscored (Garnaut 1989: 7 see also Whitwell 1986: 254-265). The report suggested that to ensure economic success, Australia would need to embrace ‘more productive work practices’ and ‘labour flexibility’ (Garnaut 1987: 8). As we shall see, all of the aforementioned recommendations would result in significant changes to both the

Australian economy and Australian society more broadly; both in the 1990s and beyond.

3.4.2 Labor's Reforms 1983-1989

Even before the publication of Garnaut, however, Labor had undertaken a number of reforms that had begun to alter the very fabric of Australia's political economy. In a speech to the Melbourne Institute in April 2005, then Labor leader Kim Beazley argued that Labor's reforms:

...changed the Australian economy fundamentally. The economy was restructured top to bottom – [Labor had undertaken] a reform program that affected almost every sector and institution in Australia (2005).

And Beazley was not exaggerating. By the time Garnaut was published in 1989, the Hawke Labor Government had already embarked upon the most radical program of economic restructuring in Australia's modern history and the process was far from over. For example, between 1983 and 1989, Labor undertook to deregulate Australia's financial system by, among other things, floating the Australian dollar, abolishing exchange controls, licencing non-bank institutions to trade in foreign exchange and allowing a number of foreign banks to operate in Australia (Bean and McAllister 2000: 384; Henderson 1995: 63). This was accompanied by efforts to liberalise trade through ongoing tariff reduction, a relaxation of the rules governing foreign direct investment and the removal of government controls over the lending activities of banking and other financial institutions (Bean and McAllister: 384; Berry and Dalton 2004: 76-77). In addition to the above, the 1980s saw the Hawke Labor Government reduce both the top marginal income and company tax rates (from 60 to 49 cents in the dollar in the case of the former and 48 to 36 percent in the case of the latter) and commit itself to the privatisation of a number of state-owned assets—most notably the Commonwealth Bank—along with the removal of quantitative restrictions on motor vehicles imported from overseas (Beazley 2005; Bramble and Kuhn 2000; Henderson 1995: 65; Quiggin 1998). Labor also 'ended the double taxation of dividends', introduced fees for higher education (via the Higher Education Contribution Scheme, introduced by Education Minister John Dawkins in 1989) and initiated the transition to a productivity-based enterprise bargaining system (Beazley 2005; Bramble and Kuhn 1999: 32-33). Collectively, all of the above signalled a *dramatic* departure from the Australian Social

Contract which had endured since the turn of the century. Rendering these developments all the more extraordinary was the fact that they were initiated by a political party with comparatively strong social democratic tradition and a long held commitment to government intervention, regulation and social justice (see Quiggin 1998).

In respect to the issue of financial deregulation (arguably the most significant structural component of Labor's market-based economic reform program of the 1980s), it is noteworthy that many of Labor's policies were based on the Campbell Committee's *Australian Financial System Inquiry* (AFSI, 1981). Commissioned by the Fraser-led Coalition government in 1979, the Campbell Report suggested, among other things, that 'the most efficient way to organise economic activity is through a competitive market system which is subject to a minimum of regulation and government intervention' (AFSI in Whitwell 1986: 247-248). Along with a number of other high profile and influential reports of the late 1970s and early 1980s which argued in favour of a comprehensive program of market-based economic reform (e.g. Kasper *et al.* 1980), Campbell provided the intellectual impetus for a program of economic restructuring that would transform Australia from one of the most interventionist and protected countries in the OECD to one of the most liberal by the end 1980s (Henderson 1995: 63). Indeed with the notable exception of New Zealand (which also saw the extensive adoption of neoliberal policies in the 1980s; see Kelsey 1997), comparatively few other developed countries could be said to have undergone as comprehensive a neoliberal reform program of as that of Australia. And yet, despite the scale, scope and intensity of Labor's neoliberal economic reform program during this period, the 1990s would see an intensification of market-based economic restructuring under Australian governments of both political persuasions.

3.4.3 Labor's Reforms 1990-1996

Despite the severity of the recession (1990-91) which the then federal Treasurer, Paul Keating, suggested that Australia 'had to have'⁸, in the early 1990s Labor's neoliberal reform program continued apace. In 1990, the government effectively deregulated the

⁸ The basis of Keating's comment that the recession of 1990-91 was one that Australia 'had to have' was that an economic correction was both necessary and inevitable in light of the import driven, debt-fueled boom of the late 1980s which had resulted in exceptionally high debt levels, asset prices and increasing inflation (Macfarlane 2006b).

Australian domestic airline industry by ending the Commonwealth's long-running 'two-airlines' policy which had restricted the number of service providers (and therefore competition) in the aviation industry since the 1950s (Painter 1996: 293). This was followed by the sale of the government-owned Australian Airlines (formerly TAA) to Qantas in 1992 and the privatisation of the carrier less than one year later. The early 1990s also saw further tariff reductions on general, motor vehicle, textile, clothing and footwear imports and a scaling back of government assistance to Australia's manufacturing and agricultural sectors (Hawke 1991). Other neoliberal reforms for which Labor was responsible in the 1990s included the further 'targeting' of welfare payments (through, for example, greater restrictions on eligibility) and the full privatisation of the Commonwealth Bank (which was completed in stages between 1991 and 1996) (Bramble and Kuhn 1999).

In respect to the adoption and implementation of neoliberal policies by Labor in the 1990s, two other developments are particularly noteworthy. The first of these was the movement towards enterprise bargaining as a means of increasing the productivity of the Australian workforce. Although in the 1980s, Labor had been reluctant to embrace the kind of industrial relations reforms that were advocated by the Coalition due to its relationship with the union movement (Painter 1996; Quinlan 1998), in the wake of his election victory in 1993, Prime Minister Paul Keating 'authorised the shift to enterprise bargaining' (Kelly 2009). The significance of the movement towards enterprise bargaining during this period was that under the changes inaugurated by Labor (through, for example, the *Industrial Relations Act 1993*), 'union-free' enterprise bargaining agreements could be negotiated between employers and employees. This further transformed the awards system 'into a safety-net device for the lower paid' and, in the process, 'marked a dramatic break with 80 years of industrial relations policy' (Quinlan 1998: 92).

The other major neoliberal reform that was undertaken by Labor during this period was the introduction of a National Competition Policy. In October 1992, Prime Minister Paul Keating announced an independent inquiry into the establishment of such a policy and on 25 August 1993, the *National Competition Policy Review* was delivered to the Australian Heads of Government by the Report's principal author, Professor Fred Hilmer of the University of New South Wales. Like Garnaut, The 'Hilmer Report' suggested that if 'Australia [was] to prosper as a nation ...it [had] no

choice but to improve the productivity and international competitiveness of its firms and institutions...irrespective of their size, location or ownership' and recommended that a rule-based, trans-jurisdictional policy framework be established to facilitate 'the efficient operation of markets in Australia' (Hilmer 1993: 1; 313). Upon the completion of an inter-governmental review of Hilmer's recommendations, in 1995 the Council of Australian Governments (COAG) agreed to a package of measures that would lead to the implementation of a National Competition Policy under the auspices of the Commonwealth *Competition Policy Reform Act 1995* (Kain, Kuruppu and Billing 2003). In practice, this meant that both federal, state and local governments were obliged to remove any restrictions on competition that were 'found not to provide a net public benefit', corporatise their major business enterprises to ensure commercial neutrality between themselves and the private sector and implement a program of competitive tendering for services provided to the public (NCP 2009; Quiggin 1998). Due to the far reaching and legally binding nature of the policy and the fact that the implementation of a competitive, pro-market policy framework continued long after Labor had left office in 1996⁹, there is little doubt that, in conjunction with the aforementioned reforms, this particular initiative contributed significantly to that which could be aptly described as the *neoliberalisation* of Australian public policy under Labor.

3.4.4 'Restructuring' the Australian Population

In addition to the macroeconomic and microeconomic reforms referred to above, another significant component of Labor's reform program was its attempt to inculcate neoliberal *values* into the population at large. Earlier in this chapter it was suggested that Labor's economic reform program was driven primarily by the perceived need for Australian industry to become more internationally competitive in the context of a dynamic and changing international economic environment. Importantly, however, Labor's attempt to construct an Australian workforce that was 'more capable of responding to competitive pressures and market signals' (through, for example, privatisation, corporatisation, the movement towards enterprise bargaining and the introduction of a national competition policy) was not limited to those in the labour market. That is to say that in the 1980s and 1990s, the (Labor) government believed

⁹ The implementation of the National Competition Policy proceeded in three stages between 1997-1998 and 2005-2006 (NCP 2009a).

that in order to maintain and improve living standards, it was also necessary for the *wider* Australian population to adopt ‘enterprising attitudes and values’ (Beeson and Firth 1998: 224-225).

This view was articulated most notably in the government’s *Report of the Industry Taskforce on Leadership and Management Skills* (or ‘Karpin Report’) which suggested that ‘if Australia is to improve its standard of living and employment prospects’, it must develop a ‘positive enterprise culture’ and foster ‘community attitudes that support the creation of wealth’ (Karpin 1995: 16-18). In order to do this, the report recommended that ‘the formal education system be used to expose students at primary, secondary, vocational and tertiary levels of education to the value of enterprising and entrepreneurial behaviour’ and that ‘curriculum designers...work with industry representatives’ to develop the relevant material (Karpin 1995: 20). The Report also recommended that educational initiatives be accompanied by ‘a major community education program’ to promote ‘the broader development of an enterprise culture’ in Australia (Karpin 1995: 20-21).

According to Beeson and Firth (1998: 225), the significance of the Karpin Report was that it ‘symbolised’ the extent to which, under Labor, ‘Australia’s population came to be seen as something to be worked upon so that it might play a more efficient and productive part in national economic development’. For the purposes of this dissertation, however, the publication of the Karpin Report is indicative of the extent to which the process of economic restructuring under Labor was both underpinned and accompanied by a conscious attempt to diffuse neoliberal—and by extension therefore, neoclassical—values throughout the Australian body politic; a phenomenon which undoubtedly contributed to the broader discursive hegemony of neoclassical economics in Australia, as we shall see.

3.4.5 Labor’s Legacy

In less than a decade the Australian government was able to transform Australia from one of the most interventionist and protectionist countries in the OECD to one of the most liberal and Labor’s reform program continued well into the 1990s. Many believe that the market-oriented, neoliberal reform program of the Hawke/Keating governments of the 1980s and 1990s was a necessary means of ensuring that Australia would remain internationally competitive and thus, prosperous in the context of a

dynamic and rapidly changing international economic environment (and region). Others, however, suggest that the reforms undertaken by Labor were disproportionately beneficial to business and that the aforementioned benefits came at the expense of Australian workers and others on whom such changes impacted negatively. In respect to the latter of these arguments, there is little doubt that many of Labor's policies resulted in a redistribution of national income from 'labour' (e.g. wages) to 'capital' (e.g. profits) during its period in office. Between 1983 and 1996, for example, the wages and salary share of national income was reduced from 60.1 to 55.3 percent while the corporate profit share of GDP rose from around 18 to 23 percent during the same period (Beazley 2005; see also Bramble and Kuhn 1999; Kelly 2001; Pusey 2003; Quiggin 1999). Nor was the relationship between business profitability and government policy an accidental one. As former Labor leader and minister in the Hawke and Keating governments, Kim Beazley, so candidly pointed out (indeed boasted) in 2005:

We achieved 13 years of wage restraint under the [Prices and Incomes] Accord...By the 1990s, the profit share of GDP was consistently around 23 percent, a full 5 percentage points higher than when we took office. In other words, we basically slowed wage growth so that we could raise corporate profits by a whopping 5 percentage points of GDP (Beazley 2005).

This is, in many ways, unsurprising in light of the fact that by the time it had attained office in 1983, Labor had essentially accepted the idea that in order to facilitate an economic recovery, the restoration of profitability (as a means of increasing the productive capacity of the economy) must become a primary objective of any government (McEachern 1991: 7) and that, in Beazley's (2005) own words, it was necessary to 'cultivate an investment-friendly, pro-growth climate'.

To suggest, however, that Labor's economic reform program was *exclusively* designed to restore corporate profitability at the expense of Australian workers is to oversimplify the nature of the neoliberal reform process of the 1980s and early 1990s. Indeed as Castles (2001: 538) points out, Labor was also responsible for the (re)introduction of a universal system of health care (in the form of Medicare), child care rebates for working mothers and a mandated, second tier system of superannuation. Moreover, as part of its *Prices and Incomes Accord* with the

Australian Council of Trade Unions (ACTU), Labor agreed to improve health, education and other services (all of which contributed to the ‘social wage’) to which Australians had access as a *quid pro quo* for wage restraint by members of the ACTU. Noteworthy also is the fact that between 1983 and 1996, social expenditure in Australia grew at nearly twice the OECD average and that during this period, Labor made ‘a real effort to cope with [the] problem of child poverty’ (Castles 2001: 538). It is evident also that the process of neoliberal economic restructuring under Labor was limited (to a certain extent) by the broader political acceptability of such reforms. The ALP’s inability to introduce a broad-based Goods and Services Tax (GST) is a case in point. Although the introduction of a GST was never an explicit component of ALP policy in the 1980s and 1990s, there is little doubt that opposition from trade unions and welfare groups largely negated a GST as a serious option for the Hawke and Keating governments (see Bean and McAllister 2000: 387-388). Thus, despite the ALP’s ostensible commitment to a neoliberal policy agenda, it is important to recognise that like neoliberal political projects the world over, Labor’s neoliberal reform program was both complicated and constrained by the political and institutional context from within which it was taking place as well as the political orientation of much of its electoral support base.

Having acknowledged the politically constrained and, at times, contradictory nature of Labor’s neoliberal reform program, however, it is overwhelmingly evident that the explicit adoption of a market-based economic and social reform agenda in the 1980s and 1990s marked a dramatic departure from the kind of public policy *thinking* that was characteristic of what I have referred to in this chapter as the Australian Social Contract. Indeed it was during this period that public policy in Australia was *neoliberalised* to a considerable degree; that is, predicated on the assumption that it was the role of government to actively create the conditions under which (competitive) markets could effectively function. That it was enthusiastically undertaken by a political party who was able to form one of the world’s earliest social democratic governments makes it all the more extraordinary and is, arguably, an indication of the extent to which neoclassical/neoliberal *ideas* became dominant in the 1980s and early 1990s (see Chapter 2). The process of market-based economic and social restructuring in Australia was, however, far from over when the ALP left office in 1996. Indeed it

would fall to the incoming Coalition government (led by John Howard) to complete the transition to a neoliberal policy paradigm in Australia.

3.5 Completing the Transition: The Howard Government and Australia's own Neoliberal Revolution

Labor's approach had partly anaesthetised the working class over a 13 year period, allowing the incoming coalition surgeon to feel confident in continuing the operation...with a larger, blunter scalpel. (Bramble and Kuhn 1999: 46).

The central difference between the Howard Government and those of Margaret Thatcher and Ronald Reagan is that Howard never announced the revolution – he just quietly, over time, piece by piece, did it (Wallace 2007: 7).

In the previous chapter it was argued that, in the 1980s, neoliberal policies were aggressively pursued in Britain and the United States and that the 1990s witnessed the *consolidation* of neoliberalism as a set of ideas about the correct and appropriate role of government along with the *institutionalisation* of what could be described as a neoliberal policy paradigm. Thus far, I have argued in this chapter that in Australia, neoliberal policies were *adopted* by a political party whose traditional political orientation could be described as social democratic, *depicted* as a necessary response to external circumstances and domestic economic inefficiencies and *implemented* in a unique historical, geographical and institutional context. I have also argued that during its tenure, Labor was responsible for the most radical program of economic restructuring in Australia's modern history and that Australian public policy was 'neoliberalised' (to a considerable degree) during this period; that is, predicated on the assumption that it was the role of government to *actively* create the conditions under which markets could effectively function. Arguably, however, in the second half of the 1990s the neoliberal reform process was *accelerated* by the Howard-led Coalition government elected in 1996. Indeed in many respects, it could be argued that the 'conservative'¹⁰ government that was elected in the wake of Labor's resounding defeat

¹⁰ The word conservative is placed in italics above because of the extent to which the Howard-led Coalition government that was elected in 1996 sought to effect far-reaching *changes* to the Australian social, political and economic landscape (see Kelly 2006).

at the 1996 election sought to finish what Labor had started; to *extend, deepen* and *intensify* the neoliberal reform process which had been initiated by its predecessor.

An appreciation of the extent to which the Coalition was seeking to ‘complete’ the process of market-based economic reform initiated by Labor is crucial. Indeed as Kelly points out, the leader of the newly elected government of 1996, John Howard, was ‘a man of the 80s’ whose ‘government was shaped not by new ideas but by old ideas yet to be implemented’ (Kelly 2009). And yet, by the time of its election, much of that which the Coalition and its influential and high profile leader had long been advocating (e.g. financial deregulation, trade liberalisation) had already been substantially undertaken by its political opponents. There was, however, more to be done and despite the newly elected Prime Minister’s assurances to a ‘reform weary’ electorate (during the election campaign of 1995-1996) that under his stewardship, Australia would be ‘relaxed and comfortable’ (Wallace 2007: 5), the Howard Government’s first term would be a tumultuous one; as the government undertook to implement policies that were designed to make Australia an even more entrepreneurial, competitive and market-oriented society.

3.5.1 Economic Restructuring under the Coalition: 1996-2007

In having suggested that many of the policies that the Liberal/National Coalition had advocated while in opposition had already been implemented by Labor, this is not to diminish the extraordinary array of pro-market, neoliberal reforms and initiatives that were undertaken by the Coalition during its period in office.¹¹ Indeed among other things, in its first term (1996-1998) the Howard Government established ‘a new framework of fiscal governance’ which prioritised fiscal discipline (e.g. budget surplus’) and a reduction in net public sector debt over spending on social services; something that would become an obsession with the Howard Government and a totem of its ostensible ability to ‘manage the economy’ (Kelly 2006: 18). To achieve these objectives, the government dramatically cut expenditure on labour market programs and welfare services and reduced funding for organisations like the Aboriginal and Torres Strait Islander Commission (ATSIC), the Australian Broadcasting Corporation

¹¹ While a comprehensive analysis and discussion of the Howard government’s neoliberal policies is well beyond the scope of this chapter, it is sufficient for present purposes to demonstrate that the government’s neoliberal reform agenda intensified under the Coalition in the wake of its 1996 election victory and communicate the extent to which such a process contributed to the ascendancy of the neoliberal policy paradigm and discourse.

(ABC) and higher educational institutions. A number of commonwealth government assets and statutory authorities (such as the National Shipping Line, the National Rail Corporation, Australian Defence Industries, the Commonwealth Employment Service and one-third of Telstra) were also privatised as a means of improving the efficiency of service delivery and reducing the size of the \$9 billion ‘black hole’ which the Coalition ‘discovered’ upon entering government in 1996 (in respect to the issue of privatisation under Howard, see Aulich and O’Flynn 2007). During its first term the government also granted the Reserve Bank full independence¹², significantly reduced the size of the Commonwealth Public Service, established a ‘productivity commission’ to promote higher productivity and efficient resource allocation and increased fees for tertiary education via its ‘three-tiered’ HECS system (Kelly 2006).

In addition to the above, the Howard Government enacted legislation in its first term (e.g. the *Workplace Relations Act 1996*) which significantly reduced the influence of the Australian Industrial Relations Commission (AIRC), effectively banned compulsory unionism and sought to curtail industrial action via the imposition of massive fines on what were deemed to be ‘illegal strikes’ (O’Neill 1998). The new legislation also furthered the movement towards enterprise bargaining (through the introduction of Australian Workplace Agreements, for example) and was used to ‘reduce the power of unions in Australia’ and achieve ‘significant increases in profitability’, productivity and efficiency; particularly during the Australian Waterfront dispute of 1998 (Morris and Corrigan in *The Howard Years: 2008*).¹³ In 1997 the Howard Government also introduced its ‘work for the dole’ program under the auspices of its overarching welfare policy framework of ‘mutual obligation’ (Macintyre 1999; Stewart and Maley 2007: 280). Taken together, *all* of these policies were intended to minimise the role of the government in economic life, provide greater scope for the market/private sector to allocate resources (and distribute rewards), improve efficiency/productivity and increase profitability.

¹² On 14 August 1996 the federal Treasurer, Peter Costello, and the Governor designate of the Reserve Bank of Australia (RBA), Ian Macfarlane, issued a joint statement in which the Government recognised ‘the independence of the bank and its responsibility for monetary matters’ as well as its intention ‘to respect the bank’s independence as provided by statute’ (RBA 2006).

¹³ For an analysis of the Australian waterfront dispute of 1998 and its consequences, see Morris 2000.

Despite a discernible political backlash at the 1998 election (which Bean and McAllister attribute, in part, to the accelerated pace of unpopular economic reforms between 1996 and 1998; Bean and McAllister 2000)¹⁴, between 1998 and 2001 the pace of neoliberal reform intensified during the Howard Government's second term in office. Having campaigned strongly on the issue of tax reform, the Government's election victory enabled it to enact significant and far-reaching changes to the Australian taxation system, of which the introduction of a 10 percent Goods and Services Tax (or GST, which many considered *regressive*) was one among many. Other taxation reforms during this period included a reduction in the corporate income tax rate (from 36 to 30 percent) and a halving of capital gains tax for individual investors; both of which were—along with the GST—designed to promote business investment, make the Australian taxation system more internationally competitive and encourage the development of a 'stronger investment culture' in Australia (Eccleston 2007; Ralph 1999: 77). It was during this period, too, that the government introduced a 30 percent private health insurance rebate (1999) and significantly increased Commonwealth funding to non-government schools; ostensibly to promote 'choice'¹⁵ and 'encourage' Australians to utilise health and education services that were provided by the private sector (Aulich and O'Flynn 2007). Indeed according to Norton (2006-07: 19), by 2004 the Commonwealth government was spending \$1.5 billion a year more on non-government schools than when it first came to office in 1996.

And yet, if the first two terms of the Howard Government were characterised by a desire to realise a neoliberal agenda that had been formulated in the 1980s, by 2001 it was evident that the neoliberal reform process was, in a formal or *structural* sense, largely complete (Edwards 2002: 9). Since the 1980s, successive Australian governments had opened the Australian economy to foreign direct investment, deregulated the financial system, reduced tariffs, privatised many of Australia's state

¹⁴ Although it was able to win a majority of seats in the House of Representatives at the 1998 election and therefore secure a second term in office, the Coalition actually lost the two-party preferred vote (49.02 percent to 50.98 percent) along with 19 seats in the House of Representatives (AEC 2009).

¹⁵ It is noteworthy that one of the ways in which the Coalition government sought to promote 'choice' in relation to health care and 'encourage' Australians to take out private health insurance was to *penalise* those who did not have private hospital cover as of 1 July following their 31st birthday with an additional 2 percent 'loading' for every year that they remained without cover. In effect, this meant that someone who did not have private hospital cover by the time they were 40 would be forced to pay an additional 20 percent for their cover (Department of Health and Ageing 2009).

owned assets/enterprises, partially deregulated the Australian labour market and reformed Australia's taxation system. And while the government retained a desire to deregulate the Australian labour market even further and privatise the remainder of Telstra (among other things), a hostile Senate continued to ensure that some of the more radical and/or politically unacceptable elements of the Howard Government's neoliberal agenda would remain unachievable during its third term in office. Numerous scholars and commentators have also suggested that 2001 marked a discernible *turning point* for the Howard Government; a period in which it adopted a far more *pragmatic* approach to public policy in the face of a large number of polls which suggested that it was unlikely to be elected for a third term (e.g. Dusevic 2006; Sketee 2004; Wallace 2007; Warhurst 2007). Indeed it was during this period that the 'tactical utility' of the government's budget surplus was revealed (Kelly 2006); as it reduced the fuel excise by 1.5 cents per litre in the face of persistently high petrol prices, engaged in targeted spending in the budget of 2001-02 and introduced a First Home Owners Grant Scheme (FHOS) to offset the financial impact of the GST.

However, if the Howard Government's third term in office can be said to have been characterised by a decidedly more pragmatic approach to public policy and a tacit acceptance of the political limitations to market-based economic reform, the scale of the Coalition's election victory in 2004 enabled it to complete the remainder of its economic reform agenda in its fourth term in office. Acquiring full control of the Senate in mid-2005, in November of that year the Howard Government passed its *WorkChoices* legislation (i.e. *Workplace Relations Amendment Act 2005*). Ostensibly designed to create a single, national industrial relations framework from within which employees and employers could negotiate agreements about wages and conditions, the new legislation was also intended to build on the changes to workplace relations that the government had enacted under the auspices of the *Workplace Relations Act 1996* (see Stewart and Maley 2007: 285). Accordingly, *WorkChoices* placed further restrictions on industrial action¹⁶, reduced the scope of award coverage (while expanding AWAs) and exempted employers with fewer than 100 employees from unfair dismissal provisions (*WorkChoices* 2005). The new legislation also resulted in

¹⁶ For example, *WorkChoices* entailed a number of 'new provisions' which enabled the Minister for Employment and Workplace Relations to compel employees to lift work bans and return to work if industrial action was considered 'likely to cause significant damage to the economy' (*WorkChoices* 2005: 29).

the creation of an independent ‘fair pay’ commission that was charged with the task of setting (and adjusting) minimum wages in light of ‘the needs of the Australian economy as a whole’ (*WorkChoices* 2005: 14). Although the implications of the Howard Government’s *WorkChoices* legislation were complex (see Stewart and Maley 2007; *WorkChoices* 2005), there is little doubt that the purpose (and outcome) of *WorkChoices* was to effect further—though by no means, full—deregulation of the Australian labour market; a goal which had eluded the Coalition during its first three terms. The Coalition’s majority in the Senate between 2005 and 2007 also enabled it to sell the remainder of the government’s stake in the telecommunications company Telstra in November 2006, facilitating the transition to full privatisation (Aulich and O’Flynn 2007: 373).

In having suggested that the process of neoliberal reform was accelerated by the Howard Government between 1996 and 2007, it is important to point out that this is not to imply that the Coalition’s period in office can be said to have been characterised by the *wholesale* adoption and implementation of policies that could be described as neoliberal in orientation. Indeed in numerous areas, the government’s market-oriented, neoliberal *rhetoric* was often at odds with the *reality* of its policies and there is little doubt that the Coalition exhibited both contradictory and pragmatic tendencies that were largely a result of the need to accommodate powerful interest groups and the electorate more broadly—much like its predecessor. For example, despite the Howard Government’s rhetoric pertaining to the need to minimise government, reduce the size of the Australian welfare state and render Australians more ‘self-reliant’, government spending as a proportion of GDP increased during its tenure (despite sustained economic growth and low unemployment; both of which should, in theory at least, have *reduced* the need for government expenditure) and the Coalition was unable to ‘roll back’ the Australian welfare state in the way that much of its earlier rhetoric suggested it might (Norton 2006-07). Indeed, according to Moore (2006: 12), between 1996-97 and 2004-05 government spending as a proportion of GDP increased from 22.5 to 24.2 percent while during a similar period (1995-96–2004-05), per capita Commonwealth government expenditure increased by more than 15 percent, with social security and welfare expenditure rising by more than 25 percent (Norton 2006-07: 16; see also Lewis 2008).

Aggregate figures, however, rarely tell the full story and although the 'Howard decade' witnessed an increase in government spending as a proportion of GDP, there is no doubt that during this period, government spending was *reconfigured* in accordance with the government's political, economic, social and cultural agenda and that fiscal policy was used as a tool to promote certain values and institutions (e.g. the nuclear family through its Family Tax Benefit B which was not means tested and was available to single-income families with children; Norton 2006-07: 21-22). There is little doubt, too, that the Howard Government's economic and social reform agenda was driven to a significant extent by a commitment to economic liberalism in its new liberal form and was arguably able to make its most significant impact on Australia at the *cultural* level; by *constructing* a society whose values and institutions more closely resembled that of the neoliberal ideal.

3.5.2 Embedding an 'enterprise culture': Howard and the Inculcation of a Neoliberal System of Values

In the preceding section (3.4.4) it was suggested that Labor's reform program was underpinned and accompanied by a conscious attempt to diffuse neoclassical/neoliberal values throughout the Australian body politic and that during its tenure, the Australian population 'came to be seen as something to be worked upon so that it might play a more efficient and productive part in national economic development' (Beeson and Firth 1998: 225). Arguably, however, Labor's attempt to foster the development of an 'enterprise culture' in Australia (as articulated in the Karpin Report, for example) was also accelerated and intensified by the Coalition between 1996 and 2007 and this has been acknowledged by numerous scholars (and other observers) who have sought to identify that period's essential characteristics (e.g. Beeson and Firth 1998; Johnson 2005, 2007; Kelly 2006; Sketee 2004; Wallace 2007). In having suggested a degree of continuity between Labor and the Coalition's respective attempts to facilitate the development of an entrepreneurial, neoliberal culture in Australia however, it should be acknowledged that while both of the major parties have attempted to strengthen the Australian economy in the face of external pressures resulting from, for example, globalisation, Labor's economic and social reform program was far more *technical* and *managerial* in terms of the rhetoric on which it was predicated, while the Coalition's social, political and economic reform agenda was underpinned (to a much greater extent) by a conscious commitment to

economic liberalism in its new liberal form. Indeed to a certain extent, it could be argued that the ideas of ‘libertarian philosopher economists’ such as Friedrich von Hayek and Milton Friedman—predicated as they are on the assumption that free and open markets are a necessary condition for social and political liberty—provided the intellectual foundation for the Howard Government’s approach to public policy (Wallace 2007). That is to say that, like Labor, the Coalition also sought to facilitate the political, legal and institutional conditions under which markets could effectively function; but for reasons that were far more ideological than those of its predecessors (Aulich and O’Flynn 2007: 374).

Irrespective of the extent to which the reform programs of Labor and the Coalition were motivated by ideology or otherwise, there is little doubt that between 1996 and 2007 the Coalition (and its leader in particular) believed that in order for Australia to prosper it was necessary to ‘embed a more entrepreneurial culture in Australia’ and to change ‘the Australian mentality of entitlement and dependence on the welfare state’ (Sketee 2004). In 2004, Howard identified this as an overarching priority of his Government and of the Liberal party more broadly, suggesting that:

Australia will only reach its full potential with an enterprise culture—a culture that encourages and rewards hard work, ambition and calculated risk-taking. An enterprise culture is what the Liberal Party is all about. The creative spirit of the individual is at the core of our political philosophy (Howard 2004d).

Indeed, according to Howard (2004d) it was largely *in order* to achieve this goal—of an ‘enterprise culture’—that his government had enacted so many of the policies that it had in its first three terms, stating (in the aforementioned speech) that his government’s desire to facilitate and promote the development of such a culture was ‘why...[the government had] cut business tax and capital gains tax’, for example. Other policies enacted by the Coalition in pursuit of this objective include welfare reform (e.g. ‘mutual obligation’/‘work for the dole’), policies which encouraged the development of small business (which Howard describes as vital to Australia’s economic and social health) and *WorkChoices*; all of which were designed to promote personal responsibility (e.g. self reliance), devolve risk to the individual (rather than the collective) and facilitate the development of an ‘enterprise society’. This formed part of a broader attempt to encourage the development of what Johnson refers to as ‘a

common, overarching market identity; one that substantially over-rode sub-group identities and one that was perceived by both of the major parties as a necessary prerequisite for economic success in a globalised world (Johnson 2007: 203; Kelly 2006).

In many ways the extent to which Howard and his Government were able to successfully facilitate the development of an 'enterprise culture' and promote the adoption of a market-based system of values is difficult to gauge. Nevertheless, there is evidence to suggest that the Coalition's attempt to further 'entrench the philosophy of economic liberalism' (in its new liberal form) and diffuse and disseminate a system of values that was commensurate with such a philosophy (e.g. entrepreneurialism) has entailed profound implications for the formation of public policy; the implications which are examined in detail in the following three chapters of this dissertation.

3.6 Conclusion

This chapter has argued that for much of the twentieth century the Australian polity was underpinned by a comparatively progressive social contract which bore a striking resemblance to that which emerged throughout much of Western world in the post-war period. Characterised by a Keynesian-*style* commitment to economic development, a tri-partite, corporatist style accord between capital, labour and the state and a generalised commitment by the state to the well-being of the Australian citizenry, this unique social, political and economic compact endured for more than three quarters of a century before breaking down in the face of changing ideas, interests and domestic and international circumstances. This chapter has also argued that during the 1980s a number of Australian policy-makers believed that it was necessary to embark on a comprehensive program of market-based economic reform in order to achieve economic success and prosperity in a dynamic and rapidly changing international economic environment,. This resulted in the adoption of a neoliberal approach to public policy by Labor in the 1980s and the institutionalisation of a neoclassically-inspired neoliberal policy paradigm by both of the major parties in the 1990s and beyond. Accompanied by a deliberate and overarching attempt by both of the major parties to diffuse neoliberal ideas and values and promote the development of an 'enterprise culture' in Australia, these developments contributed significantly to the

rise of a neoliberal policy paradigm and discourse which, the author contends, acts to constrain the range of alternatives available to governments and other actors in contemporary Australian society by structuring the bounds of the possible.

PART 2: AN EMPIRICAL ANALYSIS

CHAPTER 4

NEOLIBERALISM AND THE DISCURSIVE HEGEMONY OF NEOCLASSICAL ECONOMICS: A CASE STUDY OF THE 2004 AUSTRALIAN FEDERAL ELECTION CAMPAIGN

4.1 Introduction

This case study represents an attempt to examine the broader discursive milieu from within which Commonwealth public policy in Australia is formulated through an analysis of the 2004 Australian federal election campaign. It is argued that the 2004 campaign provides a striking example of the way in which the economic discourse that is the subject of this dissertation acts to constrain the range of policy alternatives that can be considered by the major parties and others in contemporary Australia. Following an overview of the campaign itself, an analysis is presented which suggests that ‘economic credibility’ (defined in conservative, neoclassical/neoliberal terms) is viewed by both of the major parties in Australia as a prerequisite for electoral success and that much of the rhetoric which is espoused in relation to the issue of economic management is designed to accommodate the exigencies of the economic discursive milieu from within which they presently compete. Moreover, it is suggested in this chapter that the 2004 election campaign is indicative of the degree to which Australian society is underpinned by an economic and materialistic *raison d’être* and the wider discursive climate’s hostility to any kind of policy mantra (or worldview) that seeks to advance policy options that do not accord with the prevailing economic ethos.

4.2 Background and Context

On 29 August 2004, Australian Prime Minister John Howard announced that a general election would be held on 9 October. From the outset, the Prime Minister sought to prescribe the political and discursive terrain on which the campaign would be contested, stating boldly that ‘This election...will be about *trust*’ (Howard 2004 emphasis added). It quickly became evident, however, that Howard was not seeking to appeal to the electorate’s faith in his Government’s capacity for truthfulness nor its

reputation for honesty; both of which were, by practically any measure, highly dubious by mid-to-late 2004.

Indeed, in the lead up to the poll, questions pertaining to the Prime Minister's trustworthiness loomed large as a result, *inter alia*, of allegations that the Government (and the Prime Minister in particular) had lied to and/or misled the Australian people in relation to a number key issues since coming to power in 1996. Foremost among such allegations was that the Prime Minister had knowingly misled the Australian public in relation to the question of whether or not the children of a group of asylum seekers had been 'thrown overboard' by their parents in order to ensure rescue by the Royal Australian Navy and thus, passage to Australia in 2001 (i.e. the 'children overboard' affair). Fuelled by the resignation of Office of National Assessments (ONA) intelligence analyst (and former Lieutenant-Colonel) Andrew Wilkie (who suggested in March 2003 that 'Iraq [did] not pose a security threat to any other country at [that] point in time', Wilkie in McGrath 2003) and the absence of Weapons of Mass Destruction in Iraq, critics also suggested that the Howard Government had 'sexed-up' intelligence reports it received from the ONA in order to justify Australia's involvement in the impending US-led war on Iraq (Jennett 2003).

Significantly, speculation in relation to the first of these allegations intensified when, on 16 August 2004, Mike Scrafton (a former adviser to the Defence Minister in 2001, Peter Reith) revealed that he had repeatedly informed the Prime Minister 'that there was no evidence that there were children thrown overboard' (Scrafton in Jennett 2004), despite the Prime Minister's support for claims made by Immigration Minister, Phillip Ruddock, that this had in fact, occurred. Noteworthy here is that both in the lead up to, and during the 2004 federal election campaign, concerns pertaining to the Prime Minister's trustworthiness were clearly reflected in survey/poll data, with the 2004 Australian Election Study (AES) recording a 10 percentage point drop (from 2001) in the number of people who believed 'honesty' to be one of John Howard's qualities (Bean and McAllister 2006: 613). A Newspoll released on 7 September 2004 also revealed that only 29 percent of voters trusted John Howard to tell the truth, in comparison to 40 percent who believed that opposition leader Mark Latham could be trusted (Newspoll/*Australian* 2004).

The Prime Minister was therefore seeking to appeal to the Australian electorate's *confidence* in his government's ability to maintain and sustain the broader economic conditions under which the Australian 'nation'¹ could prosper; irrespective of whether or not it had misled (or been perceived to have misled) the Australian people in relation to several key issues during its time in office. As Howard suggested in his opening statement of the campaign:

This election, ladies and gentlemen, will be about trust. Who do you trust to keep the economy strong and protect Australian living standards? Who do you trust to keep interest rates low? Who do you trust to lead the fight on Australia's behalf against international terrorism? Who do you trust to keep the budget strong so that we can afford to spend more on health an education? (Howard 2004).

Perhaps predictably, the then opposition leader Mark Latham sought to appeal to a more traditional and, arguably, less nuanced interpretation of 'trust':

I can agree with the Prime Minister in saying the election is about trust ...people don't trust this government anymore, with good reason. It is a Government that has been dishonest for too long. It is a Government that has acted deceitfully for too long (*ABC News* 2004).

In addition to their respective emphases on (and interpretations of) the importance of 'trust', both of the leaders (in their opening statements of the campaign) sought to highlight their economic credentials whilst deriding those of the other and depicting their counterpart as a 'threat' to the living standards of 'Australian families'. For the Government, this meant taking credit for having 'delivered' a 'strong, robust and competitive economy' in the eight-and-a-half years since coming to power while suggesting that a Labor government would put upward pressure on interest rates through fiscal irresponsibility and 'hand back' control of the industrial relations system to the union movement:

...we have created 1.3 million new jobs...wiped \$70 billion off the debt we inherited from the former Labor Government...seen interest rates...fall to 30-year lows and delivered real wage increases...of some 14 percent (Howard 2004).

¹ The term 'nation' is placed in quotation marks here because of the extent to which wealth and prosperity are unevenly distributed in Australia (see ACOSS 2001, 2003 and Kelly 2001).

For Labor, this manifested in the form of criticism of the Howard Government's \$52 billion 'spending spree' and a 'pledge' to promote lean and efficient government, keep the budget in surplus, reduce expenditure and taxation as a proportion of GDP and put downward pressure on interest rates (*ABC News* 2004; McGrath 2004).

Other issues highlighted by both of the major parties at the outset of the campaign included health (in particular Medicare), education and national security. While Howard's remarks in relation to health and education were essentially limited to the relationship between the provision of such services and a strong budgetary and economic position (i.e. the degree to which the former is dependent on the latter), Latham appeared determined to put these issues at the centre of the campaign. Speaking of the need to 'restore' Medicare, ensure universal public health care for Australians and create a 'ladder of opportunity' when it comes to education, Latham emphasised the importance of both early childhood development and affordable higher education opportunities for Australians, as well as the need to 'invest' more in education and health care (*ABC News* 2004; Bongiorno 2004).

Though referred to by both of the leaders in their opening statements, comments pertaining to the issue of national security were limited largely to the suggestion that the party represented by each leader could protect Australia more effectively than the other if elected. This was despite the controversy surrounding Australia's participation in the US-led War in Iraq 15 months earlier and polls which suggested that a majority of Australians (almost 70 percent) believed that the Prime Minister had misled them in relation to the reasons for Australia's participation in the War (Riley 2003). Indeed the somewhat conspicuous absence of more detailed comments pertaining to national security as an election issue by both leaders foreshadowed the issue's comparatively low profile during the campaign, despite the bombing of the Australian embassy in Jakarta on 9 September 2004 (Bean and McAllister 2006: 607-608).

4.3 The 2004 Australian Federal Election Campaign: Key Issues

4.3.1 Interest Rates, Taxation and Australia's '\$800 billion economy'

Interest Rates

It is legitimate and fair to claim that interest rates will be higher under a Labor government. That's the biggest risk of all to middle Australia.

Prime Minister John Howard,
7.30 Report,
8 September 2004.

If one particular issue could be said to have dominated and defined—indeed *symbolised*—the federal election *campaign*² of 2004 it was interest rates. Contested as it was in the midst of a sustained housing boom (or housing affordability crisis, depending on one's economic position/interpretation; see Chapter 6, section 6.6.1) and unprecedented levels of household debt³, the issue of interest rates loomed large from the outset and remained at the heart of the debate pertaining to which of the major parties could better 'manage' the Australian economy (itself a central theme of the campaign, discussed below). The issue of interest rates or, more specifically, the issue of under which party interest rates would remain lower also comprised the cornerstone of the Coalition's bid for re-election (as evidenced by Howard's opening campaign gambit, discussed above). This was reflected not only in Coalition rhetoric and advertising but in the campaign slogan which adorned the lectern of the Prime Minister and other senior members of government throughout the campaign: 'Keeping Interest

² The word *campaign* is placed in italics here for two reasons. First, it is necessary to distinguish between the 2004 Australian federal election *campaign* (as a high profile discursive contest between multiple political parties and others who were seeking to influence the decision making patterns of voters in the lead up to the national poll) and the *election* itself which was held on 9 October 2004. Second, there is evidence to suggest that many of the issues that were identified by the major parties as being of primary concern to the electorate (and which consequently dominated the campaign) were not necessarily thus. Only 9 percent of those who participated in the Australian Election Study (AES), for example, identified interest rates as the issue with which they were primarily concerned compared with 30 percent who identified 'health and medicare' and 16 percent who identified 'taxation' (Bean and McAllister 2006: 607; see also Bean and McAllister 2005). And yet, as we shall see, it was interest rates (and economic management more broadly) that became the totemic issues of the campaign. Thus, in suggesting that the 2004 *campaign* was dominated and symbolised by the issue of interest rates, I am not necessarily suggesting that this issue was decisive in terms of the *election* itself.

³ Writing in relation to the dynamics of the campaign, in September 2004 *The Economist* noted that between 1996 and the end of 2003, household debt in Australia rose from an average of 85 percent of disposable income to 140 percent (*The Economist* 2004). See also Gartrell 2004; Keen 2007; Khadem 2007.

Rates Low'. This compelled Labor to respond with a 'Low interest rate guarantee', the basis of which was a series of policies designed to put downward pressure on interest rates. Pledging to keep the budget in Surplus for the duration of the next parliament along with a reduction in net public debt, Labor also promised a reduction in Commonwealth government expenditure (as a proportion of GDP) and better 'value for money' for taxpayers (Latham in McGrath 2004).

In many ways the centrality of interest rates as an issue of the 2004 campaign is hardly surprising. Though comparatively modest by recent historical standards (the cash rate at the time of the campaign was 5.25 percent, RBA 2008), four interest rate rises since 2001⁴ combined with comparatively high rates of home ownership by OECD standards (at around 70 percent, Productivity Commission 2004: 33), a sustained housing boom⁵ and particularly high levels of household debt⁶ rendered much of the electorate sensitive to the prospect of Commonwealth government policies that might conceivably place upward pressure on interest rates.⁷ Perhaps more important, however, was the Coalition's perception (consistently reinforced by the polls⁸) that many in the electorate perceived Labor as poorly equipped to manage the economy when compared with their coalition counterparts. Combined with the fact that interest rates had (as the Coalition continued to remind voters) peaked at more than 17 percent during the Hawke-Keating period of Government, it is by no means surprising that Howard and the Coalition attempted to put interest rates at the forefront of the campaign.

⁴ Between 2001 and 2004 the RBA cash rate target went from 4.5 to 5.25 percent (RBA 2008).

⁵ See Barber 2003.

⁶ See footnote no. 4.

⁷ Noteworthy in respect to this particular point is that, despite the major parties' pledges to put downward pressure on interest rates (and the Coalition's repeated suggestions that interest rates would be higher under a Labor government), many high profile economists agreed that interest rates were likely to rise regardless of who won government and that, with respect to that particular issue at least, it didn't matter which of the major parties won government (ABC News 2004; Gordon 2004).

⁸ On the question of which of the leaders was 'more capable of handling Australia's economy', voters clearly preferred Howard to Latham in the lead up to the election. Between December 2003 and September 2004, for example, a series of polls conducted by Newspoll/*Australian* suggested that, on average, more than 55 percent of voters believed that Howard was more capable of managing Australia's economy, while less than 25 percent (on average) believed that Mark Latham would be the better economic manager (Newspoll/*Australian* 2004a).

Taxation

Another pivotal issue over which the 2004 campaign was contested was taxation. Labor's \$11 billion tax and family policy was announced on 7 September and involved a range of reforms designed to 'take the financial pressure off Australian families' and 'ease the squeeze' on 'middle Australia' (Latham 2004). Deriding the Government's failure to provide tax relief to those on less than \$52,000 a year in the May 2004 budget, Labor promised tax cuts of up to \$416 a year (or \$8.00 a week) for those in this category and the abolition of the Family tax benefit A and B (to be replaced by a single payment under which, according to Labor, 'nine out of ten Australian families currently receiving family payments would be better off', Latham 2004). Labor also signalled its intention to raise the top marginal income tax threshold from \$80,000 to \$85,000 a year and reduce the rate of taxation on superannuation contributions from 15 to 13 percent over three years. Emphasising the importance of 'hard work' and the need to facilitate the transition from 'welfare to work', Latham argued that Labor's policy would make the Australian taxation system more 'internationally competitive' as well as provide 'significant incentives for low income Australians to work more' (Latham 2004).

Disputing the validity of Labor's figures and labelling its claims that nine out of ten Australian families receiving family payments would be better off under Labor 'deceptive' (Costello 2004), on 9 September the Coalition announced that if re-elected it would introduce a mature aged worker tax offset. Designed to encourage mature age workers to stay in the workforce, the offset would provide a rebate of up to \$500 to those aged over 55 earning less than \$58,000 per annum (Howard 2004a). This, the Coalition argued, was part of a broader strategy to deal with the challenge of Australia's ageing population; by 'boost[ing] economic growth...increasing productivity and improving labour force participation' (Howard 2004a: 2).

Economic Management, 'Learner Latham' and 'Australia's \$800 billion Economy'

The central question of the 2004 election was: who do you trust to manage Australia's \$800 billion economy? (Southcott 2004).

In accordance with their attempt to ensure that economic issues remained at the fore, throughout the six weeks of the campaign the Coalition conducted what Carney (2004) describes as a 'ceaseless assault' on Latham's economic credibility and

character; presenting both Latham and the Labor party more broadly as a 'risk' to the Australian economy and Australian standards of living. One of the most visible examples of this throughout the campaign were billboard (and other) advertisements which suggested that Mark Latham was an inexperienced economic manager (see Figure 2). Such advertisements were anything but subtle, with a message under Mark Latham's photograph reading: *Latham and the Economy: Good Luck!* To emphasise the point, the Coalition depicted the first letter of Mark Latham's surname as an 'L-plate' (as used by Australians when they are learning to drive). This was in addition to a sustained critique of Mark Latham's management of Sydney's Liverpool City Council between 1991 and 1994 (during which time Latham was Mayor). Releasing a 30-page 'dossier' that was highly critical of Latham's 'record' (as the Coalition saw it) as Mayor of the Council, the Coalition sought to attack Latham's economic credentials by highlighting his political and vocational 'inexperience'. As Liberal Senator Nick Minchin suggested when releasing the Dossier:

...it is our contention that he's probably the least experienced candidate for Prime Minister in Australia's history...he's never been a minister in government, he's never had a private sector job and he's never run a business. His only experience as far as we can tell, is the three years he's spent as mayor of a suburban council in Sydney (Minchin in Yaxley 2004).

Treasurer Peter Costello went a step further, suggesting that the federal government was likely to end up in 'receivership' under Mark Latham's stewardship (*Sydney Morning Herald* 2004).

In response to the Government's claims, Labor, along with much of the mainstream media, seized on the Government's \$6 billion 'spending spree' (announced at the Coalition's policy launch on 26 September), labelling it 'breathtakingly irresponsible' (McMullan in Jones 2004) and calling John Howard 'the six billion dollar man, a bionic vote-buying machine' (*Sydney Morning Herald* 2004a). Backed by the release of an Access Economics report which warned that the Government's inordinate level of spending (the highest levels of spending seen since the 1970s with the exception of the recession) could put upward pressure on interest rates (*Sydney Morning Herald* 2004), Labor attempted to capture the economic high ground; promising to spend less

than the Coalition and emphasising the importance of budget surpluses and ‘responsible economic management’ (Latham 2004a).

Figure 2: Coalition Political Advertisement 2004

NOTE:
This figure is included on page 128
of the print copy of the thesis held in
the University of Adelaide Library.

Source: Photo in the public domain. Reproduced with permission.

One of the peculiarities of the campaign was the Coalition’s ongoing reference to the size/value of the Australian economy. Designed to highlight both the scale of the (economic) management task required by any future government and the risks associated with voting Labor, the Coalition repeatedly referred to the fact that Australia possessed an ‘\$800 billion economy’ and that managing it was a ‘serious business’ that carried direct consequences for individual Australians (Costello 2004a). Referring to the figure five times in a single doorstep interview, Treasurer Peter Costello argued that:

Managing the \$800 billion Australian economy is a serious business and if you get it wrong, people’s mortgages are at risk, their businesses suffer and ultimately they lose their jobs. In this election people have got to think very carefully about who is best qualified to manage the \$800 billion Australian economy...(Costello 2004a).

Also used extensively in Coalition advertising, this was unprecedented in recent Australian election campaigns and reflected the centrality of the economy as an issue during the 2004 campaign. Indeed as Liberal parliamentarian Andrew Southcott (2004) remarked in November 2004, 'The central question of the 2004 election was: who do you trust to manage Australia's \$800 billion economy? I think now at quiz nights...people always know what the exact size of our GDP is'.

4.3.2 Health Care, Education and the Environment

Health Care

Another particularly high profile issue of the campaign was health care and, in particular, the issue of Medicare.⁹ Announcing their policies on 6 September, both of the major parties promised to make health care 'more affordable' for Australians by increasing the Medicare rebate for GP services from 85 to 100 percent of the scheduled fee (Brissenden 2004). Designed to lift rates of bulk-billing and restore 'universality' to the Medicare system, the initiatives (costed at \$3.4 and \$1.8 billion by Labor and the Coalition respectively) would essentially provide doctors with an extra \$5 per bulk-billed patient (Brissenden 2004). Whereas the Coalition signalled its intention to raise the Medicare rebate from 85 to 100 percent for *all* consultations (whether or not they were bulk-billed), under Labor's plan, *only* bulk-billed consultations would receive the additional 15 percent rebate, leading to claims by the Coalition that it was a 'better friend' of Medicare than the Labor Party. In response, Labor suggested that the Government's plan would lead to a 'two-tiered' system of health care (Brissenden 2004). In addition to the above, in the latter stages of the campaign (29 September) Labor announced that under a Latham Labor government, the Commonwealth would assume responsibility for the hospital costs of Australians aged 75 years and over and 'guarantee' them a public or private hospital bed 'whenever they need[ed] one', with no waiting lists (Jennett 2004a). Labelled 'Medicare gold', the proposal was essentially designed to nationalise health care for elderly Australians (i.e. those over 75) and thereby reduce overall private health insurance premiums by taking out some of the 'heaviest users' (Jennett 2004a).

⁹ Indeed on 29 September 2004 opposition leader Mark Latham even went so far as to suggest that the election was 'a referendum on the future of medicare' (Jennett 2004a).

Education

Much of the debate in relation to education throughout the campaign centred on Labor's controversial schools funding policy. Announced at the height of the campaign (14 September 2004), Labor promised to re-direct \$520 million in Commonwealth funding from 67 of Australia's wealthiest private schools to some 2,500 independent/non-government (largely catholic) schools deemed in need of higher Commonwealth funding. In conjunction with an additional \$1.9 billion in Commonwealth funding for public schools over five years, Labor claimed that its policy was 'about making sure that the allocation of resources is fair' (Macklin in Jones 2004a).

Though welcomed by many in the catholic and public school sectors, the policy drew criticism from the Coalition and a number of other organisations (such as the Association of Independent Schools of Victoria) who labelled the redistribution a form of 'class warfare' (Schubert and Guerrera 2004). Labor, however, defended its policy by arguing that Commonwealth funding should be allocated 'on the basis of need' and used the example of Kings College—an elite private school in Sydney whose Commonwealth funding had increased by more than 200 percent in the four years prior to the 2004 election—to highlight the disparity between Australian schools that enjoyed first class educational facilities (such as rifle ranges, swimming pools and museums) and those who were under-resourced (Macklin in Jones 2004).

In addition to its 'Great Australian schools' package (ALP 2004), Labor pledged create a further 40,000 University and TAFE places (20,000 respectively), reverse the Government's planned 25 percent increase in HECS fees and scrap '\$100,000 University degrees' (Latham 2004a). In respect to higher education, the Coalition promised to provide an additional \$2.6 billion over five years to the higher education sector (Sexton 2004) and establish a network of (24) technical colleges 'to accelerate national skills development in traditional trades' and provide an alternative for many of 'the 70% of young Australians who do not go directly to university when they leave school' (Howard 2004b: 6).

The Environment

Though environmental issues like climate change, water and renewable energy were topical throughout the campaign, dominating the campaign from an environmental viewpoint was the issue of Tasmanian old-growth forests. Rising to prominence in the (crucial) final week of the campaign, the issue ignited a wave of controversy when, in a bid to secure green preferences (both in Tasmania and on the mainland), Mark Latham announced that a Labor government would protect up to 240,000 hectares of old-growth Tasmanian forest and invest \$800 million to help forestry workers secure new employment opportunities (Latham 2004b). Though comparatively well received by the Greens and the wider environmental lobby (Peatling, Metherel and Darby 2004; Age 2004), the policy provoked an angry reaction from Tasmanian timber workers, unions and the Tasmanian logging industry; all of whom viewed Labor's plan as a threat to the ongoing viability of their sector. Seizing on the dissatisfaction expressed by the affected parties¹⁰ (many of whom came from Labor's traditional support base¹¹), on 6 October the Prime Minister addressed more than 3,000 (cheering) forestry workers in Hobart. Unlike Latham, Howard pledged to protect only 170,000 hectares of old-growth forest (much of which, critics suggested, was not scheduled for logging in any event; see Koutsoukis *et al.* 2004) whilst largely preserving the status quo and thereby providing 'certainty' to the industry.

In many respects the electoral impact of the Tasmanian forests issue cannot be overstated. As journalist Annabel Crabb suggested in her analysis of the campaign:

The television images of Howard being greeted as a workers' hero bit deeply into the final week of the campaign, and Labor's hopes of a solid week promoting its 'ease the squeeze' message for families evaporated amid internal recrimination and accusations that Latham had betrayed Tasmania (Sydney Morning Herald 2005).

¹⁰ In response to the announcement by Labor on 4 October, full-page, pro-government advertisements were placed in major Tasmanian newspapers (such as *The Examiner*) by organisations such as the Forest Industries Association of Tasmania and Timber Communities Australia. Whereas the advertisements lauded the Prime Minister for 'keeping his word' (in respect to the Regional Forest Agreement 1997), they derided Mark Latham; accusing him of 'locking up' forests and destroying 'thousands of jobs' (Bennett 2005: 20-21).

¹¹ At the time of the 2004 election campaign Labor held all of Tasmania's five seats in the House of Representatives.

Indeed largely as a result of the issue of old-growth forests, the 2004 election saw the Liberal party gain two of Tasmania's five federal seats (Bass and Braddon) and record two-party preferred swings against Labor in those seats of 4.69 and 7.09 respectively (AEC 2004, 2004a). It also became evident in the early stages of counting on October 9 that the green preferences that Latham and Labor were hoping to secure in Tasmania and on the mainland as a result of their forestry policy failed to materialise (Bean and McAllister 2006: 616-617).

4.3.3 Polls, Minor Parties and Other Issues

Polls

Though immediately prior to the onset of the campaign the polls augured well for Latham and Labor, it soon became evident that the electorate's flirtation with the possibility of a Latham-led Labor government may not be enough to unseat the incumbent Howard Government (Bennett, Newman and Kopras 2005: 10). While on a two-party preferred basis the margin between the two parties was comparatively slim (even slightly favouring Labor), the Coalition's *primary* vote remained significantly higher than Labor's throughout the campaign (the gap widening to 7 percentage points approximately one week prior to the election i.e. October 1-3) and this disparity (according to a number of commentators) suggested that 'the Government was always likely to be victorious' (Bennett, Newman and Kopras 2005: 10). Despite the strength of the Coalition's first preference vote however, throughout the campaign, 'the impression conveyed through the media and polling bodies throughout the election campaign was that the election race was virtually too close to call' (Bennett, Newman and Kopras 2005: 11). Bennett, Newman and Kopras (2005: 11) attribute this to the media's focus on two-party preferred figures and argue that many observers failed to acknowledge that the ALP's primary vote 'remained in the trough it had been in since before the 1996 Commonwealth election'. As a result, Labor recorded its lowest primary vote since 1934 (Bennett, Newman and Kopras 2005: 17).

Minor Parties

Along with the discursive and electoral impact of the Greens and the Australian Democrats (Australia's two most influential minor parties over the past three decades), the 2004 campaign witnessed the emergence of a new force in minor party politics:

The Family First Party. Espousing socially conservative ‘family values’¹² and linked to Assemblies of God churches in South Australia and elsewhere (Manning 2004), the party fielded candidates in electorates across Australia and secured more than 2 percent of the national vote in the House of Representatives (as well as a Senate seat in Victoria) (Bennett, Newman and Koprass 2005: 50). Faring comparatively well too were the Australian Greens whose primary vote in the House of Representatives rose 2.2 percent (from 2001) to 7.2 percent in 2004 (Bennett, Newman and Koprass 2005: 17). The Greens also managed to secure two additional seats in the Senate despite being the target of a series of advertisements by Family First and others who labelled their policies ‘extreme’.¹³ This was in contrast to the electoral fortunes of the Australian Democrats whose vote ‘collapsed’ at the 2004 election in the wake of highly publicised internal in-fighting (Newman 2005). As always, however, the discursive and electoral impact of the minor parties was substantial due to Australia’s preferential system of voting.

Other Issues

In addition to the issues of interest rates, taxation, the economy, health care, education and the environment, the 2004 campaign brought a host of other controversial issues to the fore. One such issue was national security. Thrust into the spotlight as a result of the bombing of the Australian embassy in Jakarta on 9 September 2004¹⁴, this was a dominant theme of the one and only campaign debate between John Howard and Mark Latham held only three days later; a debate which most believed Mark Latham to have won despite the fact that much of the debate took place on discursive terrain traditionally considered a coalition strength i.e. national security (see Bean and McAllister 2006: 608; 610-611).

¹² Throughout the campaign, exactly what was meant by this phrase remained largely unclear. For example, in response to the question: ‘What does Family First stand for?’, founding member Andrew Evans replied: ‘Well, in a short way, we could say anything that helps the families, we’ll support. Anything that hurts families, we will oppose. So, if they put bills up that are hurtful to families, we would say, “No, we’re not interested”’ (Hutchison 2004). Mr Evans’ reply was indicative of many such statements pertaining to what was meant by this phrase.

¹³ In having suggested that the Australian Greens ‘fared well’ in the 2004 election, it is noteworthy that Greens leader Bob Brown’s prediction of one million votes did not eventuate, with the party’s vote tally reaching 841,734 votes (Bennett, Newman and Koprass 2005: 17).

¹⁴ The explosion, which came from a van parked outside of the Australian embassy, killed 9 people and wounded more than 150. No Australians were killed in the blast.

Other issues discussed throughout the campaign included the possibility of a Howard/Costello leadership transition post-2004 (i.e. ‘Is a vote for Howard a vote for Costello?’)¹⁵, the question of Australia’s ongoing involvement in the US-led War in Iraq (Latham promised to ‘bring the troops home by Christmas’ while Howard warned against ‘cutting and running’)¹⁶ and the need for any future government to provide more assistance to parents in need of child care¹⁷. Moreover in a bid to connect with voters and their concerns, Labor leader Mark Latham also organised and participated in a number of ‘community forums’/‘town hall style’ meetings across the country in the lead up to and during the election campaign. Perhaps the most controversial event of the campaign, however, was the notorious ‘handshake’ between John Howard and Mark Latham. Encountering one another at radio station 2UE on the eve of the election, Mark Latham engaged John Howard in what many described as an overly aggressive handshake (i.e. appearing to try and intimidate the Prime Minister). According to some, this swayed a number of voters who were already hesitant to support Mark Latham on October 9 (Loughnane in Gilmore 2004).

4.3.4 The Result

Despite speculation about the possibility of an ALP victory and the insistence (by some in the media)¹⁸ that the outcome remained too close to call both up to and during the poll, 9 October saw the Howard Government re-elected with an increased majority in the House of Representatives and control of the Senate as of 1 July 2005.¹⁹ Winning a total of 87 seats in the House (Liberal: 74; National: 12; Country Liberal Party: 1) and 19 of the 40 seats contested in the Senate (taking its total to 39 seats in the upper house as of 1 July 2005), the Coalition *gained* a total of 5 seats in the House of Representatives and benefited from a +3.7 percent swing in that chamber along with a +3.26 percent swing in the Senate (Bennett, Newman and Koprass 2005: 50; 107). The Coalition was also the beneficiary of a particularly strong first preference vote of 40.5

¹⁵ Despite questions pertaining to this issue, Howard continued to reiterate that he would remain leader for as long as his party wanted him to (see Howard 2004).

¹⁶ At the time of the campaign Australia had approximately 850 combat troops in Iraq.

¹⁷ Whereas the Coalition promised a 30 percent rebate for all ‘out-of-pocket’ child care costs, Labor pledged to create an additional 14,500 child care places and one free day of child care per week for 3 and 4 year olds (Bowden 2004).

¹⁸ See Hartcher 2004 and Shanahan 2004.

¹⁹ Significantly, the 2004 election saw the Howard Government become the first to attain a majority in the Senate (and therefore control) since 1981.

percent and a two party preferred vote of 52.7 percent (Bennett, Newman and Kopras 2005: 17; 99).

This was in stark contrast to the electoral fortunes of Labor whose primary vote, at 37.6 percent, was the lowest recorded since 1934 (Bennett, Newman and Kopras 2005: 5). Winning a total of 60 seats in the House of Representatives and recording a net loss of 5 seats, the ALP received 47.3 percent of the two-party preferred vote and suffered a 1.8 percent swing against it on a two-party preferred basis (Bennett, Newman and Kopras 2005: 99). And while the decline in the ALP's first preference vote was less pronounced (at 0.2 percent), this was arguably attributable to the fact that Labor's primary vote was already low; having attained less than 40 percent at every election except one between 1990 and 2004 (Bennett, Newman and Kopras 2005: 5). As suggested above, the 2004 election was a 'mixed bag' for the minor parties, with the Greens gaining two additional Senate seats (taking their total to four) and Family First candidate, Steve Fielding, securing a Senate seat in Victoria. The three sitting independent members of the House of Representatives, Peter Andren, Tony Windsor and Bob Katter were also returned (Newman 2005) while the Australian Democrats recorded swings against them of more than 4 percent and 5 percent in the House of Representatives and Senate respectively and failed to win a seat (Bennett, Newman and Kopras 2005: 50; 107).

Given that the Government was able to increase the percentage both of its primary and two-party preferred votes, its number of seats in the House of Representatives and gain control of the new Senate, the 2004 election outcome could be described as a *resounding* victory for the coalition and a tacit endorsement of the Howard Government's campaign, policies and record leading up to and during that period. The following section examines the campaign from the perspective of the theoretical framework that was outlined at the beginning of this dissertation and suggests that the 2004 election campaign (and consequent coalition victory) can tell us a great deal about the wider ideological and discursive environment from within which Commonwealth public policy is formulated as well as the extent to which this environment acts to constrain the development of alternative policy options in contemporary Australia.

4.4 The 2004 Australian Federal Election Campaign: A Framework Analysis

4.4.1 'It's the Economy, Stupid'²⁰: Economic Conservatism and the Centrality of Economic Management

Economic management is the linchpin of the Coalition's bid for a fourth term in office.

Paul Starick, 'Economics Will Decide Result', *Advertiser*, 7 October 2004.

Ultimately, the Coalition won the election because they had a highly popular leader who had presided over a period of sustained economic growth.

Clive Bean and Ian McAllister, 'Leaders, the Economy or Iraq? Explaining Voting in the 2004 Australian Election', *Australian Journal of Politics and History*, Vol. 22, No. 4, 2006, p. 604.

The first step towards victory in 2007 is to build a credible economic message.

Tim Gartrell, ALP National Secretary and 2004 Campaign Director, *National Press Club Address*, 9 November 2004.

While the Coalition's victory in 2004 can undoubtedly be attributed to a complex array of electoral variables (a number of which have been discussed in this chapter), there is little doubt that, in the wake of its defeat, a number of (senior) Labor party insiders *believed* that it was the ALP's inability to counter the Coalition's 'scare campaign' in relation to interest rates (specifically) and economic management (more generally) that cost them the election. In a speech to the National Press Club on 9 November 2004, ALP National Secretary and 2004 campaign director Tim Gartrell suggested that ultimately, Labor 'failed to lock horns with the Coalition on the vital ground of

²⁰ Emerging in the United States in the early 1990s, the phrase 'It's the economy, stupid' was one of a number of (internal) campaign slogans that was used by Clinton campaign strategist James Carville to keep the presidential candidate 'on message' during the 1992 presidential campaign. Along with the slogans 'Change vs more of the same' and 'Don't forget health care', the phrase, which was designed to ensure that the issue of the economy remained central to the campaign, was allegedly placed on the wall in Clinton's campaign headquarters in Little Rock, Arkansas and has since become a metaphor for the importance/centrality of economic issues in modern elections (Alleyne 2008).

economic management' and 'dispel the myths [propagated by the Coalition] about interest rates'. Speaking of the need to 'argue' Labor's 'economic credentials' more forcefully over the next three years, Gartrell contended that Labor had but two options: 'turn inward and fade into electoral irrelevance' or 'unite and sell a strong message on the economy, on national security and on the provision of the health and education services this country needs'. Indeed in Gartrell's view, 'the first step towards victory in 2007 [was] to build a credible economic message' (Gartrell 2004).

This sentiment was echoed by a number of high profile ALP figures in the wake of Labor's election loss. In a speech to the Fabian Society on 21 February 2005 entitled *Rebuilding Labor's Economic Credibility in the Suburbs*, the then Labor shadow treasurer Wayne Swan attributed the election result to 'the collective failure of [Labor's] policy and campaign architecture at all levels to take into account the importance of the economy to the decisions people make in the privacy of the polling booth' (Swan 2005). Emphasising Labor's 'renewed commitment' to 'framing an agenda that takes into account the critical importance of the economy', Swan suggested that in order to 'turn [Labor's] electoral fortunes around', it needed to 'rebuild [its] economic credibility in the suburbs' and make 'good economic management' its 'great passion' (Swan 2005). Mark Latham also acknowledged the need to improve Labor's 'economic credentials' in particular (Latham in Jones 2004b), while another Labor official noted that the 2004 election saw Labor pay an 'incredible price' for failing to adequately address the issue of economic management (Carney 2004a).

In the immediate aftermath of the election, many commentators agreed. On 11 October 2004, the *Age's* Shaun Carney (2004a) suggested that 'large segment[s]' of the electorate' that were still undecided on the eve of the election 'appeared to shift en masse to the Coalition, almost solely on the question of economic competence'. Ross Gittins concurred, arguing in an article entitled 'Labor's fatal error was its failure to defend its economic record' that:

This election, like almost all federal elections, was primarily about the economy. John Howard won it because the economy is booming...So Labor's chances of winning were never high. But the reason it lost so badly is because it was crazy enough to

imagine it could get way without mentioning the economy (Gittins 2004).

But mention the economy, it did. Indeed, despite the validity of claims made by Labor party insiders, academics and members of the commentariat that in 2004 Labor failed to *convince* voters that it could be ‘trusted’ to ‘manage’ the Australian economy, it is inaccurate to suggest that Labor was completely remiss in relation to issue of economic management and interest rates. On the contrary, throughout the campaign Labor worked hard to strengthen its economic credentials and depict itself as a party of responsible economic managers—however unsuccessfully.

Evidence of the ALP’s attempt to strengthen and consolidate its credibility in relation to economic management during the 2004 campaign is abundant. In addition to its ‘low interest rate guarantee’ (discussed above), its pledge to promote ‘lean and efficient’ government, budget surpluses (for at least three years) and a reduction in government expenditure as a proportion of GDP (Latham in McGrath 2004; Latham 2004c), Labor continued to emphasise its commitment to ‘strong economic growth’, ‘high productivity’ and ‘financial responsibility’ (Latham 2004c). Indeed as suggested above, one of the primary means by which Labor attempted to counter the Coalition’s claims in relation to its own economic credibility was to label its spending commitments ‘irresponsible’ and adopt a *more conservative* position in relation to government spending (see McMullan in Jones 2004).²¹ Labor also moved to assure the business community that it was ‘pro-growth and pro-productivity’ (Latham in Lester 2004) and that its ‘transition to office would be steady and disciplined...[with] no adventurism [and] no cockiness’ (Latham 2004c). As *Lateline’s* Maxine McKew observed at the height of the campaign:

...what we’re seeing is the greatest role reversal of all time. The Government is out to prove it’s the warm and cuddly party, that it’s greener, that it’s a greater friend to Medicare and more compassionate to low income families. Labor, on the other hand, far from sounding Whitlamesque, is promising tighter fiscal discipline, [sic] it wants more people in the work place and it’s showing through its schools policy that it’s prepared to tackle significant areas of middle-class welfare (McKew 2004).

²¹ Indeed in a speech to the National Press Club on 6 October, Latham boasted that the Coalition had identified only \$2.3 billion in savings; an amount ‘Less than 10 percent of Labor’s policy’ (Latham 2004c).

Hyperbole notwithstanding, the fact that in order to demonstrate its economic credentials Labor felt compelled to adopt a *more* disciplined, restrained and conservative position in relation to spending (and economic management more broadly) than its 'conservative' political counterpart is revealing. It is indicative of the extent to which economic credibility, more than perhaps anything else, is viewed by both of the major parties as a prerequisite for electoral success.

But what is the criterion for economic credibility in contemporary Australia? How does one 'build a credible economic message' and what do the major parties in Australia mean when they say that they are the party of 'responsible economic management'? Former shadow (now) Treasurer Wayne Swan's 'golden rules' (outlined in the abovementioned speech) are as instructive in relation to these questions as Labor's 'five part' economic program outlined by Mark Latham during the 2004 campaign. According to Swan, there are a number of 'Golden rules' that 'must be stamped on the forehead of each shadow minister'. The first of Swan's rules is that 'the budget should be kept in balance over the economic cycle to take pressure off interest rates'. The second is that 'new spending should be *funded by cuts* and offsetting savings' and the third is that 'priorities for new spending *must* focus on *improving the productive capacity of the economy* and making us *more internationally competitive*' (Swan 2005 emphasis added).

This echoed Labor's 'five part' economic policy that it announced during the 2004 campaign. Predicated on the importance of *financial responsibility* (defined in terms of the need to keep the budget in surplus, reduce the size of government as a proportion of GDP, promote lean and efficient government and put downward pressure on interest rates), Labor argued that in order for Australia to prosper in the 'new economy', *economic incentives* were needed to increase work force participation, reward hard work and enhance 'performance and productivity'. To achieve this, Labor promised across-the-board tax cuts and incentives for people to move from 'welfare-to-work'. Indeed according to Latham, 'the best welfare policy [was] a job' and Labor argued that its policy would 'bring an extra 72,000 Australians...back into the real economy of work and enterprise' (Latham 2004c).

The third component of Labor's economic policy in 2004 was *investment in skills and productivity*. 'Education', Labor argued, was 'more than a social good...it [was] also the key to good economic policy'. Accordingly, education would be a Labor government's 'most important investment...An investment in our people and in the strength of our economy' (Latham 2004c). Labor also announced its intention to support small business (the fourth part of its plan) and reduce unemployment to less than five per cent by providing greater assistance to job seekers and creating 45,000 'new opportunities' (a combination of TAFE places, apprenticeships and jobs). This, Labor argued, would allow young Australians in particular 'to do something positive with their lives, to contribute to our economy' (Latham 2004c).

Both Latham and Swan's comments in relation to what constitutes correct, appropriate and *responsible* economic management in contemporary Australia are telling. While their disproportionate emphasis on the importance of interest rates could be viewed as a consequence of the profile of that particular issue both during and immediately after the election (and in the context of ongoing house price inflation), it is evident that, from Labor's perspective, *economic credibility* was (and is) bound inextricably to the adoption of a *conservative* economic mantra and that to be a responsible economic manager in contemporary Australia is to be an *economic conservative* in relation to key issues. Given the extent to which neoliberalism has displaced Keynesianism as the 'economic orthodoxy' of the West over the past three decades (see chapters 2 and 3), it is perhaps unsurprising that 'responsible economic management' is now defined overwhelmingly in neoliberal terms by both of the major parties. Accordingly, both promise tax cuts, budget surpluses, smaller, 'leaner' and more efficient government, fiscal 'discipline', economic incentives to increase workforce participation and policies designed to facilitate the transition from 'welfare to work'. They also emphasise the need for (ever) higher productivity, international competitiveness and of course, economic growth. All of the above comprise core axioms of neoliberalism and the (neoclassically-inspired) economic discourse with which it is associated in contemporary Australia (Richardson 1997).

With respect to the arguments presented in this dissertation, the major parties' commitment to both economic conservatism (presently defined in accordance with the prevailing neoclassical/neoliberal economic orthodoxy) and 'responsible' economic management is significant to the extent that it indicates the degree to which the former

has become synonymous with the latter in contemporary Australia. In other words, to be a ‘responsible’ economic manager in Australia is to be an economic conservative and, thus, a defacto proponent of neoclassicism/neoliberalism.²² Given the extent to which modern Australian election campaigns are about which of the major parties can be ‘trusted’ to manage the economy on behalf of the electorate (see Bean and McAllister 2006; Carney 2004a; Gittins 2004; Hay 2004; Howard 2004; Kerr 2009; Starick 2004), this means that ‘serious contenders for high office’ are unable to deviate (in any substantial way) from the conservative economic status quo—at least rhetorically—and remain economically credible (Hay 2004: 503). This radically constrains the extent to which alternative economic (and other) policy options can be entertained and largely negates the idea that there is any real ‘alternative’ to the party in government (as least with respect to economic policy). It locks the major parties into a straightjacket of economic conservatism and thereby ‘structures the bounds of the possible and impossible, the acceptable and unacceptable’ (Argy 2007; Finlayson *et al.* 2005: 520).

4.4.1.1 Paradoxes and Contradictions

In suggesting that the parties are locked into a straightjacket of economic conservatism, it is incumbent upon the author to point out that the major parties’ (and others’) rhetoric in relation to the issue of economic management does not always correspond to the reality of their policy commitments. This was apparent in 2004. While both of the major parties attempted to present themselves as ‘responsible’ economic managers and thus, economic conservatives, there is little doubt that their (and particularly the Coalition’s) enormous spending commitments (announced during the campaign) contradicted this claim to a certain extent. Indeed, in the wake of the Coalition’s official campaign launch on 26 September, economic forecaster Access Economics warned that despite claims to the contrary, the Coalition’s \$6 billion worth of spending commitments could put upward pressure on interest rates. Even more revealing was that organisation’s observation that the \$48 billion in new spending announced between May 2003 and September 2004 was the highest level of

²² According to journalist and author Annabel Crabb, during the campaign Labor even considered the possibility of announcing that it would enact legislation *mandating* budget surpluses in order to assuage voters’ concerns about ‘irresponsible’ and profligate spending by a Latham-led Labor government (Crabb in the *Sydney Morning Herald* 2005).

government spending that Australia had seen since the 1970s (excluding the recessionary period of the early 1990s) (*Sydney Morning Herald* 2004).

A number of other economists also expressed concern that in their quest to attain the economic and fiscal 'high ground' in 2004, the major parties were endorsing bad economic policy (Long 2004). According to Professor Julian Disney (in Long 2004) from the University of New South Wales, the major parties' commitment to maintaining a budget surplus (regardless of economic circumstances) was a form of 'bumper sicker economics' that had more to do with ideology and politics than good economic management. HSBC Chief Economist, John Edwards (in Long 2004), largely agreed, arguing that despite the claims of the major parties, under certain economic circumstances 'the budget should be allowed to go into deficit' as part of a wider economic stabilisation strategy. And yet as the ABC's finance correspondent Stephen Long (2004) observed in the midst of the campaign, in 2004 'deficit' was a dirty word.

Another peculiar feature of the 2004 campaign was the Coalition's *position* in relation to the *state* of the Australian economy. On the one hand, the Coalition continued to argue that 'all [of] the measurements indicate that this is a strong economy' and that it had 'delivered' a 'strong, robust and competitive economy' since coming to office in 1996 (Howard in Jones 2004c; Howard 2004). On the other hand, however, it repeatedly sought to suggest that individuals shouldn't consider voting for Labor *precisely because* Australia's economic situation was so precarious; *particularly* with respect to the issue of interest rates (Age 2004a; Hudson 2004).

These contradictions are significant to the extent that they highlight the disparity between *rhetoric* and *reality* in relation to the issue of economic management (and economic issues more broadly). While proclaiming their commitment to 'responsible economic management' (defined in conservative, neoclassical/neoliberal terms) and deriding the economic ineptitude of their opponents, the parties proceed to make large-scale spending commitments in order to satisfy the demands of an electorate increasingly accustomed to the tri-annual 'bidding war' that is the modern Australian election campaign. It is, however, equally important for the major parties to *be seen* to be acting in accordance with the prevailing economic orthodoxy which, in the early twenty-first century, means presenting oneself as an economic conservative who is

committed to tax cuts, budget surpluses, minimal government, more competition and other constituent features of neoclassicism/neoliberalism. In many respects, therefore, much of the rhetoric that the major parties espouse in relation to the issue of economic management is designed primarily to accommodate the exigencies of the economistic/neoclassical/neoliberal discursive milieu from within which they now compete.

4.4.2 Subordinating the Social

In terms of the election, economic management and interest rates won over Medicare, education and forests. Howard won over Latham.

Unknown political
commentator, Australia
Votes, Federal Election
2004, *ABC New Online*,
11 October 2004.

In any serious examination of the 2004 election campaign and its outcome, two interrelated questions inevitably arise. The first of these is why, in light of such obvious voter concern about issues like health and education (discussed below), was the 2004 *campaign* dominated by the issues of interest rates and economic management more broadly? With this question in mind, the second is why, in view of its position of relative strength in relation to issues like health and education, did Labor fail to secure an electoral advantage in 2004? Indeed, although it has been argued that the 2004 campaign saw a return to the pattern of pre-2001 Australian elections in which ‘the economy was the main battleground’ (Bean and McAllister 2006: 607), there is evidence to suggest that despite the extent to which the official *campaign* of 2004 (and political advertising in particular) was dominated by the issues of interest rates and economic management more broadly, voters themselves were, in fact, less concerned about interest rates than they were about health and education.

According to the 2004 Australian Election Study, for example, 30 percent of voters believed ‘health and Medicare’ to be the most important election issues while only 9 percent identified interest rates as the issue with which they were primarily concerned (Bean and McAllister 2006: 607). Ranked in terms of their overall importance to voters surveyed, health and Medicare were followed by taxation and education (ranked ‘most important’ by 16 and 15 percent of voters respectively) (Bean and McAllister

2006: 607). Given the disproportionate emphasis placed by Latham and Labor on health and education during the campaign (see Rickard 2007: 27) as well as the widespread perception (consistently reflected in the polls) that Labor was ‘stronger’ than the Coalition on ostensibly non-economic issues other than national security, this ‘should have delivered them [Labor] a significant [electoral] advantage’ (Bean and McAllister 2006: 614-615). Clearly, however, such an advantage failed to materialise. Why was this so?

4.4.2.1 Economic Strength and Stability: The Basis of our ‘Hopes and Aspirations’

My friends, the initiatives I have outlined this morning underpin our commitment to a stronger economic future for our nation. They have been made possible only because of the economic success of the last eight and a half years. Promises made in an election campaign mean nothing if you don't have a strong economy providing the wherewithal to make those promises affordable and achievable.

Without a strong economy, you cannot sustain the automatic indexation of the aged pension. Without a strong economy, you cannot sustain a growing investment in health and education. Without a strong economy, you cannot sustain a growing investment in roads. Without a strong economy, you cannot afford to adequately defend the nation. Without a strong economy, you cannot deliver security and certainty to Australian families so that they can live their lives in peace and plan carefully for their future.

Prime Minister John Howard,
*Address at the Coalition
 campaign launch, 26 September 2004.*

One explanation for the first of these two questions can be found in the *relationship* assumed (and articulated) by both of the major parties between economic growth/prosperity and the provision of social services. As Howard repeatedly emphasised throughout the campaign:

Economic strength and economic stability is the basis of the realisation of other hopes and aspirations for a nation. Without economic strength and economic durability *all the goals in the world* will not be achieved (Howard 2004 emphasis added).

Indeed according to Howard, maintaining and improving Australia's economic performance is vital precisely 'so that we can spend even more on health and education' and to ensure that family living standards are 'protected' (Howard 2004).²³ This was echoed by the Labor leader, too, who from the outset of the campaign stressed the nexus between economic prosperity and the provision of social services:

Our plan [is] to use this prosperity...to ensure that the hard work and enterprise of the Australian people delivers a social benefit: the world-class health and education services we need for the future of our children (Latham 2004a).

At a glance, this relationship—between economic prosperity and the provision of services like health and education—may appear straightforward and uncontroversial: revenue is required to pay for the services provided by governments and the greater the volume of economic activity, the more revenue a government can secure and thus, services provide. Indeed it is not suggested here that no such relationship exists. What is suggested, however, is that in 2004, the assumption that the ongoing delivery (and expansion) of social services (like health and education) was contingent upon economic success and prosperity reinforced the centrality of the economy as the primary focus of public policy (and thus, campaign debate). Indirectly, this had the effect of 'economising' social issues by bringing them into the orbit of wider debates about the economy. The political and discursive *terrain* on which these issues were debated was, thus, largely economic and this could be said to account, in part, for the disproportionate focus on economic management.

4.4.2.2 A Common Economic Identity

In their analysis of the 2004 federal election, Bean and McAllister (2006: 614-615) suggest that 'In principle, economic policies emphasising social infrastructure spending should have delivered Labor a significant electoral advantage'. Clearly, however, such an advantage failed to materialise and the question arises as to why this was so. One explanation for this failure is offered by Johnson (2005). In her analysis of the ideological context from within which the campaign was contested, she suggests that in 2004, economic issues were (ultimately) more important to voters than the

²³ With respect to the Coalition's view of the relationship between economic growth and the 'problems that confront us as a nation', see *A Stronger Economy: A Stronger Australia* in which it is argued that 'Unless we have a strong economy, we cannot be in a position to handle the problems that confront us as a nation' (Howard 2004: 13).

‘social’ issues emphasised by Latham (Johnson 2005: 52). According to Johnson (2005: 49), the Coalition was able to secure broad-based electoral support by appealing to a ‘common economic identity’. Hence, by tapping into the economic aspirations of voters, the Coalition was able to transcend traditional class divisions by convincing voters to identify with the Liberal party on the basis of ‘an overarching market identity’; much as they had done in 1998 (Johnson 2005: 52). This was in contrast to Latham and Labor’s electorally unsuccessful attempt to emphasise the importance of ‘values’ and relationships’ (Johnson 2005: 48).

The significance of Johnson’s (2005) analysis is twofold. On the one hand it provides an explanation for the way in which the Coalition was able to secure such widespread electoral support in 2004 (and thus, ultimately, win the election). More significantly for the purposes of this dissertation, however, Johnson’s (2005) analysis suggests that in 2004, economic considerations were of paramount importance to voters and that the *wider ideological and discursive environment* from within which the election was contested was fundamentally conducive to the coalitions economistic approach. Indeed in light of Labor’s attempts to campaign strongly on issues that the polls suggested *should have* delivered it a significant electoral advantage (i.e. health and education)²⁴, the scale of the Coalition’s victory in 2004 suggests that the electorate was far more receptive to the overtly economistic campaign strategy adopted by Howard.

4.4.2.3 The Rise of the ‘Aspirational Battler’ and the Centrality of ‘Economic Management’

In having suggested that the Coalition was able to successfully appeal to a ‘common economic identity’, how might one account for the (rather extraordinary) extent to which these appeals appear to have *resonated* with the Australian electorate? As suggested in previous chapters, the last two decades have witnessed an attempt by

²⁴ In his analysis of the 2004 election campaign, Rickard (2007) points out that of the 354 policy related statements made in the ALP’s 2004 campaign launch speech, 47 percent were devoted to health and education while only 19 percent were devoted to economic management and tax policy. This is in stark contrast to the Coalition’s campaign launch speech in which 52 percent of the policy related statements made pertained either to economic management (22 percent), tax policy (10 percent), small business (10 percent) or industrial relations (10 percent), with only 28 percent devoted to health (13 percent), education (7 percent) and vocational training (8 percent) (Rickard 2007: 27).

successive Australian Governments to ‘consolidate neoliberalism at the level of the individual’ via the inculcation of ‘enterprising attitudes and values amongst the population at large’ (Beeson and Firth 1998: 9). While the relationship between the aforementioned process and the 2004 election result is a complex one, it is noteworthy that 2004 witnessed the identification of a comparatively new voter cohort; the ‘aspirational voter’ from which, Manning (2005) suggests, ‘both Labor and the Coalition must [now] gain majority support if they are to win elections’.

Though terminologically imprecise, the term ‘aspirational voter’ has been used by commentators and pundits to refer to a ‘group’ of upwardly mobile, middle income Australians (many of who would have traditionally been considered working class) that ‘aspire’ to an affluent, middle class lifestyle. Located primarily (but by no means exclusively) in the outer suburban ‘mortgage belts’ of Australian capital cities, this group of voters has been variously described as entrepreneurial, individualistic, conservative, anti-egalitarian/union as well as in favour of tax cuts and private schooling for their children (Manning 2005). Arguably a product of the many years of uninterrupted economic growth that Australia had experienced in the lead up to the campaign, this group of voters is also distinguished by their vulnerability to interest rate rises and high levels of personal/household debt (Manning 2005).

Another group of Australians about which politicians of all political stripes have claimed to be concerned in recent years are the ‘battlers’ (Mangan 2004). While traditionally used to refer to economically disadvantaged and socially marginalised groups such as single mothers on ‘welfare’, low-income earners, the long-term unemployed and others who are genuinely ‘struggling’ to make ends meet, in contemporary Australian parlance (and arguably, in 2004) the term ‘battler’ is often used to describe individuals who are:

...not battlers in the sense of struggling to make ends meet, but [in the sense of] struggling to buy property, to climb up that economic ladder. They’re battling in the sense of trying to finance a mortgage and maybe send their kids to private schools (Economou in Mangan 2004).

Like their ‘aspirational’ counterparts (with whom this amorphous ‘group’ undoubtedly overlaps), ‘battlers’ can be found in both rural and urban areas and may enjoy a

relatively high standard of living in comparison to those in relation to whom the term was originally used. Indeed as Mangan points out:

Whether you're a single mum in a Fitzroy high rise,
or a plumber in Taylors Lakes or Scoreseby with a big
mortgage and a speedboat, there are plenty of people
happy to patronise or praise you with the battler tag
(Mangan 2004).

Notwithstanding the extent to which the term 'battler' in particular has been co-opted and appropriated for political purposes by the major parties (and others) in Australia, there is little doubt that both of these terms have been used to identify (and appeal to) a highly significant group of voters; one that, some suggest, has the capacity to deliver government to the party perceived best able to secure and promote their economic interests (Manning 2005).

This emergence and identification of these 'new' voter cohorts is significant in so far as the 'aspirational battlers' are united by precisely the kind of 'common economic identity' described by Johnson (2005). Defined overwhelmingly on the basis of their material aspirations (e.g. 'aspiring' to a more affluent lifestyle, 'battling' to 'get ahead'), this voter cohort are both a *cause* and *effect* of the economic discursive climate from within which the major political parties in Australia now compete. That is to say that while the adoption and internalisation of 'the higher-order assumptions of the dominant [neoclassical/neoliberal] economic paradigm' by a large proportion of Australia's political, economic and bureaucratic elite could be said to have had a significant 'top down' impact on the values and perceptions (and therefore voting patterns) of the Australian voting public (see Hay 2004: 503; Pusey 1990; Edwards 2002; Beeson and Firth 1998), it is also apparent that contemporary 'contenders for high office' in Australia now feel compelled to respond to the electorate's desire for a government which is capable of 'managing the economy' in the interests of those who are seeking to augment (or sustain) their economic position. Due to the precariousness of the foundations on which their 'middle class' economic status/lifestyle ostensibly rests (e.g. high levels of personal and household debt, the perpetuation of favourable macro-economic conditions e.g. low interest rates, unemployment and inflation), many of these voters are predisposed to opt for a retention of the economic status quo when confronted with the possibility of a change of government. In such a climate, it is hardly surprising that candidates feel compelled to 'convince' the electorate (and

‘middle Australian’ swinging voters in particular) of their ‘conservative’ (i.e. neoclassical/neoliberal) economic credentials.

Thus, despite a much higher proportion of voters identifying health and education as the primary issues with which they were concerned, the issue of economic management remained central throughout the campaign of 2004. By ‘economising’ the issues of health and education (a process in which Labor was complicit) and appealing to voters’ ‘common economic identity’ (Johnson 2005), the Coalition was able to ‘tap in’ to an economically conservative electorate predisposed to vote, ultimately, on the basis of economic rather than social issues. As a result, the campaign was dominated by a debate over which of the major parties was considered best able to ‘manage the economy’ and thus, sustain the broader economic conditions on which the affluence of so many Australians was (and is) contingent.

4.4.3 Finding Common Ground: Deeper Assumptions of the Australian Polity

What can the preceding analysis tell us about (a) the wider discursive environment from within which Commonwealth public policy in Australia is formulated (b) the extent to which it is pervaded and animated by the kind of economic discourse that was described in chapter 1 and (c) the degree to which such a discourse acts to constrain the development of alternative policy options? Moreover, can any wider conclusions about the society in which we live be drawn from an analysis of the 2004 Australian federal election campaign? With respect to the last of these questions, it is the author’s contention that federal election campaigns bring numerous issues of national significance to the surface; be they comparatively period specific (e.g. interest rates in 2004; immigration/terrorism in 2001) or ongoing/structural (e.g. economic management) in nature. Of arguably greater significance, however are the deeper, unspoken, and *largely invisible* assumptions and presuppositions upon which the discussion of explicitly recognised issues is predicated and it is these assumptions that will comprise the focus of this sub-section.

It is a truism of contemporary Australian politics that there is, in fact, very little difference between the two major parties. As Hamilton points out:

In the last twenty-five years politics in the west have been marked by the ideological convergence of the

main parties [who] whip themselves into frenzies over matters that are trivial, lashing out at their opponents with declarations of outrage, while tacitly agreeing not to break the neo-liberal consensus on the things that really matter (Hamilton 2003).

Arguably, however, the consensus to which Hamilton refers goes well beyond a rhetorical commitment to the normative precepts of neoliberalism. This is to suggest that public policy in Australia (and elsewhere) is to a large extent unconsciously predicated on a number of *deeper* assumptions and presuppositions about what constitutes the correct and appropriate objectives of government and that the consensus to which Hamilton refers extends to the *worldview* of the principal representatives of the major parties (and others). It is to these kinds of (deeper) assumptions that Seabrook is alluding when he suggests that the political pluralism on which Western societies so pride themselves is exaggerated (Seabrook 1999: 12). It could therefore be argued, from a discursive viewpoint, that an identification and analysis of what is *agreed upon* by the overwhelming majority of parties/candidates (but particularly the major parties) is at least as significant as an identification and analysis of that which is not.

In many respects, the 2004 federal election campaign would appear to provide a striking illustration of the extent to which our society is underpinned by an economic and materialistic *raison d'être*. Consider, for example, the degree to which the 2004 election campaign was contested over which of the major parties could 'manage' (i.e. grow) the economy more effectively so as to 'deliver' a higher standard of living to the Australian electorate. Whether or not such an *objective* was actually desirable was, for all intents and purposes, uncontested at the level of official political discourse. In dispute only was which of the major parties could be 'trusted' by the electorate to achieve such an objective. As Hay suggests:

...parties today do [not] compete principally over clearly expressed manifesto policy commitments. Rather...[they] compete for the electorate's trust. They present themselves as credible and competent administrators, not, for the most part, as principled advocates of a set of policy preferences (Hay 2004: 502-503).

Moreover despite superficial differences relating to whether or not voters preferred tax cuts to spending on 'social infrastructure' (e.g. education and health care) or vice

versa, there was no broader, visible ideological contest in relation to whether or not a perpetual increase in our standard of living should comprise the primary focus of our elected representatives. This is not to suggest too great a degree of ideological homogeneity on the part of the Australian electorate or that ‘the economy’ was the *only* issue in relation to which Australians voted in 2004; only that, at both the popular *and* political levels, such an assumption was scarcely reflected in official political debate because it is culturally inculcated to the point of effective invisibility. Not that such an assumption ‘needed’ to be made explicit throughout the campaign; it is largely self-evident that, whatever the party and whoever the candidate, to suggest at this particular historical juncture that as a society we should scale down our material expectations and consume less (in the interests of environmental sustainability, economic stability or whatever) would, in contemporary Australia, be tantamount to political and electoral suicide.

Perhaps even more striking than the degree to which official political debate in 2004 was predicated on the assumption that ever higher material standards of living are desirable (and should therefore comprise the primary focus of public policy) was the virtual absence of any discussion about the *ideological foundations* or *structure* of our society and civilisation. This is to suggest that at the level of official political discourse, there was scarcely any debate about whether or not Australia should remain a capitalist, democratic, liberal and essentially secular nation (as opposed to becoming an anarchist or socialist state, for example). There was scarcely any debate, too, about whether or not climate change and other impending environmental problems (e.g. resource shortages, species extinction, habitat destruction, loss of biodiversity, salinity, desertification, population, peak oil or the availability of fresh water) required a radical re-think of the political, economic and cultural trajectory along which our society—and our civilisation more broadly—is headed; or about whether or not human beings, as the earth’s dominant species, should continue to view the natural world as a ‘resource’ to be exploited for material gain (as it overwhelmingly has done for centuries).

There was (essentially) no debate, either, about whether or not the economic ethos upon which our society (and wider civilisation) is predicated may be fundamentally non-conducive to the long-term survival—or, at the very least, well-being—of our species. Nor, for that matter, was there any official debate about whether or not things

such as *individualism*, *rationality*, *science*, *reason*²⁵, *progress* (defined in material terms) and *work*²⁶ should remain core organisational principles and/or ideas on which to base our society and civilisation and whether or not such things are, in fact, desirable.²⁷ It is also noteworthy that in 2004, with perhaps the exception of national security, almost *every major issue* was either an economic one (e.g. interest rates, taxation, economic management) or debated on economic terrain (e.g. health, education and the environment).

4.4.3.1 Vilifying the Greens: An Acute Manifestation

In having suggested that mainstream political debate in 2004 was predicated on a number of *deeper* (foundational) assumptions and presuppositions about the social, political and economic trajectory of our society, its ideological orientation, organisational structure and values along with the objectives of public policy and the most desirable means by which to achieve them, it is important to point out that the discursive and electoral *impact* of these assumptions were, at times, strikingly evident. Consider, for example, the particularly vicious attacks to which the Australian Greens were subject by representatives of both of the major parties, Family First and numerous members of the mainstream media. Labelled ‘kooky’ by the Prime Minister, and ‘mad’ by then shadow finance Minister Lindsay Tanner, during the campaign the *Australian* referred to the party as a group of ‘economic illiterates who seriously believe we can prosper by winding back the clock to the 1950s’ (Bennett, Newman and Kopras 2005: 27; Blenkin 2004).

Others, such as Deputy Prime Minister John Anderson, went much further, labelling them ‘watermelons’: ‘green on the outside and very, very, very [sic] red on the inside’. Indeed throughout the campaign, it was Anderson’s contention that the party was ‘a

²⁵ For a particularly insightful analysis of the extent to which ‘reason’ has come to pervade western thinking (and the societies in which we live) since the enlightenment, see Saul 1992.

²⁶ See Manne 2008.

²⁷ Other issues about which there was essentially no debate during the 2004 campaign include, for example, *working hours* (i.e. it is generally accepted in Australia that ‘full-time’ work—defined roughly in terms of an eight hour day and 40 hour week—is the goal to which most able-bodied Australians should aspire), the centrality and desirability of the *nuclear family* (defined as a family which consists of a mother, father and children who share living quarters) and, perhaps even more fundamentally, taken-for-granted things like the *composition of the units of measurement* around which we structure our lives (e.g. the number of ‘hours’ in a ‘day’, ‘days’ in a ‘week’ or ‘weeks’ in a ‘year’); all of which remain beyond the pale of official political discourse in Australia but entail profound implications for the way that we live.

home for people who in the 1950s would have joined the Communist party' (Anderson in Blenkin 2004). Other commentators and politicians suggested that the policies of the Greens could 'destroy Australia's economy, security and society' (Akerman in Bennett, Newman and Kopras 2005: 27) and that they were 'social and economic radicals first' and 'environmentalists second' (Sheezel in Bennett, Newman and Kopras 2005: 27). All of these comments were made in the wake of Liberal Senator George Brandis' accusation (less than one year earlier) that there were 'extremely alarming [and] frightening similarities between the methods employed by contemporary green politics and the methods and the values of the Nazis' and that 'the commonalities between contemporary green politics and old-fashioned fascism and Nazism are chilling' (Brandis 2003: 17000 [sic]).²⁸

In addition to the above, television and newspaper advertisements which suggested that the Greens and their policies were both 'extreme' and fundamentally at odds with job creation, economic growth and investment were financed by organisations such as the Family First Party and *Timber Communities Australia* (Bennett, Newman and Kopras 2005: 28). Particularly interesting from a discursive viewpoint, however, was the qualitative nature of the attacks on the Greens, their intensity/viciousness and the diversity of their origin. In respect to the *nature* and *character* of the attacks, it is evident that much of the criticism that was directed towards the Greens and their policies by the major parties and others was related to their perceived lack of economic credibility. Indeed as suggested above, the basis of many of the attacks on the Greens was that their policies posed a threat to the well-being of the Australian *economy* (i.e. The Greens will destroy the economy, thwart economic development, oppose economic growth, investment and job creation; are economically illiterate etc). Perhaps even more striking, however, was the maliciousness of the attacks in comparison to the overall tenor of political debate throughout the campaign. Indeed as Bennett points out in his excellent analysis of 2004:

During the campaign it was noted that the 'old guards' of the major parties shared a 'special loathing' for the Greens and their leader, and were determined to damn them in the eyes of the voters (Bennett, Newman and Kopras 2005: 27).

²⁸ It is noteworthy that Senator Brandis' comments were explicitly repudiated by one of the authors (Raymond Dominick) of the source material to which he referred when making his claims (see ABC Radio National 2003).

As suggested above, this ‘special loathing’ for the Greens could arguably be ascribed to a number of other social, political and economic actors. But why was this so? Why were the Greens ‘singled out’ for such scathing attacks by the major parties and others who were so obviously able to find ‘common ground’ in their desire to avoid the Greens gaining control of the Senate, for example? (Bennett, Newman and Kopras 2005: 27). Arguably, this is at least partly attributable to (and indicative of) the wider ideological and discursive climate’s hostility to any kind of policy mantra (and corresponding worldview) that seeks—or appears to seek—to prioritise the environment over things such as economic growth, ‘jobs’ and investment (however minimal such an agenda might be in reality).²⁹ More fundamentally, however, it could be argued that the attacks on the Greens in 2004 were a direct expression/manifestation of the power and pervasiveness of the materialistic ethos on which our society is based and the neoclassical/neoliberal economic discourse with which it is associated and through which it expresses itself in contemporary Australia. The attacks on the Greens in 2004 can therefore be seen as a particularly poignant example of the way in which the wider discursive environment from within which policy is formulated can act as an impediment to the development and expression of alternative policy options (in this case, policies which seek to accord higher priority to the environment³⁰) and thus, structure the bounds of the (policy) possible in contemporary Australia.

²⁹ It should be noted that the Greens’ position on economic and environmental issues were not the only things that elicited such a response from the major parties and others. The Greens were also attacked in relation to their position on policy issues such as drug legalisation, population, asylum seekers and welfare (see Bennett, Newman and Kopras 2005: 28).

³⁰ The political and electoral reaction to the ALP’s forestry policy (announced in the final week of the campaign) provides a similarly striking example of the wider discursive climate’s hostility to the prioritisation of anything other than economic growth, jobs and a perpetuation of the materialistic/economic status quo. Intended to ‘stem [the] defection [of ALP voters] to the Greens’, on 4 October 2004, Labor announced its intention to protect 240,000 hectares of Tasmanian old-growth forest (from logging) and spend \$800 million to create new employment opportunities for workers affected by the plan (Bean and McAlister 2006: 617; Latham 2004b). This created bitter divisions within the ALP (attracting widespread criticism from those who believed that Latham had ‘bargained away’ timber workers’ futures in order to ‘grab Greens’ preferences in mainland marginal seats’, *Age* 2004b) and undoubtedly contributed to the loss of two of its seats in Tasmania (Bass and Braddon) as well as preferences in a number of mainland marginal seats (see *Age* 2004c; Bean and McAllister 2006: 616-617; Nicholson 2004; *Sydney Morning Herald* 2005).

4.5 Conclusion

This chapter has sought to examine the broader discursive milieu from within which Commonwealth public policy in Australia is formulated through an analysis of the 2004 Australian federal election campaign. It has suggested that the disproportionate emphasis on economic issues throughout the campaign is indicative of the extent to which the economic discourse that is the subject of this dissertation has become hegemonic in the early stages of the twenty-first century. It has also suggested that the discourse of which has been spoken above acts to constrain the range of policy options that are available to ‘serious contenders for high office’ in Australia by circumscribing the extent to which each of the major parties can deviate from the neoclassical/neoliberal status quo while remaining electorally credible (Hay 2004: 503). It has argued that the 2004 election campaign also highlights the extent to which the wider Australian polity is underpinned by an economic *raison d’être* and the wider ideological and discursive climate’s hostility to values and ideas that do not accord with the status quo.

CHAPTER 5

NEOLIBERALISM AND THE DISCURSIVE HEGEMONY OF NEOCLASSICAL ECONOMICS: A CASE STUDY OF COMMONWEALTH CLIMATE CHANGE POLICY[†]

5.1 Introduction

This chapter considers Australian (Commonwealth) climate change policy in light of the theoretical framework constructed at the beginning of this dissertation. Concerned less with the science and ‘politics’ of the issue¹, it is designed to provide an example of the way in which the economic discourse that is the subject of this thesis inhibits the development of effective policy by constraining the range of options available to government in the area of climate change. It is argued in this chapter that Australian climate change policy under the Government of John Howard (1996-2007) provides a striking example of the extent to which environmental problems and the solutions available to ameliorate them are determined largely in accordance with the logic and values of the prevailing policy paradigm and discourse, and that this is one of the primary reasons for the Government’s failure to successfully address this particular policy problem.

[†] This case study was researched and written in early-to-mid 2007 and therefore pertains largely to the policies of the Howard Government up to and during this period. Although a new Federal Government was elected in November of that year, it is the author’s contention that despite superficial policy differences (e.g. the Rudd Government’s decision to ratify the Kyoto Protocol), the economic *approach* of the Howard Government has not been significantly altered by its Labor Party successor. Thus, although period specific to a certain extent, this case study is intended to provide an *indicative example* of the way in which the prevailing neoclassical/neoliberal discourse acts to constrain the range of options available to government in the area of climate change policy and indeed, environment policy more broadly. Many of the arguments presented herein are therefore equally applicable to Australian governments of both political persuasions.

¹ For an incisive analysis of the state of the science as of mid-2009 and the politics of Australian climate change policy during Howard’s tenure, see Richardson *et al.* 2009 and Pearse/Hamilton 2007 respectively.

5.2 Background and Context

5.2.1 Climate Change as a Policy Problem

Global climate change has been described by the United Nations Secretary General as ‘the greatest collective challenge we face as a human family’ (Ban 2009). Resulting from the production and subsequent concentration of carbon dioxide (CO₂) and other greenhouse gases (e.g. methane and nitrous oxide) in the earth’s atmosphere, it is a phenomenon which threatens to alter the very environmental and ecological framework on which our civilisation depends for its survival. Unprecedented in terms of both scale and scope, it is also an issue to which policy-makers worldwide (and the populations they represent) must respond adequately and effectively if we are to avoid the potentially catastrophic consequences of what the United Nations Framework Convention on Climate Change (UNFCCC) refers to ‘dangerous anthropogenic interference with the climate system’ (UNFCCC 1994); broadly defined as a human-induced global average temperature increase of more than 2 degrees Celsius above pre-industrial levels (Richardson *et al.* 2009: 12).

This is not simply hyperbole. According to the fourth assessment report of the Intergovernmental Panel on Climate Change (IPCC 2007: 72), ‘warming of the [Earth’s] climate system is [now] unequivocal’ and ‘most of the global average warming over the past 50 years is *very likely* due to anthropogenic [greenhouse gas] increases’.² Indeed it is estimated that increasing concentrations of carbon dioxide and other greenhouse gases in the earth’s atmosphere have resulted in a global average temperature increase of approximately 0.74 degrees Celsius over the past century and that this has, in turn, contributed to rising sea levels³, an increase in the frequency and intensity of extreme weather events such as storms, floods, droughts and heat waves and an observable reduction in the volume of mountain glacial and Arctic sea ice (IPCC 2007: 30). Other observable effects of this precipitous⁴ increase in global average temperatures over the past 100 years include oceanic acidification, increased desertification, species relocation, coral reef bleaching and an increase in the

² In this context the term ‘very likely’ is used to indicate a greater than 90 percent probability.

³ The IPCC estimates that sea levels rose by approximately 1.8 millimetres per year between 1961 and 2003 (IPCC 2007: 30).

⁴ It is estimated that average temperatures in the northern hemisphere in the second half of the twentieth century were higher than in any other 50 year period in the last 1,300 years (IPCC 2007: 30).

prevalence of tropical diseases at higher and lower altitudes (IPCC 2007: 30-33; Pearse 2007: 43). Not surprisingly, these (and other) effects have entailed profound ramifications for the myriad of species that inhabit the earth, with the World Health Organisation (WHO) already attributing approximately 150,000 human deaths annually to climate change (Pearse 2007: 43).

Even more alarming than the temperature increases which have occurred over the past 100 years, however, are those which are expected to occur in the twenty-first century. According to the IPCC (2007a: 13), the earth's global average temperature is expected to increase by between 1.8 and 4 degrees Celsius by 2100; the largest century-long increase in 10,000 years.⁵ And yet, while there is widespread agreement among climate scientists (and others) that global average temperatures will continue to increase (due to the inertial nature of the phenomenon) in the foreseeable future regardless of whether or not any action is taken, there is also agreement that in the medium-to-long term the extent of the problem (i.e. the degree to which temperature increases will adversely impact upon the earth's climate system) will be determined in large part by the extent to which our societies can adopt measures which limit the amount of carbon dioxide (and other greenhouse gases) being released into the earth's atmosphere as a result of the burning of fossil fuels such as coal, oil and natural gas (the primary anthropogenic source of greenhouse gas emissions). Given the inextricable relationship that exists between atmospheric concentrations of CO₂, planetary warming and its effect on the earth's climate system, this means that the impact of this phenomenon will (particularly in the longer term) depend overwhelmingly on what the international community does (or does not do) to limit the production of anthropogenic greenhouse gas emissions (see IPCC 2007a).

⁵ Although the temperature increases identified by the IPCC represent a 'best estimate' in the context of specific emissions reduction scenarios, it is noteworthy that such estimates are extrapolated from an increase that is expected to occur within a particular *range*. For example, the 1.8 degree increase which is expected to occur in the context of the IPCC's 'low scenario' represents the 'best estimate' of a likely increase of between 1.1 and 2.9 degrees. This means that the 4 degree increase which is projected to occur under the IPCC's 'high scenario' is actually *indicative* of a temperature increase which could be as low as 2.4 degrees or as high as 6.4 degrees (see IPCC 2007a).

5.2.2 The International Context

The scale of the problem in reducing greenhouse gas emissions cannot be underestimated; most human economic activity relies on emitting greenhouse gases to some degree. Negotiations on ozone depleting chemicals...have to some degree been used as a model for climate change negotiations. The similarities are limited, however, [as] all human activity and every person has some impact on greenhouse gas emissions, and often livelihoods and national [economies] are dependent upon the emissions. By the very nature of the problem [therefore], ameliorating the emission of greenhouse gases presents a massive challenge (Kay 1997).

As a transnational threat confronting the international community, climate change is without historical parallel. As such it requires a degree of multilateral cooperation and transnational coordination which is unprecedented in human history. Although a relationship between atmospheric concentrations of CO₂ and the surface temperature of the earth has been postulated by scientists since the nineteenth century, it was only in 1958 that the international monitoring of atmospheric levels of carbon dioxide began to be systematically undertaken (Kay 1997). Moreover it was not until 1979 that the *First World Climate Conference* (sponsored by the World Meteorological Organization) was held in Geneva; an event which ultimately led to the establishment of the IPCC in 1988. Charged with the task of *assessing* the available scientific information on climate change, evaluating its 'environmental and socio-economic consequences' and formulating 'realistic response strategies' (IPCC 2007), the IPCC released its *First Assessment Report* in 1990, in which it 'confirmed the scientific evidence for climate change' (UNFCCC 2002). This in turn led to the creation of the United Nations Framework Convention on Climate Change (UNFCCC) in 1992; an international treaty which entered into force in 1994 and has since provided the foundation for international negotiations pertaining to the issue of emissions reductions and adaptation.

Since 1995 negotiations between signatories to the UNFCCC have proceeded under the auspices of the Conference of the Parties (COP) whose first session was held in Berlin in March/April of that year (resulting in the 'Berlin mandate' which suggested that existing commitments under the FCCC were inadequate and that developed countries should set binding emissions reduction targets to curb global warming). This

was also the year in which the IPCC released its *Second Assessment Report* which concluded that ‘the balance of evidence suggests that there is a discernible human influence on global climate’ (UNFCCC 2002). It was not until December 1997, however, that legally binding emissions reductions were agreed to at the third Conference of the Parties (COP-3) under the auspices of the *Kyoto Protocol* (which binds industrialised countries to a collective reduction of greenhouse gas emissions of at least 5 percent on 1990 levels by 2008-2012). Since the negotiation of the Kyoto agreement, parties to the UNFCCC have continued to meet annually and the IPCC has released its third and fourth assessment reports (in 2001 and 2007 respectively); both of which have concluded that the ‘evidence for humanity’s influence on the global climate is now stronger than ever before’ and that while ‘many cost-effective solutions to rising greenhouse gas emissions are available...governments will need to address various institutional, behavioural and other barriers before these solutions can realise their potential’ (UNFCCC 2002). As of mid-2009, the United States remains the only country which agreed to emissions reductions at Kyoto not to have ratified the agreement, with Australia having ratified the agreement in December 2007.

5.2.3 Domestic Measures

Over the past two decades individual countries have adopted a range of measures to reduce their emissions and/or adapt to the problems presented by a changing climate. Having adopted an ambitious interim planning target (in 1990) to stabilise Australia’s emissions at 1988 levels by the year 2000 and further reduce emissions by 20 percent by the year 2005, in 1992 the Keating Labor Government released its National Greenhouse Response Strategy (NGRS). Characterised by a reliance on voluntary and ‘no cost’ measures, the NGRS was formulated in accordance with a decision by the (previous) Hawke Labor Government not to adopt measures that would ‘have net adverse economic impacts nationally or on Australia’s trade competitiveness’ (in the absence of similar measures adopted by the major emitters) (Kay 1997). Noteworthy here is that under the Hawke Government’s ‘no regrets’ strategy (as it became known), *any* reduction in GDP relative to business as usual was considered to constitute ‘serious harm to the Australian economy’. Indeed as Pearse (2007: 72) points out, ‘this caveat has been used to devastating effect to delay emissions cuts ever since’ and ultimately resulted in an ALP policy of stabilisation by 2005 under its \$63 million Greenhouse 21C Program which it announced in 1995.

The election of the Howard Government in 1996 saw the adoption of a range of new measures to address climate change at the domestic level. Under the auspices of its *Safeguarding the Future* package (announced in November 1997), the Howard Government committed \$180 million in new funding over 5 years to address climate change and its impacts. Included in this suite of policies was a (modest) Mandatory Renewable Energy Target (MRET)⁶, funding for the development of renewable energy technologies (to the tune of \$65.8 million), measures to promote the development of energy efficiency standards in relation to power generation, vehicles and appliances and the removal of ‘impediments’ to the creation of greenhouse sinks (Howard 1997). The package also sought to promote partnerships between government and industry (to reduce greenhouse gas emissions) by providing an additional \$27 million in funding to its existing Greenhouse Challenge Program and created a dedicated government agency (the Australian Greenhouse Office) to coordinate domestic climate change policy (Howard 1997). Two years later, the Howard Government announced its \$796 million Measures for a Better Environment Package which included a \$400 million Greenhouse Gas Abatement Program that was designed to fund large-scale emissions abatement projects and save more than 250,000 tonnes of carbon dioxide annually (Pearse 2007: 84). Under this package a further \$330 million was allocated to promote the commercialisation of renewable energy technologies along with the installation of renewable energy technologies in remote locations (Pearse 2007: 84).

In 2004 the Commonwealth Government announced an additional \$1 billion worth of spending on climate-related initiatives through its energy White Paper (*Securing Australia’s Energy Future*) and the 2004-05 federal budget (Pearse 2007: 86). Accounting for around half of this spending was the Government’s \$500 million Low Emissions Technology Development Fund (LETDF) which was established to support ‘industry-led projects [that would] demonstrate the commercial viability of new energy technologies with low greenhouse gas emissions’ (e.g. solar, wave, wind, tidal, carbon capture and storage) (Department of Prime Minister and Cabinet 2004: 26). An additional \$100 million dollars was also earmarked (as part of this package) for the (further) commercialisation of renewable energy technologies (Pearse 2007: 87) along with the establishment of a \$75 million ‘Solar Cities Program’; designed to ‘provide a

⁶ The MRET required electricity retailers to source an additional 2 percent of their electricity from renewable energy sources by 2010.

working demonstration of how technology, energy efficiency and efficient markets can combine to provide a sustainable energy future' (Department of Prime Minister and Cabinet 2004: 26). These initiatives were followed by a range of measures (amounting to \$100 million over five years) created under the auspices of the Asia-Pacific Partnership on Clean Development and Climate or AP6⁷ (in whose creation the Australian Government was instrumental). Indeed all told, Australian Commonwealth spending on climate-related measures amounted to around \$2 billion between 1996 and 2007. Behind the programs, initiatives and aggregate numbers, however, lay an overarching *approach* which has continued to place limits on the effectiveness of the Australian Government's policy response to this issue since the Hawke Labor Government's decision not to adopt mitigation measures that would 'harm' the Australian economy. It is to an examination of this particular approach that we now turn.

⁷ Created in January 2006, the Asia-Pacific Partnership on Clean Development and Climate (originally known as the AP6) was established in order to provide 'a voluntary, non-legally binding framework for international cooperation' as well as 'facilitate the development, diffusion, deployment, and transfer of existing, emerging and longer term cost-effective, cleaner [and] more efficient technologies and practices among the Partners' (Asia-Pacific Partnership on Clean Development and Climate 2007). While the original members to the partnership included Australia, the United States, India, China, Japan and Korea, since October 2007 the Partnership has also included Canada. Though comprised of a number of states who had decided not to ratify the Kyoto Protocol at the time of the organisation's creation (e.g. Australia and the United States), according to the organisation's founders the Partnership was designed to 'complement, but not replace, the Kyoto protocol' (Asia-Pacific Partnership on Clean Development and Climate 2007).

5.3 The Australian Position

We should not make the mistake as many have made of imagining that a choice has to be made between economic growth and greenhouse gas emissions reduction. That is a choice that our societies will not make. Our societies require of us that we find solutions to these issues that maintain the momentum of economic growth.

Prime Minister John Howard,
*Speech to the Asia-Pacific Partnership on
Clean Development and Climate,*
12 January 2006.

While openly acknowledging the reality of global climate change⁸ and the corresponding need to reduce the volume of Australia's greenhouse gas emissions, the position of the Howard Government was fundamentally underpinned by a desire to maintain the momentum of domestic and international economic growth and avoid the implementation of measures perceived to be disadvantageous to the Australian economy. Asserting the inadequacy of the Kyoto protocol⁹, its objection to legally binding international greenhouse gas reduction agreements¹⁰ and emphasising Australia's nominal contribution to aggregate global emissions (approximately 1.4 percent¹¹), the Howard Government continued to argue for more than a decade that

⁸ Although widely accepted in domestic and international political, economic and scientific circles for over a decade, the Howard Government's official conversion from 'climate change pariah to greenhouse champion' is a comparatively recent one. (See Brissenden 2006).

⁹ In 2002 Prime Minister John Howard announced that Australia would not ratify the Kyoto Protocol because it excluded 'both developing countries and the United States' and 'would cost us jobs and damage our industry' (Howard 2002: 3163). From then on the Howard Government continued to assert that 'until such time as the major polluters of the world, including the United States and China, are made part of the Kyoto regime, *it is next to useless* and, indeed, harmful for a country such as Australia to sign up to the Kyoto Protocol' (Howard 2005: 65 emphasis added). Indeed in an interview in 2005 John Howard asserted that the Government's voluntary alternative, the AP6, was 'superior to the Kyoto Protocol' (Howard 2005a).

¹⁰ In the wake of its decision not to ratify the Kyoto Protocol the Howard Government continued to reiterate its objection to 'unilateral and arbitrary emissions targets' on the basis that such mechanisms were ineffective and therefore resulted in 'no net benefit to the climate' (Downer 2006a). For a comprehensive discussion of the Howard Government's objection to legally binding greenhouse gas reduction agreements, see Pearse 2007 (Parts I & II).

¹¹ It is noteworthy that when alluding to this particular figure, the Howard Government consistently failed to add that Australia constitutes approximately 0.3 percent of the world's population and that on a per capita basis, Australia's emissions are the highest in the OECD and among the highest in the world (with only five other countries—Bahrain, Bolivia, Brunei, Kuwait and Qatar—emitting more greenhouse gas emissions per head of population than Australia). Noteworthy also is the fact that in 2006, Australia's per capita emissions were nearly twice the OECD average and more than four times the global average (Garnaut 2008: 153-154).

while an issue about which the international community should be legitimately concerned, policies to ameliorate climate change should be ‘consistent with economic growth and poverty reduction’ (Howard 2006). As Howard suggested in 2006:

...the idea that we can address climate change matters successfully at the expense of economic growth, is not only unrealistic but it is also unacceptable to the population of Australia which I represent (Howard 2006).

A particularly strong emphasis was also placed by the Howard Government on the need to develop and implement technologies and other measures that would enable Australia to reduce its emissions without ‘sacrificing’ its comparative economic advantage in fossil fuels (utilised both for domestic electricity production, raw materials export and other industrial processes). Through the development of carbon capture and storage (CCS), nuclear, renewable and other technologies, it was argued that economic growth and emissions reduction could be achieved in harmony and need not have been considered inimical to one another. Herein lay the time-honoured *essence* of the Australian Government’s position under Howard: the desire to reduce greenhouse gas emissions, through technology, without ‘sacrificing’ the ‘health’ of the Australian economy.

In many ways the logic upon which the Howard Government’s position was predicated was elegantly simple. In order to significantly reduce both Australian and global greenhouse gas emissions, investment was required in both greenhouse gas reduction technologies and other forms of amelioration. This investment required the creation of the kind of prosperity that only a strong, growing economy could provide. Economic growth was therefore *required* to successfully address the problem of climate change. The Howard Government, however, took this logic one step further by arguing that regardless of debates about whether or not economic growth was one of the principal *causes* of global warming, the Australian electorate simply would not accept anything other than the continued pursuit of prosperity through economic growth. Thus according to the Howard, electoral necessity demanded that policies to ameliorate climate change pose no threat to the achievement of ongoing economic growth.

In essence, therefore, the Howard Government’s position on climate change was defined (particularly in the latter stages of its tenure) by (a) a comparatively candid

(though relatively recent) acknowledgement of the reality of such a phenomenon (b) a desire to find and develop solutions to the problem that would enable the economy to continue to grow (c) an emphasis on the capacity of technology to reduce Australia's emissions and (d) a commitment to the development of policies, initiatives and measures perceived to be relatively harmless to Australian industry (and specific sectors in particular) and which do not require Australia to relinquish its comparative advantage in energy-intensive, fossil-fuel related industries. This position was justified by a narrative which purported to acknowledge both the fundamental necessity of economic growth (e.g. need to create wealth to invest in new technologies) along with the political impracticability of measures that might negatively affect it. Combined with a well known rhetorical aversion to legally binding international environmental agreements and an emphasis on Australia's comparatively negligible contribution to global warming (in both relative and absolute terms), the Howard Government's approach to climate change policy was both *economistic* (by virtue of the refusal to countenance the possibility of climate imposed 'limits' to economic growth) and *technocratic* (to the extent that its success was contingent upon the development, implementation and operational efficacy of new technologies). Not surprisingly, this position (along with the logic upon which it was based) entailed profound implications for Australian climate change policy in the early stages of the twenty-first century and it is these implications which are explored in subsequent sections of this chapter.

5.4 Economics, 'Common Sense', Technology and Rationality: A Conflation of Values

Ideology. A set of doctrines of beliefs that form the basis of a political, economic or other system (*American Heritage Dictionary* 2000).

As suggested above, the Howard Government's approach to the issue of climate change was underpinned by an economistic and technocratic rationale which emphasised, not only the undesirability of measures to address climate change that might 'damage' the comparative advantages enjoyed by the Australian economy, but their political and electoral impracticability. From a discursive viewpoint, however, one of the most striking features of Australian climate change policy under Howard was the way in which its proponents (senior members of the Australian Government and Public Service, for example) sought to present a position which was underpinned

by the values, assumptions and presuppositions of neoclassical economics as ideologically neutral. One of the ways in which this was achieved was through what could be referred to as terminological conflation. By repeatedly emphasising the extent to which its economic policy position was, on the one hand, 'rational', 'practical', 'pragmatic', utilitarian and technologically oriented and, on the other, market-based, growth oriented and (therefore) economically sound, the Howard Government sought to depict its policy position as one which was essentially value free and, *ipso facto*, unencumbered by the strictures of any particular ideology.

Examples of the way in which the Howard Government attempted to render its economic, technocratic policy approach to climate change synonymous with rationality, practicality, pragmatism and common sense are abundant. In a joint statement issued by the Department's of Foreign Affairs and Trade and Environment and Heritage on climate change in August 2005 (to announce the formation of the AP6), the Government suggested that the partnership:

...represents a new way of approaching global environmental challenges...It recognises that economic development and energy security are legitimate national goals...It is an approach that values results and *eschews ideology* (Downer 2005 emphasis added).

In the same statement, the Ministers go on to suggest that:

A long term, effective response to climate change needs to...recognise and acknowledge the fundamental importance of economic development for global security and stability...It needs to recognise that a *realistic* climate change policy *cannot* be anti-growth. And it needs to have technological development, cooperation and deployment as its centrepiece (Downer 2005 emphasis added).

The Ministers also express the 'hope' that the federal opposition do not let their 'ideological fixation' with the Kyoto Protocol 'blind them' to the 'practical', 'cooperative' initiatives of the Government who are '*sensibly* put[ting] technology cooperation front and centre' (Downer 2005 emphasis added).

Nor can the terminological conflation of which has been spoken above be dismissed as an aberrant or anomalous theme. In a speech to the Energy Supply Association of

Australia in June 2006 entitled *International Action to Address Climate Change*, the Foreign Minister (Alexander Downer) again argued that in order to reduce both domestic and global emissions, both renewable, nuclear and other technologies ‘need to be evaluated in a *cool-headed economic and technical sense*’ (Downer 2006 emphasis added). Indeed in respect to the option of nuclear power, he maintained that ‘We must be prepared to take a *dispassionate* look at what nuclear power could bring to Australia’s energy mix’, and that this technology in particular should not be dismissed on what the Minister refers to as ‘ideological grounds’ (Downer 2006 emphasis added).

Later that same year, in a speech to the Australian Institute of International Affairs entitled *The Impact of Energy Security on Australia’s International Relations* (the subject of which were again the issues of energy security, climate change and nuclear power), the Minister suggested that there was ‘too much at stake to address energy security issues in anything other than a rational and clear-minded manner’ (Downer 2006a). Needed were ‘practical solutions to real world problems, not ideologically blinkered positions’ (Downer 2006a). Australia’s approach to climate change would, therefore, be ‘centred on two principles – market based mechanisms and international cooperation’ (Downer 2006a). This would involve the development of ‘technology-based solutions’ such as ‘clean coal and carbon sequestration’, both of which would be ‘crucial if Australia is to adjust to the new, low carbon economy without destroying jobs and livelihoods’ (Downer 2006a).

Sentiments similar to those articulated by Downer were also echoed by the then Minister for Industry, Tourism and Resources, Ian Macfarlane, who emphasised the Government’s ‘pragmatic’, ‘rational’ and ‘practical’ approach to the issues of energy policy and climate change when, in October 2006, he stated that:

Practical and real reductions of greenhouse gas emissions is a priority within the Howard Government. There is no one answer to the challenge of reducing emissions. But it has been human nature from the time Noah built the ark to develop *practical, technological* solutions to anything which may greatly threaten our world or future. Our approach to energy policy is to look to a framework that is *pragmatic* and *rational* as well as flexible (Macfarlane 2006b emphasis added).

Nor did the Prime Minister fail to underscore what he considered to be the practicality, rationality and ideological neutrality of his Government's approach to climate change policy:

It is true that this country faces significant environmental challenges. That is why it is absolutely fundamental that we have a proper debate with every idea and every response on the table, not a debate that *ideologically rejects* out of blind prejudice and ignorance consideration of one source of environmentally clean energy generation—namely, nuclear power. Anybody who understands anything about this debate would have to acknowledge, *politics aside*, that *the way forward for this country*, if we are to *maintain our economic growth*, is to have power generation based on cleaner use of coal and other clean environmentally friendly alternatives, and that has to include nuclear power (Howard 2006a emphasis added).

In response to the same parliamentary question, Howard goes on to suggest that 'You cannot look at the environmental challenges of this country through ideological blinkers' (Howard 2006a) and, in response to another, confidently asserts that 'My first responsibility is not to an ideology on this. It is to the jobs and the futures of Australian workers' (Howard 2006b) and that 'When I make a decision on climate change and Kyoto', I do not speak for a particular political philosophy; I speak for my country' (Howard 2006c). Thus, according to Howard (and a number of ministers within whose purview climate change fell), Commonwealth climate change policy (under his stewardship) was not only unencumbered by a commitment to any particular ideology (i.e. set of doctrines or beliefs), but was, on the contrary, realistic, practical, sensible, rational, pragmatic, flexible and apolitical. It was depicted, in short, as a policy position based on little more than 'common sense'.

And yet, as suggested at the beginning of this chapter, the extent to which the Howard Government's climate change policy was—by its own admission—underpinned by a commitment to economic growth, the perpetuation of market-based economic development and the ongoing 'health' of the Australian economy (defined in growth-oriented, neoclassical terms) is difficult to overstate.¹² Indeed according to Howard, it

¹² For a striking example of the extent to which the Howard Government's Climate Change Policy was underpinned by a commitment to economic growth, see *Australia's Climate Change*

was impossible to reduce Australian (and global) greenhouse gas emissions without further growth. At the inaugural ministerial meeting of the AP6 in January 2006, for example, Mr. Howard stated that it was ‘unrealistic’ to expect that we could ‘address climate change matters successfully at the expense of economic growth’ (Howard 2006). The following year Howard went further, arguing that ‘we will only tackle climate change successfully by marrying human creativity and innovation to the market and to the tools of economic liberalism’ (Howard 2007). These sentiments were echoed by then Minister for Environment and Heritage, Ian Campbell, who argued in an opinion piece in early 2006 that ‘The real challenge in the fight against global climate change is how to continue to grow the world’s economy while we dramatically cut the amount of greenhouse gas released into the atmosphere’ (Campbell 2006). Indeed one Media Release (jointly issued by the Prime Minister and Minister’s for Foreign Affairs, Environment and Heritage and Industry, Tourism and Resources) even boasted that the AP6 had ‘redefined the way climate change, energy security and air pollution will be addressed *in order* to encourage economic growth and development’ (Campbell *et al.* 2006 emphasis added).

In addition to its purported belief in the inexorable nexus between economic growth and greenhouse gas emissions reduction, the Howard Government continued to argue (in context of the debate about climate change) that ‘it is *only* through economic growth and the continued benefits of globalisation that we can achieve poverty reduction’ and that ‘The [very] idea that poverty reduction can be achieved in isolation from economic growth is *unrealistic*’ (Howard 2006 emphasis added). Notwithstanding the credibility or otherwise of the Howard Government’s claims to have been acting in accordance with the interests of the developing world, both of these assertions (that the twin goals of poverty and greenhouse gas emissions reduction can only be achieved through the pursuit of economic growth and ongoing economic integration i.e. ‘globalisation’) would seem highly peculiar in the context of that government’s commitment to pragmatism. Such assertions negate, for example, the possibility of a comparative redistribution of global income (with respect to poverty reduction) or a commitment to the production of less goods and services (as a means to reducing greenhouse gas emissions)—however unrealistic or undesirable these two

Policy: Our Economy, Our Environment, Our Future (Department of Prime Minister and Cabinet 2007).

particular prospects may appear when viewed through the lens of the prevailing neoclassical economic ethos.

The ongoing attempt by the Howard Government to conflate (or associate) its growth oriented, market-based and technocratic approach to climate change policy with rationality, practicality and ideological neutrality was not necessarily indicative of a conscious attempt by senior members of government to push a particular ideological barrow (though it could be argued that this was undoubtedly the case in some instances). It was, rather more fundamentally, a reflection of the ideological and discursive terrain on which the debate in relation to climate change policy has taken place in Australia (and indeed, worldwide) over the past decade. That is to say that the Howard Government was only able to depict its economistic approach to climate change policy as ideologically neutral because of the extent to which neoclassical economic assumptions and presuppositions have become discursively hegemonic. Much in the way that neoliberal policy prescriptions were, in the early 1980s, often depicted as little more than a rational, technically correct response to the widespread economic and social problems of the 1970s, during its tenure the Howard Government sought to legitimate its policy position on climate change by depicting it as commonsensical and essentially value free. Arguably, however, it was able to do this only because of the pre-eminent status enjoyed by economics as well as the wider Australian polity's ostensible receptivity to such a suggestion.

5.5 Prioritising the Economy: Saving the Planet...if Cost Effective to Do So

In 2004, the Hollywood science-fiction blockbuster *The Day After Tomorrow* was released in the United States. Depicting a situation in which a new global ice age is triggered as a result of anthropogenic global warming, one of the more interesting subplots of this film was the (fictional) US Vice President's insistence that measures undertaken in order to prevent the (potentially) catastrophic effects of global climate change were unacceptable due to the fact that they would do too much damage to the American economy. In response to the suggestion by a leading climatologist that 'if we do not act soon [in relation to global warming], it is our children and grandchildren who will have to pay the price' the Vice President asks:

...who is going to pay the price of the Kyoto Accord? It would cost the world's economy hundreds of billions of dollars...our economy is every bit as fragile as the environment (*The Day After Tomorrow* 2004).

Viewed in context of the way in which the US¹³ and Australian Government's sought to justify and explain their respective policy positions in relation to climate change (at the time of film's release), this was undoubtedly a case of *art imitating life*. As alluded to in earlier parts of this chapter, one of the central characteristics of Australian climate change policy under Howard was the Government's insistence that measures to address climate change that might harm the Australian economy were unacceptable. Take, for example, the Prime Minister's comments on 28 May 2007. Speaking in relation to the imminent release of the findings of the Joint Government-Business Task Group into a national emissions trading scheme, Howard stated that:

We have no intention of embracing a target that is going to do damage to the Australian business community. We have no intention of embracing a target that is going to do damage to the great coal industry of Australia (Howard in Peatling 2007).

This position was reinforced in the Prime Minister's weekly radio message (also delivered on the 28 May 2007), in which he described climate change as a 'dark cloud on our *economic* horizon' (Howard 2007a emphasis added). 'If we don't get this response right then the *economic* consequences will be severe...If we overreact the *economy* will be damaged and jobs lost' (Howard 2007a emphasis added). The Howard Government's resolve to adopt only those measures that it perceived to be economically benign with respect to the Australian economy could be said to have provided the foundation for Australian climate change policy since at least 1997. In his influential *Safeguarding the Future* speech (1997), Howard suggested that whilst Australia would play 'her part in the worldwide effort to reduce greenhouse gas emissions', the Australian Government was 'not prepared to see Australian jobs sacrificed and efficient Australian industries, particularly in the resources sector, robbed of their hard-earned, competitive advantage' (Howard 1997). Other examples of the Howard's Government's insistence that climate change not be addressed 'at the expense' of the Australian economy are numerous. Speaking in relation to a proposed

¹³ For an incisive analysis of the logic of the Bush Administration's approach to US climate change policy, see Singer 2004 (Chapter 2).

30 percent reduction of Australia's greenhouse gas emissions by 2020, on the 16 April 2007 John Howard stated, for example, that 'The Liberal and National Parties will always put economic prosperity and jobs ahead of ideology and targets with unknown consequences' (Howard 2007b).

In addition to the Howard Government's commitment to the rejection of measures to ameliorate climate change that might compromise the 'health' and 'well-being' of the Australian economy, one of the most striking features of its climate change policy was the way in which it attempted to redefine climate change 'as an economic rather than an environmental issue' (Peatling 2007). Indeed according to Howard, 'whilst the issue [of climate change] itself is environmental, the character of the decisions to be taken are overwhelmingly economic' (Howard 2007a). 'The decisions to be taken on this issue will...[therefore] be the most crucial *economic* decisions facing Australia in the next decade' (Howard 2007a emphasis added). What is required to successfully address climate change is thus, in Howard's view, 'skilled and careful *economic* management' (Howard 2007a emphasis added). Indeed in a speech on the 3 June 2007, Howard even boasted that Australia's emissions trading scheme would be 'more comprehensive, more rigorously grounded in economics...than anything in Europe' (Howard 2007).

By actively seeking to redefine the issue of climate change in economic terms and repeatedly emphasising the social, political, electoral and economic unacceptability of measures to address climate change that might damage the Australian economy the Howard Government was undoubtedly engaged in an effort to accord priority to the 'economy' at the expense of the environment. Implied (though not explicitly stated) within this framework was the idea that climate change may simply prove too expensive to address. And since, as repeatedly suggested at the highest levels of government, 'You can't have one without the other, you can't harm economic growth or you'll harm the world's capacity to address it [climate change]' (Campbell 2006a), the tools available to government are limited to the extent that any response must be consistent with the objective of perpetual economic growth. In addition to denying (or perhaps more accurately, ignoring) the possibility of ecologically imposed limits to

economic growth¹⁴, implicit within this policy framework is the assumption that the economy can (and must) continue to grow irrespective of the integrity of the ecological and environmental framework within which it is undeniably embedded. It is, in short, a position which accords priority to the economy at the expense of the very ‘life support system’ which enables it to function.

Indeed if one can assume that climate change is resulting from human activity and that the human activity in question is essentially economic in nature, it follows that if such a system were to continue to expand without the corresponding development of sufficient technological means to reduce said harmful bi-products, then greenhouse gas emissions will continue to increase. Nor is the relationship between economic growth and increasing greenhouse gas emissions a particularly controversial one. In December 2006, for example, the then Minister for Environment and Heritage, Ian Campbell, stated quite matter of factly in response to the release of greenhouse gas emissions projections that ‘Australia is experiencing strong economic and employment growth and has a booming resources sector. This in turn means emissions levels go up’ (Campbell 2006b).

Thus, by acknowledging the link between greenhouse gas emissions and economic growth and repeatedly emphasising the unacceptability of anything other than the continuation of a market-based economic system centred around economic growth (i.e. the production and consumption of more and more goods and services in perpetuity), the Howard Government was effectively gambling that technologies such as carbon sequestration and others (nuclear fission, for example) would enable economic growth

¹⁴ Since the publication of *The Limits to Growth* in 1972 (a report which suggested that on the basis of observable trends in the growth of world population, industrialisation, pollution, food production and resource depletion, the limits to economic growth would be reached at some point in the twenty-first century, Meadows *et al.* 1972), debate over whether or not economic growth (defined as an increase in the total value of new goods and services produced in a specified period) can continue indefinitely in a world of finite resources has continued (albeit predominantly in academic circles). While the problem of finite resources is largely ignored by neoclassical (i.e. mainstream) economic theorists and their counterparts in the political arena (and is therefore largely absent from public discourse), some argue that the problem of finite resources can be overcome (or at least deferred) by using them more efficiently (i.e. greater ‘resource productivity’ see Lovins, Lovins and Weizacker 1997 and Hawken, Lovins and Lovins 1999). Others argue that even if resource productivity is enhanced, the combination of impending resource shortages (e.g. oil and fresh water), population growth and environmental degradation will inevitably impose limits on economic growth and that as a result, a radical reduction in the level of resource use is required to avoid ecological catastrophe (see Trainer 1995; 2002).

to continue; unconstrained by the problem of greenhouse gas emissions. This is because if, as stated above, we can assume that it is our existing system of production and consumption that is resulting in the production of greenhouse gas emissions (as is suggested by the weight of scientific evidence at this point in time), then it stands to reason that the only 'sure-fire' way to reduce emissions is to reduce the level of economic activity which is responsible for them: to eliminate the cause of at least some of those emissions: in this case, production and consumption or economic growth.

This is in no way to deny the potential of technology to effect real reductions in greenhouse gas emissions. Indeed as I have argued elsewhere (Nicholls 2000), renewable energy and other technologies could (and will) undoubtedly play a major role in the reduction of greenhouse gas emissions (and to a limited extent already are). Moreover, it is not necessarily suggested here that carbon capture and storage (CCS), nuclear, renewable and other technologies will fail to successfully address the problem of Australia's greenhouse gas emissions, as the Howard Government continued to assert. Indeed they might. But given the scale and scope of the environmental problems with which, the evidence suggests, Australia and the rest of the international community are confronted as a result of global climate change¹⁵, the Howard Government's reliance on technology comprised a very big gamble indeed; especially for one that continued to reiterate its unwillingness to 'risk damaging' the Australian economy. And this is to say nothing of the fact that many of the technologies to which the Government was ostensibly committed (and into which they invested) were decades away from commercialisation.¹⁶

5.6 The Turning Point: A Stern Warning about an Inconvenient Truth

I have to say that the Australian community reached a tipping point about September–October [2006], over about a six week period, when it was just extremely clear that the Australian community

¹⁵ For a comprehensive discussion of the possible economic and environmental consequences of anthropogenic climate change in the twenty-first century, see *The Stern Review: The Economics of Climate Change* (Stern 2006) and *Climate Change 2007: Synthesis Report. Contribution of Working Groups I, II and III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change* (IPCC 2007) respectively.

¹⁶ See Pearse 2007 pp. 118-119.

bought in that climate change was a real problem (Schubert in Speedy 2007).

...the 700-page Stern document, commissioned by the British Government and prepared by a former World Bank chief economist, has been hailed as a turning point. Something that takes environmental awareness, once dumped in the corner under the category of corporate social responsibility, and builds a business and economics case on it (Gettler 2006).

Few informed observers would dispute the suggestion that 2006 marked a proverbial ‘turning point’ with respect to the issue of climate change. Indeed it was during this year that the reality of global warming as an anthropogenic phenomenon with which both policy-makers, industry and the wider community would have to grapple gained widespread and unprecedented acceptance at both the popular and political levels. This was clearly reflected in Australian public discourse and, to use a colloquialism, one would have to have been ‘living on another planet’ not to have noticed the dramatic and unprecedented language being used to describe this phenomenon in the latter stages of 2006, both by the media and governments worldwide.

Arguably, the extent to which climate change (and the corresponding imperative to reduce greenhouse gas emissions) became a popularly and politically accepted reality over the course of 2006 can be attributed to two particularly influential—indeed decisive—events over and above any other: the release of former US Vice President Al Gore’s controversial documentary film *An Inconvenient Truth* and the publication of the Stern Review on the Economics of Climate Change, in May and October 2006 respectively. Together, these events discernibly altered the debate over climate change in Australia (and indeed internationally). For policy-makers worldwide, it was no longer a matter of whether or not climate change was a significant enough issue to warrant the enactment of serious ameliorative measures, but how great its economic impact in particular might be and how it could be dealt with.

5.6.1 The Stern Review on the Economics of Climate Change

A product of the British Treasury (the United Kingdom’s economic and finance ministry), *The Economics of Climate Change* or Stern Review was compiled by former World Bank Chief Economist Sir Nicholas Stern in his capacity as head of the British Government Economic Service. Presented to the Prime Minister and Chancellor of the

Exchequer in October 2006, the report concluded that ‘the benefits of strong and early action [on climate change] far outweigh the economic costs of not acting’ and that ‘if we don’t act, the overall costs and risks of climate change will be equivalent to losing at least 5% of global GDP each year, now and forever’ (Stern 2006: vi). More evocatively, Stern (2006: vi) suggested that climate change could prove as disruptive to human economic and social activity in the second half of the twenty-first century as World War’s I and II and the Great Depression did in the first half of the twentieth; and that ‘if a wider range of risks and impacts is taken into account’, the costs of not acting could equate to GDP losses per year of up to 20 percent, or even higher.

This was in stark contrast to the economic costs of significant early action on climate change, which the report estimated at around 1 percent of global GDP per year (Stern 2006: vi). While acknowledging that such costs will be unevenly distributed both geographically and economically (and that it is the poorest populations and countries who will ‘suffer earliest and most, even though they have contributed least to the causes of climate change’), Stern remained optimistic that the costs of stabilising the climate were ‘significant but manageable’; and adamant that ‘The world does not need to choose between averting climate change and promoting [economic] growth and development’ (Stern 2006: viii). On the contrary, technological and other developments were creating a range of opportunities to ‘decouple’ economic growth from greenhouse gas emissions and since, in any event, ‘ignoring climate change will eventually damage economic growth’, Stern (2006: viii emphasis added) argued that ‘tackling climate is [in fact] *the* pro-growth strategy for the longer term’.

In terms of actual reductions, the report concluded that the ‘worst impacts’ of climate change could be substantially mitigated if greenhouse gas levels in the atmosphere were stabilised at between 450 and 550 parts per million (ppm) of CO₂ equivalent (Stern 2006: vii). This would require a reduction of *at least* 25 percent (below current levels) by 2050 (‘perhaps much more’), with stabilisation ‘ultimately’ requiring reductions of *more than* 80 percent (below current levels) (Stern vii). To achieve this, Stern (2006: viii) suggested that an effective global policy response would require three main elements: the pricing of carbon (through either a tax, trading scheme or regulation); support for the innovation and deployment of low-carbon technologies; and the removal of barriers to energy efficiency (along with measures to educate and inform the public).

Though more than 600 pages long, Stern's (2006: vii) principal message (and conclusion) was that while 'the costs of stabilising the climate are significant...delay would be much more costly' or, in colloquial terms, we can either 'pay now or pay (much more) later'. And yet, for the purposes of this dissertation, the significance of the Stern Review lay not in the fact that it was (and is) an inherently economic, cost/benefit analysis of the ramifications of climate change. It was, after all, produced by Her Majesty's Treasury in accordance with that organisation's mandate to 'raise the rate of sustainable economic growth...achieve rising prosperity and a better quality of life...for all' (HM Treasury 2007). Rather, the significance of the Stern Review lay in the extraordinary extent to which its conclusions were able to so discernibly (and palpably) alter the profile of climate change as an issue to which policy-makers were expected to respond.

This discursive 'shift' was acknowledged by a wide variety of commentators and other observers in the wake of the release of the report. On 1 November 2006 (just two days after the release of the Review), for example, the ABC's *7.30 Report* noted that 'The report by former World Bank Chief Economist Sir Nicholas Stern on the likely impact of climate change appears to have set a new benchmark in the debate over the world's environment' (Knight 2006). On the same day the *Australian's* Political Editor, Dennis Shanahan, suggested that the Stern Review had 'redefined the climate change debate in Australia overnight' (Shanahan 2006), a view echoed by the *Australian's* Editor in Chief, Chris Mitchell, who commented on 2 November 2006 that 'if there is one thing that can be said about the Stern Review, it is that it has turned the discussion over global warming into calls for action' (Mitchell 2006). Sentiments similar to the above were expressed in other major media fora as the impact of the review became more and more evident. On 8 November 2006, for example, the *Age's* Leon Gettler noted that the release of the 'Stern document...has been hailed as a turning point' (Gettler 2006), while the *Sydney Morning Herald's* David Humphries asserted on 25 November 2006 that despite the extent to which media coverage of the Review was dominated by the worst case scenarios put forward by Stern, 'the impact [of the Review] on public anxiety [over climate change] was unqualified' (Humphries 2006).

Indeed, even allowing for media hyperbole and the fact that the Stern Review's findings were by no means universally accepted in terms of the science and economics

upon which its conclusions were predicated or the policy prescriptions it suggested (see Byatt *et al.* 2006; Carter *et al.* 2006; Tol and Yohe 2006; Wood 2006), few could dispute the suggestion that Stern marked a perceptible turning point in relation to the debate over climate change. Less than two weeks after its release, the Business Council of Australia (an organisation which represents some of Australia's largest companies) 'formally embraced' the possibility of emissions trading after previously having rejected the idea on the basis that it would damage Australia's competitive advantage in fossil fuels (Humphries 2006). That the Howard Government, too, announced an inquiry into the possibility of an emissions trading scheme two weeks after the release of the Stern Review (*ABC News* 2006) can hardly be seen as coincidental in view of its well publicised reluctance to construct a regime under which emissions could be traded and the fact that the need for a price on carbon (in one form or another) was one of three core policy prescriptions recommended by Stern.

Of course, correlation does not prove causality and the Howard Government's 'change of heart' with respect to the possibility of a national emissions trading scheme is potentially attributable to innumerable factors (social, political, economic, electoral and/or environmental). In the immediate aftermath of Stern, however, many commentators were quick to suggest a connection between the economic terms in which the report was presented and the sobriety with which it was received by policy-makers (and to a certain extent, the wider community). As *Crikey's* climate change correspondent, Ian McHugh, suggested:

The significance of the Stern Review, commissioned by Britain's Chancellor of the Exchequer, is that it translates the climate change issue into the fundamental language understood by governments, the language John Howard has previously adopted when defending the Coalition's stance. In short, how much will it cost? (McHugh 2006).

Again, sentiments similar to the above were echoed by a range of commentators in the wake of the release of Stern (see Gettler 2006; Humphries 2006; Smith 2006). Noteworthy also were the positive terms in which many of these commentators depicted the impact of Stern. Having already noted the way in which the Stern Review had 'redefined' the climate change debate in Australia 'overnight', the *Australian's* Political Editor, Dennis Shanahan, argued that '*the real service* Stern has done has

been to cast the debate in economic terms and set out its complexity' (Shanahan 2006 emphasis added).

Whilst only an indicative sample of the way in which the Australian media depicted the Stern Review's political reception (and impact) has been presented above, these comments indicate something of the extent to which Stern marked a political and electoral turning point in relation to the issue of climate change. Indeed in many respects it would be difficult to overstate the extent to which Stern's release could be said to have galvanised political debate over climate change in Australia—perhaps more than any other single event. This is not to dismiss a range of ancillary factors in 2006 and before.¹⁷ It is, however, to suggest that the Stern Review's disproportionate impact on the debate over climate change can be attributed to the hegemonic status enjoyed by economics at the popular and political levels. Indeed arguably, the discursive environment into which Stern was released in October 2006 was fundamentally conducive to a report which (re)defined climate change in economic terms and 'translated' the issue into one readily understood by Australia's political and business elite. Viewed in this context, it could be argued that Stern's release said a great deal more about the wider discursive milieu from within which climate change (and other) policy is formulated than it did about climate change per se.¹⁸

¹⁷ High profile weather events such as Hurricane Katrina in the United States in August 2005 (the third most powerful Hurricane to make landfall in the US; resulting in the deaths of more than 1,800 people), Cyclone Larry in Far North Queensland in March 2006 along with record global average temperatures in 2005 and the aforementioned release of former US Vice President Al Gore's documentary *An Inconvenient Truth*, were all undoubtedly factors which, *inter alia*, contributed to the climate change issue reaching 'critical mass' in terms of both popular and political consciousness (Schubert in Speedy 2007).

¹⁸ Testimony to the power of the discourse, too, is the fact that both those who are in favour of a radical reduction in the volume of Australian and global greenhouse gas emissions as well those who continue to advocate a more cautious approach to the issue of emissions reductions often invoke economic arguments in support of their respective positions. Indeed as has been shown, the Howard Government was not prepared to adopt measures (or commit to legally binding emissions reduction targets) that would damage the economy while the basis of Sir Nicholas Stern's argument is that the absence of such action will also entail severe economic consequences.

5.7 Out of Step: Public Opinion and Australian Climate Change Policy

To get a sense of the foreign policy issues Australians are most concerned with, we asked respondents to consider a series of thirteen foreign policy goals that Australia might have, and to say whether each should be 'a very important foreign policy goal', 'a somewhat important foreign policy goal', or 'not an important goal at all'.

'Improving the global environment' was clearly the most important foreign policy goal, considered 'very important' by 87% of respondents, and reflecting opinions about how we should deal with global warming (Lowy Institute 2006: 9).

We know that 'improving the global environment' is a foreign policy priority for Australians, but how does that translate to the problem of global warming, and what steps should we take in order to deal with it? Mainstream debate centres on the relative costs of mitigating action. To position our respondents in this debate, we asked them to choose one of three options for dealing with global warming.

Easily the most popular option, supported by more than two thirds (68%) of respondents, was that 'global warming is a serious and pressing problem [and] we should begin taking steps now even if this involves significant costs' (Lowy Institute 2006: 10).

This chapter has hitherto suggested that the Howard Government's climate change policy was formulated in accordance with an economic, technocratic rationale which accorded priority to the economy at the expense of the wider ecological and environmental framework within which it is embedded. Predicated on the unacceptability of anything other than the continuation of market-based economic growth and the primacy of economic considerations, this position was depicted as little more than a practical and rational response to the prospect of a rapidly warming world. However the extent to which this particular policy position was consistent with the wishes of the Australian community (of which its proponents purported to be representative) is questionable. As suggested in earlier parts of this chapter, one of the primary justifications for the Howard Government's economic approach was that to:

...address climate change matters successfully at the expense of economic growth, is not only unrealistic

but...also unacceptable to the population of Australia...' (Howard 2006).

Indeed according to the Howard, a reduction in economic growth was something that 'our societies' simply would not countenance and, as a result, the Government was required to 'find solutions to these issues that maintain[ed] the momentum of economic growth' (Howard 2006).

There is, however, a considerable body of statistical evidence which suggests that the Howard Government's prioritisation of the economy at the expense of the environment was at odds with the wishes of the wider Australian community, particularly in relation to the issue of climate change. In an extensive poll¹⁹ conducted by the Lowy Institute for International Policy in 2006 (entitled *Australia, Indonesia and the World: Public Opinion and Foreign Policy*), 87 percent of respondents said that 'improving the global environment' should be Australia's *most* important foreign policy priority; while only 65 percent considered the promotion of economic growth a 'very important' foreign policy objective (ranked numbers 1 and 9 respectively of a list of 13 foreign policy priorities; see Figure 3) (Lowy Institute 2006: 9). Indeed in response to a question pertaining to 'Options for dealing with global warming'²⁰ (in the same survey), 68 percent of respondents agreed that 'global warming is a serious and pressing problem' and that 'we should begin taking steps now even if this involves significant costs' (Lowy Institute 2006: 10 emphasis added). In contrast, only 7 percent of respondents believed that 'we should not take any steps that would have economic costs' (Lowy Institute 2006: 10), as was essentially the Government's position.

In fact, a related survey of international attitudes to global warming conducted by the respected Chicago Council on Global Affairs in conjunction with WorldPublicOpinion.Org (in 2006) found that Australians were actually *more* prepared to accept 'significant costs' to ameliorate global warming than any of their international counterparts surveyed (WorldPublicOpinion.Org 2006).²¹ Moreover

¹⁹ The poll involved more than 1000 telephone interviews and was 'designed to be nationally representative of all Australians of 18 years and over' (Lowy Institute 2006: 32).

²⁰ The full question reads: 'There is a controversy over what the countries of the world, including Australia, should do about the problem of global warming. I'm going to read you three statements. Please tell me which statement comes closest to your own point of view' (Lowy Institute 2006: 10).

²¹ It is worthwhile noting that this poll was conducted and its findings released before the release/publication of the Stern Review.

according to the same survey, 68 percent of Australians viewed global warming as a ‘critical’ threat; more than any other nation surveyed with the exception of South Korea (WorldPublicOpinion.org 2006). Similar levels of concern were identified in an online survey carried out by AC Nielsen and Oxford University in April 2007 (the largest ever relating to consumer attitudes to climate change), in which global warming ‘ranked as the number one concern for Australian respondents’ for the first time in the survey’s five year history; the highest level of concern in the Asia-Pacific and the third highest globally (AC Nielsen 2007).

Figure 3: Foreign Policy Goals

NOTE:
This figure is included on page 182
of the print copy of the thesis held in
the University of Adelaide Library.

Source: Lowy Institute, 2006, *Australia, Indonesia and the World: Public Opinion and Foreign Policy*, Lowy Institute for International Policy, Sydney, p. 9. (Reproduced with permission).

Nor is this data inconsistent with the results of other Australian survey/poll data pertaining to Australian attitudes to climate change and the Howard Government’s policy response. For example, a Newspoll conducted in October 2006 found that 81 percent of respondents believed the Australian Government should have been doing more in relation to climate change, with more than 70 percent believing Australia should have ratified the Kyoto Protocol (Porteous 2006: 40). This dovetailed with the results of a *Sydney Morning Herald* poll in the same year which found that 62 percent of voters were dissatisfied with the Government’s response to the issue (Humphries 2006: 25). Moreover despite the Howard Government’s insistence that Australians are

not prepared to incur economic costs in order to reduce emissions, the results of a Newspoll conducted in February 2007 revealed that 77 percent²² of those surveyed were prepared to pay more to use renewable or other alternative sources of energy ‘if it would help reduce greenhouse gas emissions’ (Newspoll/*Australian* 2007). This echoed the results of an earlier Herald/AC Nielsen Poll conducted in November 2006 which revealed that 63 percent of respondents were ‘prepared to pay more to reduce greenhouse gas emissions’ (Coorey 2006).

A 2007 survey of Australian attitudes to the Howard Government’s ‘Greenhouse Strategy’ (commissioned by the Australia Institute and conducted by Pollinate) also suggested that its overall policy approach was incompatible with the views and wishes of the majority of Australians. In response to the question of whether or not Australians would prefer a greenhouse strategy based on the development of nuclear power and clean coal technology (i.e. the Government’s approach) or greater energy efficiency and the development of renewable energy technologies such as solar and wind, 74 percent (nearly three out of four) of the 1,034 Australians surveyed indicated that they would prefer a strategy that was based on the latter compared with only 19 percent (less than one in five) of respondents who indicated support for the Howard Government’s strategy (Macintosh and Hamilton 2007: 6). While unsurprisingly, support for an alternative strategy was highest among those who identified themselves as Green voters (91 percent, followed by Labor voters at 80 percent), 60 percent of those who identified themselves as Coalition supporters said they would prefer a greenhouse strategy that was based on energy efficiency and the development of renewable energy technologies such as solar and wind, with only 35 percent (of coalition voters) preferring a strategy based on clean coal and nuclear energy (Macintosh and Hamilton 2007: 8).

Though only an indicative sample of the views held by Australians in relation to the issue of climate change has been presented above, on the basis of such evidence it is not unreasonable to suggest the following. First, that climate change/global warming is an issue about which many Australians are highly concerned; in comparison both to their international counterparts and other ‘big picture’ social, political, economic and

²² It should be noted that while 77 percent of those surveyed were prepared to pay more ‘to use renewable or other alternative sources of energy’, only 20 percent of respondents were prepared to ‘pay a lot more’ (with 57 percent prepared only to ‘pay a little more’).

environmental issues. Second, that in order to reduce emissions, many Australians are prepared to incur *some* economic costs; in contradistinction to the stated position of the Howard Government. Third, that if given the choice, a majority of Australians would prefer an abatement strategy based on energy efficiency and the development of renewable energy technologies, rather than one based on clean coal and nuclear energy. And finally, that the Howard Government's climate change policy position, underpinned as it was by a desire to avoid damaging the Australian economy and promote the use of fossil fuels/nuclear energy, was 'out of step' with the majority of Australian public opinion.

5.8 Australian Climate Change Policy: A Framework Analysis

In Chapter 1 of this dissertation it was suggested that in addition to its standing as a field of social scientific inquiry and the most 'powerfully influential' of the social sciences, economics (and the neoclassical sub-school with which it has become synonymous in the late twentieth century) constitutes a hegemonic discourse; a 'master social narrative' that not only influences (or 'configures') our understanding of the world and prescribes 'optimal modes of social organisation', but to a large extent 'structures the bounds of the possible and impossible, the acceptable and unacceptable' (Finlayson *et al.* 2005: 517: 520). Having 'sallied forth from the confines of its own department [discipline]' and 'leached' into policy and administrative circles, the workplace, the media and popular consciousness, economics (both discourse and discipline), it was argued, has 'permeated global society' and come to prescribe the parameters of the *wider discursive milieu* from within which the policies of governments and other organisations are formulated (Finlayson *et al.* 2005: 527-528).

Manifest at the political level (in the latter stages of the twentieth century) in the form of *neoliberalism* and providing the intellectual justification for corporate-led (economic) 'globalisation', the institutionalisation/inculcation (and relative hegemony) of neoclassical economic ideas in the late twentieth and early twenty-first centuries was depicted as the result of a combination of intellectual and political 'activism' on the part of neoclassically-oriented economists (in the academy and elsewhere) and their 'free market' counterparts in the business/private sector. This, it was argued, has entailed profound ramifications for the formation of public policy in advanced

industrial and developing countries alike; by limiting the number of policy choices available to governments and thereby constraining the development of effective policy in numerous areas.

It is in light of the above that this case study represents an attempt to (a) examine the extent to which Commonwealth climate change policy was underpinned and informed by (as well as subject to, and formulated in accordance with) an economistic logic, discourse and accompanying system of values under the Howard Government (b) evaluate the degree to which the development and implementation of an effective policy framework is constrained by such a logic/discourse and (c) shed light on the validity of the theoretical framework outlined at the beginning of this thesis. The following (and final) sub-section of this chapter/case study will thus consist of a discussion of Australian climate change policy in light of the information presented in both this and earlier chapters of this dissertation.

What can the Howard Government's policy position (discussed above) in relation to climate change tell us about the extent to which it is underpinned and informed by (as well as subject to and formulated in accordance with) a neoclassical, economistic logic and accompanying system of values? And to what degree (and in what ways, if any) has this hampered the development of an effective climate change policy? As has been shown, one of the things that the former Prime Minister and a number of other senior members of the Howard Government continued to make abundantly clear is that a climate change policy predicated on anything other than the continuation of economic growth is unacceptable to the Australian population. Whether or not this is accurate is highly debatable (see previous section). Arguably, however, this assertion is based on one of the most fundamental of neoclassical economic assumptions: that as rational utility maximisers seeking to increase their level of individual happiness (or 'utility') through the consumption of more and more goods and services, the Australian population is unprepared to accept anything other than ever-increasing material prosperity. This is in turn underpinned by a belief that economic growth is synonymous with individual economic—and indeed social—well-being²³ (and therefore

²³ In an address to the Queensland Media Club on 23 April 2007, Howard commented that economic growth 'lies at the heart of our quest for a better society' and that it is 'crucial not just to meeting our economic challenges but to meeting our social and environmental challenges as well'. It was also 'critical', he argued, that 'there be no roll-back of the reforms that have kept our economy growing'. This, he suggested, was 'not simply an economic argument' but a

happiness) and that growth is, in any event, indispensable to the extent that further 'wealth' is required to 'invest' in the new technologies and processes needed to ameliorate climate change. Indeed, despite the essentially undeniable relationship (that presently exists) between economic growth and higher greenhouse gas emissions²⁴, as was suggested in Chapter 1, proponents of the dominant economic discourse have attempted to convince the wider society that by and large, the solution to society's social, economic and environmental crises lay in the promotion of further economic 'growth' (Richardson 1997: 52).

Suggested in Chapter 1, too, was that while proclaiming the virtues of economic growth and market-based modes of economic development, one of the primary means by which proponents of the dominant neoclassical discourse attempt to both justify their own (economistic) approach and marginalise alternative approaches is by depicting the approach of their opponents as 'irrational' and beyond the pale of 'common sense'. As has been shown (see section 5.4), this is one of the principal ways in which the Howard Government attempted to discredit the views of its political opponents (similar though they are in many respects) in relation to the issue of global warming. Moreover, the Howard Government's ongoing insistence that its climate change policy was inherently non-ideological would appear to support the broad-based validity of Seabrook's (1993: 12) suggestion that 'western economic ideology...is not seen as an ideology at all'.

Another fundamental (neoclassical) assumption of the Howard Government was that market-based interventionist strategies (carbon trading, for example) were a superior means by which to address the problem of global warming (see section 5.4). In Chapter 1 it was suggested that neoclassical economics is imbued with a powerful normative bias in favour of markets. (Richardson 1997: 56) As has been shown, Australian climate change policy under Howard was fundamentally underpinned by a belief in the efficacy of the market mechanism to achieve 'real' reductions in greenhouse gas emissions (in contradistinction to internationally agreed upon legally binding targets like the Kyoto Protocol, for example). Notwithstanding the validity or otherwise of this particular claim (that 'we will *only* tackle climate change successfully

'moral' argument because of 'what growth means for a fair and decent society' (Howard 2007c).

²⁴ This is not to suggest that an essentially 'carbon-free' form of economic growth is impossible; only that our present level of technological development does not permit this.

by marrying human creativity and innovation to the market and to the tools of economic liberalism', Howard 2007 emphasis added), it is a measure of the power of the prevailing discourse that a government would continue to promote market-based solutions to climate change in light of the Stern Review's suggestion that climate change constitutes 'the greatest and widest-ranging market failure ever seen' (Stern 2006: i).

Australian climate change policy under the Prime Ministership of John Howard would also appear to provide a striking illustration of the extent to which economics prescribes the intellectual and conceptual parameters from within which to consider various means, ends and actions appropriate or inappropriate, desirable or undesirable, rational or irrational. By its own admission, the Howard Government was unwilling to consider measures to reduce greenhouse gas emissions that might 'harm' the Australian economy and, as a result, a number of policy options that might otherwise have been available to it were deemed out of the question—if considered at all. For example, the Howard Government refused to consider the possibility of a tax on carbon emissions (on the basis that it might do damage to the Australian economy) despite the suggestion by many of its high profile critics that such a measure was needed to encourage investment in the kinds of technologies (e.g. CCS, nuclear and renewable) that are needed to reduce Australia's aggregate greenhouse 'footprint' (see Pearse 2007: 319-320). Other policy alternatives that were precluded by the Howard Government's economistic approach included, *inter alia*, a moratorium on the construction of new (and refurbished) coal-fired power stations in Australia, a reduction in the volume of coal that Australia exports to the rest of the world ('unthinkable' as this may seem in the context of Australia's economic 'dependence' on the export of this particular commodity) and the adoption and implementation of comprehensive energy efficiency standards for appliances, buildings and vehicles (e.g. minimum fuel-efficiency standards for new vehicles). Moreover as has been shown, the Howard Government was singularly unprepared to countenance the possibility of an unconditional emissions reduction target because of the economic implications of such an agreement. Indeed in numerous respects, climate change policy under Howard provides a particularly salient example of the way in which economics 'structures the bounds of the possible and impossible, the acceptable and unacceptable' in contemporary Australian society (Finlayson *et al.* 2005: 520).

With respect to the extent to which neoclassical economics has ‘transcended the academy and “leached” into policy and administrative circles, the workplace, the mass media and popular consciousness’ (Finlayson *et al.* 2005 527-528), it could be argued that the wider discursive terrain on which the debate over climate change takes place is, in many respects, fundamentally conducive to the representation (by government and business), interpretation (by the mainstream media) and discussion (by the wider polity) of climate change as an economic issue. Indeed as suggested above, this is evidenced by the disproportionate impact of the Stern Review, the Howard Government’s attempt to redefine climate change as an economic rather than an environmental issue and mainstream media receptivity to the representation of the issue in such terms. At another level, the Howard Government’s attempt to redefine climate change as an economic issue is testament to the pervasive and disproportionate power and influence of the prevailing neoclassical/neoliberal policy paradigm. As suggested in earlier parts of this dissertation, policy paradigms not only specify the goals of policy and the instruments that can be used to attain them, but also determine the qualitative nature of the problems themselves. That the Howard Government attempted to frame, construct and define the issue of climate change in accordance with the dominant neoclassical/neoliberal (i.e. economic) policy paradigm is arguably unquestionable (see section 5.5).

At the beginning of this dissertation it was suggested that the neoliberal policy paradigm of which I have spoken above acted in conjunction with the broader discursive environment from within which policy is formulated to constrain the range of policy alternatives available to government by structuring the bounds of the policy possible. This, it was argued, had rendered our political institutions and those who are charged with the task of administering them largely incapable of addressing a range of social and environmental problems confronting our society and civilisation by preventing the adoption of a potentially effective policy framework that did not accord with the prevailing policy paradigm and discourse (see Chapter 1 Section 1.5). Arguably, climate change would appear to provide an example of just such a problem. Given the scale and scope of this issue (discussed in Section 5.2), it seems reasonable to define an ‘effective policy framework’ as one that is likely to provide the foundation for emissions reductions of the order that the IPCC suggests is *necessary* to restrict average global temperature increases to approximately 2 degrees Celsius above pre-

industrial levels (the level beyond which, it is argued, the earth's natural systems will begin to accelerate the problem and trigger what scientists refer to as 'dangerous' climate change (see Monbiot 2007 and Richardson *et al.* 2009).

According to the IPCC, this will require the stabilisation of atmospheric concentrations of CO₂ at approximately 450 parts per million and a corresponding reduction in annual global emissions of *at least* 60 percent (from their current levels) by 2050 and 80 percent by 2100 (Pearse 2007: 50). According to the Commonwealth Government's *National Inventory Report 2007*, excluding land use, land use change and forestry (LULUCF), between 1990 and 2007 Australia's emissions (measured in millions of tonnes of carbon dioxide equivalent or Mt CO₂-e) *increased* by 30 percent (Climate Change Department 2009). Indeed, despite the Howard Government's insistence that Australia was 'on track' to meet its Kyoto target (which, it should be remembered, allowed for an 8 percent *increase* in Australia's total emissions), it is well known that for the duration of its tenure the Government was able to continue to make this claim *only* because a reduction in the rate of land-clearing (a key source of Australian emissions) was already well under way in the 1990s after peaking at 675,000 hectares in 1990 (coincidentally, the base-line year for the Kyoto Protocol) (Hamilton 2007: 71-72). Thus, given the extraordinary disparity between the reductions required and the overall increase in Australia's emissions (excluding land-clearing), it is the author's contention that the Howard Government was unable to successfully address this particular policy problem and that this is at least partly attributable to its unwillingness to adopt policies that were incompatible with the prevailing policy paradigm and discourse.

5.9 Conclusion

This case study has endeavored to evaluate Australian (Commonwealth) climate change policy from the perspective of the theoretical framework outlined in Chapter 1. Through an examination of the Howard Government's underlying approach to the issue, it has suggested that the development of an effective policy response to this particular problem was hamstrung by the decision to accord unequivocal priority to the economy at the expense of the environment and that this is indicative of an underlying approach to the issue that was established by the Hawke Labor Government in the

early 1990s. It has shown that the Howard Government repeatedly sought to depict its economistic, technocratic policy position as ideologically neutral and that it was able to do this only because of the wider Australian polity's receptivity to such a suggestion. In addition to the above, it was suggested that the disproportionate impact of the Stern Review is attributable to the hegemonic status enjoyed by economics at the popular and political levels, but that (paradoxically) the Howard Government's economistic approach was largely 'out of step' with the views and wishes of the majority of 'ordinary' Australians. Viewed in this light, climate change policy under Howard provides a particularly striking example of the way in which economics acts (or perhaps more accurately, can act) as an impediment to the development of effective policy by structuring the bounds of the policy possible in contemporary Australian society.

CHAPTER 6

NEOLIBERALISM AND THE DISCURSIVE HEGEMONY OF NEOCLASSICAL ECONOMICS: A CASE STUDY OF COMMONWEALTH HOUSING POLICY

6.1 Introduction

Much in the way that the previous chapter examined the issue of Commonwealth *climate change* policy from the perspective of the theoretical framework that was outlined at the beginning of this dissertation, this case study seeks to evaluate Commonwealth government *housing* policy through a similar conceptual lens. It is argued that over the past decade, housing affordability (along with a range of associated issues) has emerged as a major policy problem and that this has resulted, in part, from the application of a suite of neoclassically-oriented neoliberal policies by Australian Commonwealth governments of both political persuasions over the past three decades. Thus, in addition to the suggestion that the issue of housing has been reconceptualised in accordance with the prevailing neoclassical/neoliberal policy paradigm and discourse (which has acted to prescribe the parameters of ‘good’ policy and thereby structured the bounds of the policy possible in this particular area), what is argued here is that not only have neoliberal policy initiatives failed to adequately address the problem of housing affordability (along with a range of associated problems), they have, in many instances, *significantly intensified* the problem.

6.2 Housing as a Policy problem

Any discussion pertaining to housing as a policy problem with which elected representatives, bureaucrats and other interested parties¹ are expected to grapple should acknowledge from the outset that for the most part Australians are well housed and that, as a nation, ‘Australia has always enjoyed a high proportion of home

¹ Other interested parties include welfare and community housing organisations, academics and researchers, the building and real estate industries, economists, developers and home lenders.

ownership' (AIHW 2007: 2).² Indeed despite the large number of problems with which policy-makers are confronted in this particular sector, it is noteworthy that, on average, equity in the family home is still *the* most significant component of household wealth in Australia (comprising some 60 percent) and that housing makes an important contribution to the financial and social well-being of many Australians, particularly in old age (AIHW 2007: 378).³ That the private sector appears to cater so well for the majority of Australians' housing needs is also significant. As of 2005-06, more than 90 percent of Australian households either owned their own home, were in the process of buying (i.e. mortgagees) or were renting in the private market (ABS 2008). In contrast, the proportion of Australian households renting from a state or territory housing authority, community organisation or housing association during this period was about 5 percent (ABS 2008), reflecting the inherently residual nature of social (i.e. community/public) housing in Australia (Yates *et al.* 2007 :48).

For a significant number of Australians, however, access to affordable, secure and appropriate housing remains illusive and there is a growing body of evidence which suggests that in the early stages of the twenty-first century, more and more people are experiencing problems resulting from their inability to access accommodation/housing which is appropriate to their needs/circumstances. These range from difficulties associated with 'getting into the market' and 'housing stress' (a broad-brush term generally used to describe the lowest 40 percent of income earners who spend more than 30 percent of their income on accommodation, Yates *et al.* 2007: 4) at one end of the spectrum to homelessness and the inability to secure accommodation of any kind at the other.⁴ Other problems with which policy-makers and other interested parties in this area have had to contend over the past decade in particular include rapid and sustained house price inflation, a rise in 'after-housing' poverty, a dwindling supply of public and private low income rental housing stock, declining home ownership among particular demographics (particularly younger people), a growth in waiting lists for

² According to the Australian Institute of Health and Welfare (2007: 2, 2008: ix) as of 2003-2004 around 70 percent of Australian households either owned their own home outright (34 percent) or were paying off a mortgage (35 percent). Indeed despite fluctuations in the housing market, this figure has remained relatively stable since the 1960s.

³ The Australian Institute for Health and Welfare (2008: 2) argues that access to 'affordable, secure and appropriate housing is...essential for decent health, education, employment and community safety outcomes' and that ultimately, housing 'plays a major role in the living standards, health and well-being of Australians'.

⁴ According to the Australian Institute of Health and Welfare (2008: 36), there are at least 100,000 people who are homeless in Australia.

public housing and a polarisation of housing markets (Burke and Tiernan 2002: 2). Sub-standard housing for indigenous Australians, increased barriers to home ownership and challenges associated with the provision of housing to tenants with extensive and complex needs (e.g. the elderly, disabled and those suffering from mental illness) have also preoccupied policy-makers, researchers and others seeking to improve access to housing in Australia in recent years (AIHW 2007: 240; Argy 2004).

6.2.1 Housing Affordability: The 'Key Issue'

What is driving housing policy debate is the significant increase in housing costs experienced by many Australians, especially first time buyers and those on lower incomes renting in the private market (Gabriel *et al.* 2005: 5).

Despite the scale, complexity and number of problems associated with housing in Australia, in recent years many of the aforementioned issues (and others) have been discussed under the rubric of *housing affordability* which, according to the Australian Housing and Urban Research Institute (AHURI), has 'emerged as the key issue facing housing policy-makers in developed countries at the start of the 21st century' (Yates *et al.* 2007: 47). Arising as 'part of the policy language' in the 1980s (in response to exceptionally high interest rates), the term housing affordability is used broadly to refer to the ability of individuals and households to:

...[secure] some given standard of housing (or different standards) at a price or rent which does not impose, in the eyes of some third party (usually government), an unreasonable burden on household incomes (MacLennan and Williams in Gabriel *et al.* 2005: 6).⁵

Housing affordability *problems* therefore arise when housing costs 'absorb too great a proportion of household income' (Yates *et al.* 2007: 9). Notwithstanding the qualitative and quantitative difficulties associated with defining and measuring this problem⁶, in recent years a significant body of evidence has emerged which suggests that it has become far more difficult for many low to moderate income households (as

⁵ It should be noted that in their comprehensive analysis of housing affordability, Gabriel *et al.* (2005: 6) make the point that 'housing affordability can never be defined in any objective sense' and that 'it will always be subject to reinterpretation and critical analysis'. As a result, this case study seeks to employ this term broadly.

⁶ For a comprehensive discussion of the definitional and conceptual problems associated with this term, see Gabriel *et al.* 2005.

well as other sub-sections of the population such as indigenous Australians and those with special needs e.g. those with a disability) to secure accommodation which is both appropriate to their needs and does not result in the type of 'housing stress' referred to above.

According to the Commonwealth Bank-Housing Industry Association *Housing Affordability Index*⁷, for example, housing affordability in Australia is lower than ever; having reached record lows in 2003, 2006 and 2007 (Commonwealth Bank 2004; Housing Industry Association 2007; 2007a). Numerous other statistics/indicators indicate the scale of the problem. Between 1996 and 2008, for example, the median house price in Australia rose by 200 percent compared with a CPI increase of around 35 percent during the same period. Whereas in 1996, the cost of the average Australian home was around four times the average annual wage, by 2008 the average Australian home cost more than seven times the average annual wage. During a similar period (1998-2008) the size of the average first home mortgage more than doubled from \$107,000 to \$228,000. And whereas in 1996 mortgage repayments absorbed an average of 17.9 percent of average Australian household incomes, by the end of 2007, mortgage repayments on an average home loan absorbed 32.3 percent of average household income (Rudd 2008).

And yet, as striking as these statistics are, it should, of course, be noted that averages often obscure the way in which burdens and benefits are distributed among different sub-sections of the community (not to mention the differences associated with how various groups *experience* the housing affordability 'problem'). It cannot be denied, for example, that many Australian home owners have benefited enormously from the sustained house price inflation of the last decade; particularly in context of comparatively low rates of inflation in the wider economy. One group that has been hit particularly hard by declining affordability in recent years, however, are low income earners renting in the private market. Rising house prices, low vacancy rates, a reduction in the level of public housing stock (from around 372,000 dwellings in 1996 to 340,000 in 2007, AIHW 2008: 7) and a shortage of low-rental housing stock in the private market have all conspired to make it substantially more difficult for those on low incomes to secure affordable accommodation. Indeed in the context of rising rents

⁷ Created in 1984, the Commonwealth Bank-HIA *Housing Affordability Index* is undoubtedly the most high-profile and 'popular' indicator of housing affordability in Australia.

(between 2007 and 2008, for example, negotiated rents rose by 13 percent Rudd 2008) and an overall estimated housing shortfall of around 30,000 dwellings nation-wide (AIHW 2008: 3), it is, perhaps, unsurprising that as of 2008 there were more than 1 million low and middle-income families experiencing housing stress (Rudd 2008).

This is not to suggest that housing affordability is the only problem with which policy-makers have to contend. It is, however, to suggest that the past decade has witnessed the emergence of a housing affordability crisis in Australia which has significantly exacerbated problems in other-related-areas (placing greater demand on an already under-resourced community and public housing sector, for example). It is also to acknowledge the centrality of housing affordability as the 'key issue' confronting housing policy-makers in the early stages of the twenty-first century.

6.2.2 Key Drivers

Although only a snapshot of the problems confronted by housing policy-makers in contemporary Australia has been presented above, how might we account for this state of affairs? To what can we attribute the contemporary 'housing affordability crisis' (among other housing problems discussed) and why is it that our elected representatives and the bureaucracies over which they exercise control have (along with the private sector) ostensibly failed to adequately address many of the problems by which this particular area of social policy is beset? As complex and varied as the causes of the current housing affordability crisis and associated problems undoubtedly are, it is generally agreed that such problems are attributable to a variety of causes. As Berry and Dalton suggested in 2004:

...the past decade has seen the short run, long run and institutional factors move into prolonged alignment in Australia. The long-term fundamentals of growth, demographics and urban concentration have been reinforced by institutional (especially taxation and land use) policies, low interest rates, buoyant market sentiments and a speculative switch from equities into real estate, fuelling a self-reinforcing property boom (Berry and Dalton 2004: 82).

The 'property boom' to which Berry and Dalton (2004) refer is, of course, both the 'flip side' to, and one of the primary causes of, the housing affordability crisis of the last decade. And yet, despite the spectacular house price inflation of the past ten years

and associated decline in housing affordability, others have suggested that ‘there has been an underlying structural affordability problem in Australia over the past half century’ (Yates *et al.* 2007: 9). To the extent that housing affordability is a product of the relationship between housing costs and household income, this may well be true. Adjusted for inflation, house prices in Australia increased by an average of 2.7 percent per year between 1960 and 2006 while over the same period, growth in per household real incomes averaged 1.9 percent (per annum) (Yates *et al.* 2007: 9).

While the underlying/structural affordability problem referred to above can be attributed to a number of longer-term factors which feed into housing demand such as demographic changes⁸, economic growth, rising real incomes, financial deregulation, deinstitutionalisation⁹, gentrification and land supply constraints in Australia’s three largest cities (Berry and Dalton 2004: 79-80; Yates *et al.* 2007: 9), key drivers of more recent affordability problems include comparatively low interest rates, a rapid and sustained increase in demand for housing by investors¹⁰, changes to the capital gains tax regime in Australia and a switch by investors in Australia to real estate in the wake of a significant world-wide downturn in equity markets in mid-2000 (Berry and Dalton 2004: 75-76; Colebatch 2003; Yates *et al.* 2007: 9). Other significant factors which have been highlighted by researchers, the media and others include the impact of zoning restrictions, government taxes, levies and charges along with planning systems that reduce the amount of land that is available for housing (Moran 2006; Colebatch 2003).¹¹ All of the abovementioned factors could be said to have interacted in complex ways to reduce the affordability of housing in Australia over the past decade.

⁸ Key drivers of demographic change include population growth, immigration, urbanisation and a proportional increase in the number of sole parent and one person households.

⁹ In this context the term deinstitutionalisation refers to the ‘the movement of individuals from an institutional setting to a community setting’ (Australia’s Welfare 2007: 215). However minor in aggregate terms, this phenomenon has resulted in yet more pressure on Australia’s housing stock (and particularly that which is sought by those on low incomes).

¹⁰ Berry and Dalton (2004: 75-76) observe that ‘in the 18 months to July 2002, loan approvals for investors rose by 113 percent, compared with 48 percent for owner occupiers over the same period’. They also point out that ‘during that period the monthly value of housing loan approvals increased by 4.4 billion’, with more than half of that increase accounted for by investors.

¹¹ In 2003, the Housing Industry Association estimated that government taxes and charges resulted in an additional \$88, 700 to the cost of a house and land package in Melbourne (Colebatch 2003).

6.2.3 The Broader Significance of the Housing Sector

In addition to acknowledging the positive contribution that housing can make to the health and well-being of individual Australians along with the impact of housing affordability problems, numerous scholars have suggested that both housing affordability problems and problems in the housing market more generally can also have negative implications for macro-economic stability and social equality (e.g. Berry and Dalton 2004; Spies-Butcher 2008; Yates *et al.* 2007). With respect to the former, Yates *et al.* (2007: 27) suggest that, in addition to the (obvious) inflationary impact of a rapid and sustained rise in average house prices, affordability problems resulting from ‘excessive debt burdens’ (i.e. high debt to income ratios) can render households particularly sensitive to interest rate increases which can, in turn, have negative implications for economic growth and employment. Conversely, the use of (increased) equity by home owners to fuel debt-based consumption can lead both to an increase in aggregate demand in the wider economy and high personal debt levels for individual households (Yates *et al.* 2007: 27). Indeed in respect to the issues of ‘equity withdrawal’ (i.e. borrowing against the equity in one’s house) and personal/household debt, it is noteworthy that since 1999 ‘net new borrowing for housing has overtaken new investment in housing assets’ (Berry and Dalton 2004: 81) while debt levels have continued to increase; reaching record highs in the early stages of the twenty-first century (see Keen 2007 and Khadem 2007).

In addition to the effect that housing affordability problems can have on the wider Australian economy, there is evidence to suggest that housing affordability problems can have negative implications for both social equality and social inclusion. With respect to the issue of social equality, Berry and Dalton (2004: 70) suggest that, although ‘widely celebrated by owners, investors, lenders, government and the media...house price inflation inevitably expresses and reinforces inequality in Australian society’ and that in recent years this has increasingly assumed an ‘inter-generational dimension’. Both of these suggestions are reinforced by Colebatch (2003), who argues that ‘Australia is becoming a nation of landlords and renters’ as income disparities widen and house price inflation and tax laws redistribute income from the latter to the former. Drawing on projections from NATSEM¹² economist Simon Kelly, Colebatch (2003) suggests that whereas at present more than 50 percent

¹² NATSEM is the National Centre for Social and Economic Modelling.

of Australians in their early 30s either own their own home or are paying one off, by the year 2020 this figure will drop to around 20 percent. Indeed in the words of former Reserve Bank Governor Ian Macfarlane (in Colebatch 2003), ‘it is not too much of an exaggeration to suggest that a significant rise in the real price of housing, in effect, makes some people better off at the expense of their children’ and that ‘while periods of strong increase in house prices make the present owners of housing richer, they also make those next in the queue poorer’. Other commentators have suggested that housing affordability problems (can) contribute significantly to the process of social exclusion by, among other things, pushing low income households to urban fringes where housing is more affordable but further away from services, decent schools and employment opportunities (Berry 2006).

6.2.4 The Search for Solutions

Needless to say, in recent years the issue of housing has, as a result of the scale, scope and intensity of the current crisis, attracted a great deal of attention from those for whom housing is not simply a personal necessity but a policy problem to be solved (or at least, attenuated) by governments (federal, state and local) in conjunction with other interested parties (e.g. welfare and community housing organisations, academics and researchers, the building and real estate industries, economists, developers, home lenders etc). This focus on housing has resulted in the production of a sophisticated and prodigious body of literature on the topic, particularly since the turn of the century.¹³ Indeed in recent years a large number of organisations and individuals (which could be said to comprise the housing policy community in Australia) have rightfully sought to identify and discuss the problems by which this particular area of social policy is beset and suggest courses of action (for government, industry and the community sector) which are designed to ameliorate them. The search for solutions has also involved countless conferences (such as the National Housing Affordability Summit in 2004), Inquiries (e.g. The Productivity Commission’s Inquiry into First Home Ownership 2004) and high profile statements from governments Australia-wide. And yet, even a cursory review of the (scholarly and popular) literature in this area will reveal that ‘despite efforts over more than 20 years to reform housing assistance

¹³ Responsible for the production of much of this literature is the Australian Housing and Urban Research Institute (AHURI), which is an independently governed, non-profit research institute funded by Commonwealth, state and territory governments as well 14 of Australia’s leading universities.

arrangements in Australia, policy solutions have not been found' (Burke and Tiernan 2002: 26) and that 'progress in addressing the issue has been limited'; with current policies proving insufficient to address the problems experienced by many households in Australia (Gabriel *et al.* 2005: 5).

Why is this so? Why is it that, despite the scale of the problem, its obvious intensification over the past decade and the fact that Commonwealth expenditure on housing has continued to increase that solutions to so many of the problems associated with the issue of housing have not been found? As suggested in the introduction to this chapter and in accordance with the overall thrust of this thesis, this case study suggests that the issue of housing in Australia provides another striking example of the extent to which neoliberalism and the neoclassical theoretical assumptions upon which it is predicated have become discursively hegemonic and, more specifically, the ways in which the aforementioned ideas act to constrain the range of policy options available to policy-makers by 'structuring the bounds of the possible' and thereby preventing the amelioration of numerous problems. This is not to suggest that the political and discursive influence of neoliberalism (and therefore neoclassical economics) is wholly responsible for the failure of Australian governments to successfully address the myriad of problems besieging this particular area of social policy (nor, in the author's view, can government be expected to solve all of the problems in this area). It is, however, to suggest that when viewed through the conceptual lens I have outlined in this dissertation, the issue of housing provides a number of useful insights into the ways in which policy-makers are (both willingly and unwillingly, knowingly and unknowingly) hamstrung by the influence of the dominant neoliberal/neoclassical policy paradigm and the discursive hegemony of neoclassical economics more broadly.

6.3 Housing Policy in Australia: Background, Overview and Structure

6.3.1 Background and Overview

Housing policy was once viewed as a major instrument of redistribution and as a vital part of the social wage. This is no longer true (Argy 2004).

Since the creation of the first Commonwealth–State Housing Agreement (CSHA) in Australia in 1945, successive approaches by Australian federal governments to both housing assistance and social policy more broadly have varied considerably. From the end of the Second World War until roughly the 1970s, for example, ‘housing was a central concern of Australian governments’ and the belief that government had a role to play in the provision of housing enjoyed ‘broad bi-partisan support’ (Burke and Tiernan 2002: 14). The centrality and profile of housing as a policy problem that required (Commonwealth) government intervention during this period stemmed both from an acute housing shortage¹⁴ and the welfare state aspirations of post-war Australians. The desire to reward ex-service persons and assist those on low incomes whose needs were not being met by the private sector also drove housing policy from the 1940s to the late 1960s; a period characterised by an expansion of Commonwealth funded public housing programs (Seelig *et al.* 2008: 37).

According to Burke and Tiernan (2002: 14), however, The 1970s saw a ‘fracturing of the policy consensus’ that had more or less endured since the end of the Second World War and provided the ideational foundation for Commonwealth–State Housing Agreements. Although from the mid-1950s, home ownership had been emphasised by the Government(s) of Robert Menzies, in the early 1970s housing policy was (again) reconceptualised in accordance with the Whitlam Government’s belief that Commonwealth public rental housing should be prioritised over home ownership assistance (Seelig *et al.* 2008: 38). Significantly, however, the 1973 CSHA (negotiated by the Whitlam Government) also sought to direct housing assistance to the neediest in the community via means testing and, according to Seelig *et al.* (2008: 38 emphasis added), it was this agreement that marked ‘the beginning of the enduring notion that housing assistance should be *targeted* to specific needs’. Other factors that contributed

¹⁴ In 1943 a report by the newly established Commonwealth Housing Commission (CHC) suggested that by the end of the Second World War there would be a need for at least 300,000 new dwellings (Seelig *et al.* 2008: 37).

to the notion of targeting gaining traction in the 1970s included fiscal arguments by economic conservatives (who were concerned with the cost of Australia's public housing program), the results of the Henderson Report into poverty in 1975 (which called for more effective targeting of public assistance) along with the generalised economic crises of the 1970s (see Chapter's 2 and 3). Indeed it was during this period that public housing was both 're-imagined' by policy-makers (Dodson 2006) and 'residualised' to the extent that its provision was limited to those who were unable to secure housing in the private market (Seelig *et al.* 2008: 38).

In their extensive analysis of the way in which the concept of 'need' has evolved and been reconceptualised by the housing policy community in Australia over time, Seelig *et al.* (2008: 38) suggest that despite the Hawke Labor Government's declaration that 'public housing [should] once again...be [the] tenure of choice for all who desired it', the political and fiscal realities of the 1980s meant that while the eligibility criteria for public housing was broadened (to include groups such as those with high needs e.g. the disabled; as well as singles, aboriginal people and others), the Government was unable to reverse the movement towards (further) residualisation (and targeting) which had begun in the 1970s. As a result, this period saw an increase in the number of low income tenants in public housing (Seelig *et al.* 2008: 38). And yet, despite the fact that the Hawke Government was unable to realise its stated ambitions, the 1980s were characterised by large increases in Commonwealth funding for public rental housing and, more significantly, a substantial rise in the level of public housing stock¹⁵ (Dodson 2006).

During the 1990s, however, for a variety of reasons federal governments of both persuasions sought to promote alternatives to the direct provision of public housing; in spite of increasing demand for housing assistance (Burke and Tiernan 2002: 25). Thus, although during this period housing expenditures continued to increase (Burke and Tiernan 2002: 24), the 1990s were characterised by a 'shift from supply dominated housing assistance to a predominantly demand-subsidised mode' (Dodson 2006: 10). This 'shift' involved a reduction in Commonwealth funding for the CSHA (the traditional vehicle through which housing assistance has been rendered in Australia, see McIntosh and Phillips 2001) in favour of increased expenditure on Commonwealth

¹⁵ Between 1982 and 1988, the number of public dwellings in Australia rose from 236,000 to 320,000 (Dodson 2006: 11).

Rent Assistance (CRA). This trend has continued into the early twenty-first century, with expenditures on CRA increasing from \$1.1 billion in 1992/1993 to \$2.4 billion in 2007 (Burke and Tiernan 2002: 24; Uhlmann 2007). Other changes to Commonwealth housing policy since the mid-1990s (and the election of the Howard Government) include further targeting, the explicit adoption of a residual approach to public housing (i.e. one which viewed the CSHA as a means of assisting only those who are unable to access housing in the private market) and a greater emphasis on accountability for assistance provided (see McIntosh and Phillips 2001). Noteworthy also is that, in contrast to previous Australian Commonwealth governments since 1945, throughout Howard's tenure there was no minister for housing per se, with the Minister of Family and Community Services assuming responsibility for this portfolio area (Burke and Tiernan 2002: 20).

The advent of means testing, further targeting, a switch from supply to demand-side housing assistance and a decline in the level of public housing stock over the past three decades are all, as we shall see, at least partly attributable to the influence of neoliberalism since the 1970s. In order to understand the ways in which neoliberalism (and the neoclassical economic logic on which it is based) has impacted upon (and constrained) Commonwealth housing policy however, an appreciation of the structure of housing policy in Australia and the means by which housing assistance is rendered is also necessary.

6.3.2 The Structure of Housing Policy in Australia

Framework

As suggested above, the immediate post-war period was characterised by an expansion of the Commonwealth's role in relation to housing policy. Indeed prior to 1945, to the extent that they existed at all, housing assistance programs were generally small and were provided by the states (Seelig *et al.* 2008: 36). Since that time, the primary vehicle through which housing assistance in Australia has been delivered are the Commonwealth–State Housing Agreements which have sought to 'provide strategic direction and funding certainty for the provision of housing assistance across Australia' (Commonwealth of Australia 2003: 2). Renegotiated every 3–5 years, since the mid-twentieth century there have been 12 agreements and these have outlined:

...the policy objectives and the administrative and funding arrangements for programs of assistance for home purchase and renting that are funded by the Australian Government and by contributions by state and territory governments (Seelig *et al.* 2008: 36).

The CSHAs have, therefore, traditionally defined the responsibilities of each level of government in Australia and were the product of periodic consultation between the Commonwealth and the States/Territories (Burke and Tiernan 2002: 15). Although over time, successive CSHAs sought to achieve/emphasise different policy objectives and funding for programs operating under the auspices of these agreements continued to decline from the mid-1990s onwards¹⁶, at the broadest of levels the organisational and administrative arrangements that the CSHAs were designed to clarify remain largely unchanged; even though in early 2009, the Rudd Labor Government abandoned the long-standing CSHA framework in favour of a National Affordable Housing Agreement (NAHA). This is to say that the Commonwealth has continued to provide funding—in the form of both loans and grants—to state and territory housing authorities whose are responsible for the *delivery* of housing assistance to those who are eligible via State Housing Authorities (SHAs) (see Lawson and Milligan 2007: 122).

In addition to being responsible for the *delivery* of housing services/assistance and the maintenance of public stock, since 1978 state and territory governments have been required to match Commonwealth funding while the Commonwealth has gradually assumed responsibility for the issue of ‘housing affordability’ at the national level (Burke and Tiernan 2002; Dodson 2006). However, despite the introduction of matching requirements for state and territory governments in the late 1970s, on average around two-thirds of funding for housing assistance is still provided by the Commonwealth.

In having suggested that the CSHAs/NAHA have defined the responsibilities of each level of government in Australia and that the Commonwealth is responsible for the provision of approximately two-thirds of CSHA/NAHA funding, it is important to point out that because of Australia’s federal political structure and the fact that each state and territory operates its own housing authority, there is a significant degree of

¹⁶ The Australian Institute of Health and Welfare (2008: 7) observes that between 1994-95 and 2003-04, CSHA funding was reduced by 31 percent in real terms while CRA funding increased by 9 percent during this period.

variation between the way in which housing assistance is rendered between jurisdictions. Moreover many state and territory governments provide housing assistance to individuals and households outside of the CSHA/NAHA framework, with the Commonwealth doing likewise.

Major Funding and Programs

In addition to the programs delivered under the auspices of the CSHA/NAHA framework and the provision of Rent Assistance by the Commonwealth Government (i.e. the two main forms of housing assistance provided by government), Commonwealth, state and territory governments in Australia fund, administer and deliver a range of housing assistance programs which are designed to provide assistance to individuals, households and particular sub-sections of the community. These include the state and territory funded (and administered) *First Home Owner Grant* (a one off payment of \$7,000 to first home buyers)¹⁷ and the Commonwealth–State funded *Supported Accommodation Assistance Program* (SAAP) which is designed to assist people experiencing homelessness or deemed to be at risk of homelessness. According to the Australian Institute of Health and Welfare (2008: 9–11), in 2005–06 the Commonwealth provided more than \$3.2 billion in assistance to individuals and households Australia-wide with state and territory governments providing more than \$1.2 billion. Although the figures presented above are, in accordance with the focus of this case study, indicative of the assistance provided by various Australian governments, noteworthy also is the assistance provided by local governments and the community sector (e.g. churches and welfare organisations, see NCHF 2004).

6.4 Changing Conceptualisations of the Housing Policy Problem

In suggesting that during the post-war period, housing was ‘viewed as a major instrument of redistribution and...a vital part of the social wage’ (Argy 2004) and that during this period, the notion of (comparatively extensive) governmental involvement in the provision of public housing enjoyed ‘broad bi-partisan support’, it is important to acknowledge that although it has changed over time, the Australian ‘welfare state’

¹⁷ Introduced by the federal government on 1 July 2000, the First Home Owner Grant Scheme (FHOS) was established to offset the impact of the newly introduced Goods and Services Tax (GST).

has always been *residual* rather than *comprehensive* in nature and that this has obviously had implications for the ways in which housing assistance and the issue of housing more broadly has been conceptualised by policy-makers. Indeed as suggested in Chapter 3, throughout most of the twentieth century Australia was a ‘wage earners’ welfare state’; one in which arbitration and other mechanisms (rather than large-scale state-based redistribution *per se*) were used to reduce income inequality and promote better standards of living for Australian workers and their families (Castles 2001). And yet in the early to mid-1970s there *was* a discernible shift in the qualitative nature of housing policy; with the Whitlam Labor Government adopting a more tightly targeted and, *ipso facto*, less comprehensive approach to housing assistance in the 1973 Commonwealth–State Housing Agreement.¹⁸

Since that time, both housing assistance arrangements in Australia and housing policy more broadly have been heavily affected by changes to the wider international and domestic economic and social policy context; changes which are, in part, the subject of this dissertation. Indeed as we shall see, these (broader) changes have entailed profound implications not only for the qualitative nature of the solutions to housing policy problems which have been proffered by Australian policy-makers over the last three decades, but, perhaps more fundamentally, for the way in which the problems themselves have been understood and defined as well as which of these has found their way on to the policy agenda. In combination with the influence of other interested parties (e.g. lobby groups, welfare organisations, the housing industry etc) who have sought to persuade governments to enact policies which are perceived to accord with their particular interests (however benevolent, ideological or pecuniary) and the impact of institutional/structural factors such as demographic and other changes, the problem of housing in Australia has been reconceptualised/redefined/reimagined time and again and this has often prevented the adoption and enactment of more effective policy options on the part of state, territory and federal governments in Australia.

6.4.1 Re-defining the Problem: Neoliberalism and the Impact of Economic Liberal Reforms

Housing policy does not exist in a vacuum. The changes to social housing programs that have

¹⁸ Noteworthy here is that during Whitlam’s tenure, the targeting of assistance was ‘designed to exclude the well-off rather than focus benefits exclusively on the very poor’ (Castles 2001: 537).

occurred since the 1970s must be placed in a broader social and economic context (Dodson 2006: 1).

At the beginning of this dissertation, the term ‘policy paradigm’ was used to describe the way in which a set of ideas, assumptions and presuppositions can, over time, become institutionalised at the level of public policy (Hall 1993). It was suggested that when dominant, these paradigm’s specify not only the goals of public policy and the instruments that can be used to attain them, but the *nature* of the problems themselves (Hall 1993: 279). Drawing on the work of Kingdon (1995), Burke and Tiernan (2002) argue, in a similar vein, that despite the large number of problems with which policy-makers in this area have been confronted since the 1970s, the housing policy agenda in Australia has progressively been narrowed as *particular* problems have been selected and defined in accordance with what could be referred to as the prevailing neoliberal policy paradigm.

In their lucid analysis of the process by which the housing policy agenda in Australia was reconfigured during the 1990s, Burke and Tiernan (2002) identify a number of influential factors (and actors) that led to the identification and selection of certain policy problems as requiring government action. These include changes to the broader economic or ‘market context’ of the 1990s (e.g. financial deregulation, high interest rates and recession), organisational and administrative reforms undertaken by Commonwealth, state and territory governments during this period (e.g. corporatisation, marketisation) and the impact of other factors such as budgetary constraints, public opinion and ‘focusing events’ (e.g. media stories which periodically draw attention to certain issues). They also acknowledge the impact of ‘systemic indicators’ (such as the Commonwealth Bank/HIA Housing Affordability Index and housing approvals data) which seek to determine the overall health of the sector (albeit from different perspectives) and the influence of well organised lobby groups in shaping the policy agenda; many of whom view the problem of housing differently and often seek to present their interests as synonymous with those of the general public (Burke and Tiernan 2002: 22; 14).

More significant for the purposes of this dissertation however, is the authors’ discussion of changes to the broader institutional and discursive context from within which housing policy in the 1990s was formulated and the implications of this for the formation of housing policy. According to Fenna (in Burke and Tiernan 2002: 15),

many of the developments in housing policy in the 1990s can be attributed to the impact of the ‘economic rationalist discourse’ which pervaded Australian public policy during this period. Unlike its more socially democratic antecedent which tended ‘to view the market as imperfect and inequitable and requiring...government intervention to maximise its potential’, the economic rationalist/neoliberal discourse which emerged in the 1970s, gained traction in the 1980s and dominated policy debates in the 1990s ‘basically...[saw] the market as an effective allocator of resources subject to minimum interventions to ensure a safety net for the most disadvantaged in society’ (Burke and Tiernan 2002: 15). This had significant implications for the way in which housing policy-makers perceived the problem of housing in Australia and, in turn, the qualitative nature of policy itself. Indeed by reducing the housing policy problem to a ‘safety net’/income assistance issue:

Broad issues and problems that attracted concern in earlier periods, for example, the role of housing markets in affecting urban form, the achievement of home ownership, or issues of regional development, were no longer concerns of a minimalist state—the market could be left to address these areas, with the housing problem being defined narrowly according to a particular conception of the income assistance problem (Burke and Tiernan 2002: 16).

Although in reality, the extent to which the Australian state was ‘minimised’ was never on par with the rhetoric of the economic rationalist/neoliberal discourse which prevailed during the 1990s (see Chapters 2 and 3), there is no doubt that neoliberal ideas relating to the correct and appropriate role of government had an impact on the way in which the issue of housing was conceptualised. This reconceptualisation found direct expression in the redirection of Commonwealth funding from the CSHA to Commonwealth Rent Assistance, the abolition of the Building Better Cities, Green Street and Local Approvals Reform Programs as well as the shift to community and private sector housing strategies (see Burke and Tiernan 2002: 24; Darcy 1999: 14; Lawson and Milligan 2007: 122). Moreover according to Burke and Tiernan (2002: 20-21), despite the fact that, in the 1990s, many of the problems affecting the public housing sector in particular had been comprehensively documented in a range of state, territory and Commonwealth reports, ‘policy responses were promoted which in many respects were irrelevant to the problems’ as ‘Australian governments were receptive only to managerial reforms based on marketisation principles’.

That the issue of housing has been reconceptualised at the level of public policy in accordance with the prevailing economic rationalist/neoliberal/market-oriented discourse or ‘policy paradigm’ over the last three to four decades has also been acknowledged by a number of authors who have sought to understand and explain both the problems experienced by this particular sector, the ideational foundations of government policy and the ostensible failure of Australian governments to find comprehensive policy solutions. Drawing on the work of ‘governmentality theorists’ such as Graham Burchell (1993), Nikolas Rose (1996) and Barry Hindess (1993), Dodson (2006: 14), for example, argues that since the 1970s, housing assistance in Australia has been ‘re-imagined’ by policy-makers and that changes to housing policy over the last three to four decades ‘reflect a general shift towards neoliberal[ism]’. According to Dodson (2006: 1), like many of their advanced industrial counterparts, Australian governments have sought to ‘introduce new management methods into social housing’ as well as ‘target’ resources more tightly and rely far more heavily on ‘demand-side’ policies that involve the provision of housing allowances to low-income households to be used in the private rental market (e.g. rent assistance). These kinds of policies place ‘the individual rational consumer...at the centre of housing policy’ and allow the individual to determine how cash transfers are used in the private market (Dodson 2006: 14). Although ‘transfigured by local contexts’, in Dodson’s (2006: 10) view the adoption of such policies ‘demonstrates the encroachment of a neoliberal governmentality on housing policy assistance’ in Australia. Others, such as Gabriel *et al.* (2005: 4), suggest that Australian governments’ increasing reliance on non-government organisations and the private market to manage and provide low-cost housing is directly attributable to the influence of neoliberalism.

6.4.2 The Impact of Lobby Groups

In having suggested that governmental conceptualisations of housing as a policy problem have been affected by changes to the wider economic and social policy context over the past three decades and that there has been a discernible shift towards neoliberal or market-based modes of housing provision, it should be acknowledged that the selection and identification of both problems and solutions is also strongly influenced by professional interest and lobby groups who seek to ‘impose their own definition of the problem and the solutions [required] to address it’ (Gabriel *et al.*

2005: 6). Writing in relation to the way in which the issue of housing affordability is conceptualised by governments, Gabriel *et al.* (2005: 6) suggest that in recent years, both welfare organisations and the building industry, for example, have ‘sought to conceptualise the issue in accordance with their own interests’. Whereas the former (such as ACOSS) have sought to persuade governments that many of the problems in this sector are the result of a lack of investment in public housing, the latter has attempted to define the problem in terms bureaucratic regulation and taxation (Gabriel *et al.* 2005: 6).

An appreciation of the role played by professional interest and lobby groups in the policy formation process is crucial. Indeed although this thesis is primarily concerned with the extent to which policy is influenced (and structured) by the assumptions and presuppositions of the wider discursive milieu from within which it is formulated, it is important to acknowledge that government policy is the product of an extensive and complex array of influences (Kingdon 1995). Thus, despite the ostensible power and pervasiveness of the prevailing policy paradigm (be it ‘Keynesian’ or ‘neoliberal’), in the ‘real world’ of policy interested parties who view such a discourse as inimical (or conducive) to their interests will continue to contest (or reinforce) the dominant policy orthodoxy in a variety of ways (e.g. financial contributions, advertising campaigns, lobbying etc). Nor are the abovementioned parties the *only* external actors who exert a significant influence on government policy. Researchers (in the academy and elsewhere), economists, developers, real estate and community housing organisations, home lenders and the media (among others) all make a tangible contribution to the way in which the issue/problem of housing is understood by policy-makers (and the public) in Australia, with evident implications for the development of ‘solutions’—or lackthereof (see Kingdon 1995).

6.5 New Terminology / New Solutions

6.5.1 Terminology

Two of the more visible consequences of the neoliberal reconceptualisation of housing policy which has taken place in Australia over the last three decades are the movement towards a greater reliance by governments on the community and private sectors for the provision of social housing and changes to the terminological/discursive terrain on

which housing policy is debated. With respect to the latter, Burke and Tiernan (2002: 19) observe that many of the reforms that were undertaken by state and federal governments in the 1990s were ‘couched in the language of the new managerialism’ which emphasised the need for the public sector to adopt private sector management techniques and practices. Among other things, this led to the use of the term ‘consumers’ (in a number of key policy documents) to describe those in receipt of government housing assistance and a focus on the need to improve ‘flexibility’, ‘transparency’, ‘innovation’, ‘efficiency’ and ‘choice’ in the community and public housing sectors (Burke and Tiernan 2002: 19-20; Darcy 1999: 19-23).

More recently, Gabriel *et al.* (2005: 6) have suggested that the term ‘affordable housing’ (in contrast to ‘public’, ‘social’, ‘low cost’ and ‘accessible’ housing) has come to pervade housing policy discourse in recent years as a result both of attempts by ‘lobbyists representing [the] private sector’ to ‘recast debates [about] policy away from the funding of public housing investment and towards subsidies for private investors and the building industry’ as well as a more generalised shift in housing policy ‘away from collective provision [and] towards individual responsibility’. They argue that while ‘affordability’ has been a constituent feature of the discursive terrain of the United States since the 1960s, it was in the late 1980s that the term ‘affordability’ began to be used in Australia (Gabriel *et al.* 2005: 6).

While only a sample of the kinds of terminological changes that have taken place has been presented above, the point to be made here is that the adoption, incorporation and utilisation of terminology that was consistent with the prevailing economic rationalist/neoliberal discourse of the 1990s is indicative of the impact of neoliberalism on this particular area of policy. Indeed arguably, the contemporary ‘ubiquity’ of terms such as ‘affordable housing’ and ‘housing affordability’ is significant in so far as the use of these terms denote ‘an individual’s capacity to exercise choice in the marketplace’ (Gabriel *et al.* 2005: 6). Given the extent to which neoclassical economists (and their counterparts in the policy arena) view society as a collection of individual economic agents that (rationally) seek to maximise the range of goods and services to which they have access, the kinds of terminological changes alluded to in this sub-section could be said to be a reflection of the degree to which neoclassical economic ideas have ‘leached’ into policy and administrative circles (Finlayson *et al.* 2006: 527).

6.5.2 Community / Private Sector Solutions

In Part 1 of this dissertation, it was suggested that proponents of neoliberalism believe it is ‘the responsibility of political government to *actively* create the conditions from within which entrepreneurial and competitive conduct is possible’ and from within which markets can function (Barry *et al.* 1996: 10 original emphasis). According to Barry *et al.* (1996), in order to achieve this, governments must undertake to *transform* not only society’s institutions but the *individuals* which comprise that society. In practice, this entails an ongoing process of what they refer to as ‘responsibilization’ (Barry *et al.* 1996: 8). Suggested here is that while governments who have adopted neoliberal policies in recent decades have sought to retain the capacity to produce desired social, political and economic outcomes, they have also attempted to render—as far as politically feasible—state-reliant organisations and individuals ‘responsible’ for their own well-being through welfare state minimisation (or at the very least, restructuring). This has been accompanied by an attempt by governments to divest themselves of *certain* responsibilities, buttress market-based forms of economic activity and find ‘market-based’ solutions to various social and environmental problems (see Chapters 2, 3 and 5).

In many respects, Commonwealth housing policy in Australia would appear to provide a striking example of the process by which governments have, over time, sought to divest themselves of responsibility for a particular policy area (over which they still retain a degree of *control*) while simultaneously attempting to facilitate market-based and/or community/private sector solutions. As has been shown, funding for the traditional vehicle through which government-based housing assistance in Australia has been rendered (the CSHA) declined steadily from early 1990s while funding for Commonwealth Rent Assistance—which directs payments to individuals to be used in the private market place—has continued to grow. The growth of direct cash payments to low income households as the preferred form of assistance has been accompanied by further targeting, the explicit adoption of a residual approach to public housing and a ‘rationalisation’ of the sector (see McIntosh and Phillips 2001), as we have seen. Equally significant for the purposes of this case study, however, is the movement towards *community* housing and its relationship to the neoclassical/neoliberal discourse that is the subject of this dissertation.

Whereas prior to the early 1990s the role of the ‘community sector’ (i.e. non-profit organisations) in the provision of housing to both low income earners and those with special needs was minimal in comparison to that of traditional public housing, it was during this period that the Commonwealth government in particular (under the stewardship of both Hawke and Keating) sought to expand the role of this sector in accordance with the ‘recommendations’¹⁹ of a series of high profile reports that were commissioned in relation to the efficacy of public housing. Indeed it was largely on the advice of reports such as those produced by the National Housing Strategy (NHS)²⁰ in 1991/1992, the New South Wales Department of Housing (The ‘Mant Report’) in 1992 and the Industry Commission (Public Housing) in 1993 that the Commonwealth government opted to facilitate ‘a tremendous increase in activity in...[this] sector’ through ‘the establishment of new funding programmes [and] the setting up of peak councils and infrastructure bodies at various levels’ (Burke and Tiernan 2002; Darcy 1999: 14).

While the final report of the NHS identified the need to facilitate the creation of an ‘expanded, flexible and consolidated community housing sector’ through ‘improv[ed] access to private sector finance’ and ‘greater coordination [by government] of private sector fund-raising activities for housing programs’ (NHS 1992: 35), the Mant Report ‘enthusiastically support[ed] the entry of community housing providers’ because of the effect they would have in ‘breaking up the state monopoly on social housing provision’ (Darcy 1999: 22). Moreover, in 1993 the Industry Commission (1993: 117) concluded that ‘Community housing brings savings to government by harnessing additional resources from the wider community’ and should thus be supported ‘where a net saving to government could be shown’ (Darcy 1999: 23).

In addition to the recommendations referred to above in relation to the desirability of community housing, a related development of the past two decades is the movement

¹⁹ The term recommendations is put in quotation marks here because of the extent to which they reflected a policy trajectory that the Commonwealth government was ostensibly already committed to.

²⁰ The National Housing Strategy was established by the Minister for Health, Housing and Community Services in 1990 and resulted in three publications: *Australian Housing: The Demographic, Economic and Social Context* (National Housing Strategy 1991), *The Affordability of Australian Housing* (National Housing Strategy 1991a) and *Agenda for Action* (National Housing Strategy 1992).

towards a greater reliance on private sector funding for social housing. Emerging as an idea in the 1980s as a result of the ‘worldwide trend...toward increased fiscal austerity...increased transparency in subsidy arrangements and...a new underlying managerialist approach to government’ (Yates 1994: 177), over the past two decades there has developed a ‘strong expectation on the part of the Australian Government that States and Territories should attract a greater level of involvement from private enterprise in order to fund social housing’ (NCHF 2004: 3). This is clearly reflected in the 2003 CSHA which, among other things, *compelled* each state and territory government to ‘negotiate and enter into a Bilateral Agreement [with the Commonwealth] that states how they will involve the private sector, community and local government in the provision of social housing’ (CSHA 2003: 22). This is because private sector involvement ‘has the potential to leverage additional resources and expertise’ and can therefore ‘assist in increasing the availability of affordable social housing’ (CSHA 2003: 22).

While the growth of community housing in Australia over the past two decades has been somewhat spectacular (with the number of dwellings in this sector rising from ‘only a few thousand units’ in the early 1990s to more than 44,000 in 2003, NCHF 2004), the ability of this sector, along with state and territory governments, to attract private investment has been less prodigious. Indeed despite ‘lively’ debates pertaining to the means by which large amounts of private sector capital *could* be attracted into this sector and the proliferation of policy proposals to promote new sources of investment in affordable rental housing (see Berry *et al.* 2004; Lawson and Milligan 2007: 135-136), there has hitherto been a reluctance among private investors in Australia (and institutional investors in particular) to move into this area. While the reasons for this are complex, Berry *et al.* (2004: 86) suggest that the absence of a ‘robust and effective system regulation’ in respect to the community housing sector as well as problems arising from the broader institutional setting in Australia (as distinct from the UK for example, where attempts to leverage private sector capital have been more successful) are partly to blame. Nevertheless, in the latter stages of its tenure the Howard Government continued to promote further private sector involvement in the provision of social housing, with the (Commonwealth) minister responsible, Mal Brough, announcing that it was the Government’s intention to ‘invite the private sector

to tender for Commonwealth housing funds' as 'a practical way of moving forward' (Fraser and Maley 2007).

Both changes to the terminological terrain (of the kind described above) on which housing policy is debated and attempts to promote the involvement of the community/private sectors in the provision of social housing are directly attributable to the influence of neoliberal ideas over the past three decades. While the former has resulted in the adoption (by successive Commonwealth governments) of language which is consistent with the prevailing neoclassical/neoliberal policy paradigm and discourse and the encroachment of terminology which denotes housing as a commodity (e.g. affordable housing), the latter has contributed to a radical increase in the size of the community housing sector and attempts to secure new sources of funding for social housing from the private sector; all during a period in which the number of public dwellings has decreased significantly. In light of the scale and scope of the problems in this area (identified at the beginning of this chapter), it seems reasonable to suggest that the reconceptualisation of housing in accordance with the prevailing discourse and consequent adoption of new terminology, funding arrangements and management techniques have not solved the problem. On the contrary, the adoption and promotion of such policies is clearly associated with a period in which access to affordable, secure and appropriate housing has deteriorated significantly for many Australians.

6.6 Commonwealth Housing Policy: A Framework Analysis

Thus far in this chapter I have suggested that over the past two to three decades the problem of housing as well as the policy solutions adopted by governments to ameliorate them have been redefined (to a significant extent) in accordance with neoliberal ideas pertaining to the way in which the issue of housing *ought* to be conceptualised, understood and addressed. Attributable in large part to the impact of neoliberal policies on the wider institutional and discursive climate from within which policy is formulated, this reconceptualisation has resulted, *inter alia*, in a more tightly targeted, *residual* approach to housing assistance/policy by Australian state and federal governments along with a movement towards greater reliance on the community and private sectors through demand-side policies (e.g. rent assistance) and new funding

arrangements. The remainder of this chapter will seek to discuss the relationship between the contemporary housing affordability crisis in Australia, Commonwealth government housing policy and the neoclassically-inspired neoliberal discourse that is the subject of this dissertation. It is argued that while the housing affordability crisis in Australia in the early stages of the twenty-first century can be attributed to a large number of exogenous and endogenous factors (Berry and Dalton 2004: 69), there is a considerable body of evidence to suggest that over the last two decades, Commonwealth governments that have sought to promote neoliberal policy prescriptions in the area of housing have not only failed to successfully address the problem of housing affordability but have enacted policies that have *significantly intensified* the problem.

6.6.1 Boom or Affordability Crisis? Definitional and Conceptual Ambiguities

For people who are already in the housing market, the increase in the value of their homes is being welcomed. I don't get people stopping me in the street and saying John, you're outrageous, under your Government the value of my house has increased. In fact, most people feel more secure and feel better off because the value of their homes has gone up. But there is a problem if you're trying to get in...this is a problem for first homebuyers.

Prime Minister John Howard,
ABC Radio National,
 4 August 2003.

One of the primary conceptual difficulties associated with any analysis of the situation with which housing policy-makers in Australia are confronted in the early stages of the twenty-first century is whether or not Australia is in the midst of a large scale housing affordability *crisis* or full blown housing *boom*. Superficially, it could be suggested that the answer to this question is both; that the former is a corollary of (or at least, associated with) the latter and that the question is largely subjective i.e. contingent upon whether or not one is a beneficiary—or otherwise—of the rapid and sustained house price inflation Australia has experienced over the past decade. And yet, because of the negative connotations associated with the idea of a ‘housing affordability crisis’ and the positive connotations associated with the idea of a ‘housing boom’, this is not simply an academic question. This is because, as has been suggested throughout this dissertation, the way in which a policy problem/issue is understood and interpreted by

policy-makers can (and does) have tangible social, political, economic, environmental and cultural implications for those on whose behalf policy is formulated.

While it is unambiguously acknowledged that numerous Australians have benefited (in a personal, pecuniary sense) from the sustained house price inflation of the late twentieth and early twenty-first centuries (often colloquially referred to as the ‘housing boom’), a more detailed examination of this phenomenon reveals reasons to question the extent to which widespread, ongoing (extra-inflationary i.e. real) rises in median Australian house prices should be understood as a ‘boom’ (with all of the positive connotations implied by that label). In addition to the negative implications for macroeconomic stability and social equality that were discussed at the beginning of this chapter, a number of scholars/commentators/observers have suggested that many of the other assumed benefits of sustained house price inflation are illusory and that a much smaller proportion of the community derive (real) gains from such a phenomenon than is commonly perceived. As Former Governor of the Reserve Bank of Australia, Ian Macfarlane, suggested in a speech to the *Australian Society of Corporate Treasurers* in December 1995:

...it is far from obvious that rising [house] prices [are] somehow a general ‘good’...[as] the enhanced wealth is in a form which is unlikely to be realised – how many of us sell our house and live in something of lower quality in order to ‘cash in’ the higher wealth for use on some other form of expenditure? (Macfarlane 1995).

Indeed as Colebatch (2003) has noted in relation to Macfarlane’s comments, unless homeowners are *willing* and *able* to ‘cash in’ on the wealth that is generated by the inflated asset (i.e. usually the family home), ‘the only impact of house inflation is to raise their council rates’. Of course, many of those whose asset values have risen over the past decade have been able to utilise the inordinate equity in their homes to finance further consumption and/or investment. While this could perhaps be considered a positive consequence of house price inflation (and a reason to perceive this phenomenon as a boom, rather than an affordability crisis), it has also contributed to very high levels of household indebtedness in Australia. Between 1990/91 and 2004, for example, household debt as a proportion of household disposable income increased from 49 to 143 percent with most of this increase ‘due to an even more rapid increase in borrowing for housing’ which has ‘increased more than four-fold in real terms since

1990' (Productivity Commission 2004: 49-50). This, in turn, has contributed to a measurable increase in the number of households experiencing housing/mortgage stress and a discernible rise in the number of mortgage defaults (see *ABC News* 2008).

As Keen suggests:

The so-called 'housing boom' didn't build many houses – or create more homeowners. House prices have more than doubled in the last twenty years, far out-stripping increases in real wages and rental returns. *And because debt has risen even faster than house prices, our net equity in our houses has [actually] fallen* (Keen 2007: 3 emphasis added).

In light of such problematic consequences (of which only an indicative sample has been presented above; see Argy 2004; Berry and Dalton 2004; Colebatch 2003; Keen 2007; Lawson and Milligan 2007; Yates *et al.* 2007) it seems reasonable to suggest that the situation with which policy-makers in Australia have been confronted (in this particular policy area) in the early stages of the twenty-first century is more appropriately understood as a housing affordability *crisis*, rather than a housing *boom* (though it is undeniable that a 'boom'—in the conventionally understood sense of the term—has also occurred). And yet, despite an awareness of the negative consequences of rapid and sustained house price inflation, arguably the Commonwealth government (particularly under the stewardship of Prime Minister John Howard between 1996 and 2007) both allowed the problem to get worse and enacted policies that *significantly intensified the problem*. Why was this so? The following sub-section examines the extent to which the policies of the Howard Government and its Labor Party predecessors were responsible for the housing affordability crisis Australia is currently experiencing, the political and ideological rationale for such policies and their relationship to the neoclassically-inspired neoliberal discourse that is the subject of this dissertation.

6.6.2 Government Policy: Perpetuating the Affordability Problem

Countries that have not developed or maintained strategic housing policies, such as Australia, tend to rely on limited policy options and to have a lack of institutional development. Housing outcomes are exposed to market inefficiencies and structural constraints. Housing policy is under-resourced and ill-equipped to cope with emerging housing challenges (Lawson and Milligan 2007: 150).

In examining the extent to which both government policy and the policies of the Howard Government in particular have contributed to the creation and perpetuation of a housing affordability crisis, it is incumbent upon the author to point out that in the early stages of the twenty-first century Australia is by no means unique in this respect. That is to say that, over the last decade, housing affordability has emerged as a problem throughout much of the advanced industrialised world as a result of sustained house price inflation²¹, demographic changes (e.g. population growth, smaller households etc), financial deregulation (e.g. greater availability of mortgage credit) and constraints on supply (see Lawson and Milligan 2007; Productivity Commission 2004). Moreover, it is not suggested here that the housing affordability crisis Australia is presently experiencing is *exclusively* attributable to the policies of one particular government or even government per se. For example, while there is little doubt that the deregulation of Australia's financial system in the 1980s and the maintenance of taxation policies such as negative gearing have contributed significantly to the problem, both of the aforementioned measures have been supported and/or maintained by Australia's two major political parties while in government. It must be recognised, too, that the housing affordability crisis in Australia is (at least partly) attributable to a number of international and domestic variables; many of which are effectively beyond the control of government (e.g. international share market downturns, global economic conditions etc).

And yet, a review of the evidence suggests that the Commonwealth—and particularly the Howard—government (1996-2007) has enacted and sustained policies that have made a considerable contribution to the problem of housing affordability. While some of these are a product of the relatively recent past, others could be said to comprise ongoing features of the Australian policy landscape. One such feature is the long standing refusal of successive Australian governments to 'tax the family home' (Berry and Dalton 2004: 69). While this has undoubtedly facilitated the development of a culture of home ownership in Australia, exemptions from capital gains tax and the

²¹ In their extensive analysis of international housing trends and the policy responses adopted by governments of nations with a comparable level of economic development to Australia, Lawson and Milligan (2007: 41) suggest that 'The growth of housing costs over the past decade or so, to a level that creates problems for many households, is documented for almost every country analysed in the literature'. In addition to Australia, countries involved in the study referred to include Austria, Belgium, Canada, Denmark, France, Germany, Ireland, the Netherlands, New Zealand, Switzerland, the United Kingdom and the United States.

non-taxation of imputed rental income have contributed to the problem of housing affordability in so far as they have conferred benefits on those who have chosen—and been able—to buy rather than rent (Berry and Dalton 2004: 79). This is not to suggest that capital gains tax should be applied to ones primary dwelling; merely that such an exemption acts as a powerful incentive to buy—and store wealth in—ones home and that this can potentially act as an ongoing impediment to housing affordability more broadly via its contribution to house price inflation (i.e. over-investment).

Another feature of the Australian policy landscape that is widely believed to have contributed to the problem of housing affordability in Australia is *negative gearing*. Originally designed to promote private sector investment in rental housing, negative gearing allows property investors in Australia to deduct rental expenses (e.g. property maintenance and interest payments) against other income such as salary and wages (ATO 2007: 24). This amounts to a public subsidy for those who are able to *invest* in the Australian property market (to the tune of some \$2.4 billion per year) and has been *heavily* criticised by many of those who have sought to explain the causes of the contemporary housing affordability crisis (see Colebatch 2003a; Disney 2007; Productivity Commission 2004; Spies-Butcher 2008; Wyatt, McDonald and Nandha 2005). In their cogent analysis of the relationship between negative gearing, housing affordability and first home ownership, Wyatt *et al.* contend that:

Although negative gearing is not the only cause of the housing affordability crisis, it is a substantial factor in pushing first home buyers out of [the] market (Wyatt *et al.* 2005: 178).

Indeed according to the aforementioned authors, the taxation benefits bestowed on ‘wealthy investors’ (defined as those on the top marginal income tax rate) through negative gearing can render them more than \$100,000 ‘better off’ in the long term than recipients of the first home owners grant (discussed below) and associated first home buyer benefits (Wyatt *et al.* 2005: 150; 170). Given the inducements that they suggest are ‘already present’ within the housing market to stimulate housing investment along with the contribution that negative gearing makes to the housing affordability problem, Wyatt *et al.* (2005: 178-179) conclude that it is ‘hard to understand policy directives that encourage negative gearing’, particularly if ones goal is to ‘reduce the current inequities in relation to home ownership’ and improve affordability. In 2004 the Productivity Commission’s Report on First Home Ownership also acknowledged that

negative gearing had, among other things, magnified ‘the attractiveness of investing in residential property during the recent upswing in house prices’ and thereby added to ‘price pressures’ (Productivity Commission 2004: xxiv).

The deregulation of Australia’s financial system is another Commonwealth government measure that has contributed to the problem of housing affordability in Australia over the medium-to-long term. By removing (many of) the restrictions on the lending activities of banks and other financial institutions and ‘opening the door’ to overseas financial institutions, the Hawke Labor Government of the 1980s largely succeeded in ‘creat[ing] a market—rather than state—controlled financial system’ (Burke and Tiernan 2002: 18). This entailed profound implications for the Australian housing sector, resulting in, on the one hand, a growth in the number of *lenders* (i.e. mortgage originators) and, on the other, a rise in the number of home loan *products* that are available to prospective home owners and housing investors. Indeed according to the Australian Bankers Association, since the mid-1990s the number of ‘entities’ offering home loans in Australia has increased from approximately 90 to more than 130 while over the same period, the number of home loan products has more than doubled (Productivity Commission 2004: 46-47). Although the creation of a competitive home loan market and accompanying relaxation of lending criteria by many financial institutions has undoubtedly facilitated access to home loan finance for many Australians (including investors), it is also apparent that this has contributed to house price inflation over the medium-to-long term and, *ipso facto*, compounded the problem of housing affordability. As the Productivity Commission’s Report into First Home Ownership acknowledged in 2004:

...an increase in borrowing capacity as large as that experienced since the early 1990s must be expected to have been an important contributor to the surge in housing related borrowing over this period, and thereby to the increases in house prices during the recent boom (Productivity Commission 2004: 49).

As suggested in previous chapters, the deregulation of Australia’s financial system was a central component of the Hawke-Keating Government’s neoliberal reform program and as such, provides a salient example of the relationship between the contemporary housing affordability crisis, government policy and the impact of the prevailing neoclassical/neoliberal discourse.

6.6.3 Fanning the flames of House Price Inflation: The First Home Ownership Grant Scheme and Changes to the CGT

Thus far in this section I have suggested that in the medium-to-long term taxation exemptions on housing (i.e. one's primary dwelling), negative gearing and financial deregulation have all made a contribution to the problem of housing affordability in Australia and that all of these measures have been supported and/or maintained by both of the major parties. Over the past decade, however, two (Commonwealth) measures in particular are widely believed to have negatively impacted upon housing affordability and made a significant contribution to the extraordinary increase in median Australian house prices that has been witnessed. The first of these is the First Home Ownership Grant Scheme (FHOS) that was introduced by the Howard Government on 1 July 2000. Administered (and funded) by state and territory governments, the scheme was designed to offset the financial impact of the Goods and Services Tax (GST) on the housing industry by providing a one-off grant of up to \$7000 to eligible first home buyers. While originally intended to compensate for the inevitable increase in house prices that followed the introduction of the GST in July 2000, the grant, which was doubled for those who undertook to purchase or construct a new dwelling between March and December 2001 (Productivity Commission 2004: 71), is still available to first home buyers (at the time of writing). This is despite the Productivity Commission's finding that:

The bulk of FHOS assistance goes to households with above average incomes, who might otherwise have purchased a house before too long, even without assistance. In the commissions view, the scheme would have a greater impact on first home ownership if it were more closely targeted at lower income households, with a commensurate increase in grant levels (Productivity Commission 2004: xxxii).

In other words, the FHOS has done little to improve affordability for average-to-low income earners while providing an additional source of capital which 'serve[s] primarily to stimulate housing demand' (Berry and Dalton 2004: 89). In the absence of additional measures that have a discernible impact on the number of available dwellings, in terms of affordability the FHOS could be said to amount to little more than an expensive and poorly targeted stimulus to an already over-inflated housing market (Berry and Dalton 2004: 89; Productivity Commission 2004: xxxi).

Although both poorly targeted and expensive, it should be acknowledged that in its report into First Home Ownership the Productivity Commission (2004: xxxi; 71-72) noted (in relation to the FHOS) that, although in light of ‘more recent affordability problems’ the ‘case for [financial] support beyond what is already available through the tax system is not compelling’ and that ‘the money [used for the FHOS] could yield a higher return to the community if redirected to support the broader housing needs of low income households’, the primary effect of the grant was, at least initially, to ‘pull forward’ house purchases that would have occurred anyway—rendering it a *comparatively* minor contributor to house price inflation.

Making a far more significant and tangible contribution to the problem of housing affordability in Australia in recent years are the Howard Government’s changes to Australia’s Capital Gains Tax (CGT) regime which came into effect in mid-2001. Inspired by its 1999 *Review of Business Taxation’s* (colloquially referred to as the ‘Ralph Review’ of Taxation because of its Chairman, former BCA president John Ralph, AO) recommendation that only ‘50 percent of the capital gain [made] on assets held for more than a year...be included in the taxable income of the individual’ (Ralph 1999: 77), in mid-2001 the Government enacted legislation that effectively halved the rate of capital gains tax payable on investments held by Australian citizens for longer than twelve months. Given the existing exemptions on capital gains derived from the sale of one’s principal residence, arguably the major effect of this measure was to encourage speculative investment in property. As Colebatch so forcefully argued in 2003, just two years after the changes:

Overnight, speculating in rental housing became vastly more profitable. And overnight, money flowed into the market. Investors now account for more than 36 percent of all housing loans, and soaring prices have made downsizers richer, but upsizers and people waiting to buy their first home much poorer (Colebatch 2003a).

Indeed in light of the increase in the proportion of loans issued to investors for housing in the wake of the changes to CGT (from 31 percent in 2001 to 45 percent in early 2003) and the consequent decrease in the proportion of those issued to first home buyers during a similar period (from approximately 25 to 14 percent) (Berry and Dalton 2004: 75; RBA 2002), it would be difficult to overstate both the validity of Colebatch’s (2003a) claim that the contemporary housing ‘boom’ is driven by

speculative demand and that this has negatively impacted upon housing affordability—particularly in light of the rest of the evidence presented in this chapter. The Howard Government’s changes to CGT can therefore be said to have had a particularly profound impact on house price inflation and, in the absence of measures to effectively increase the supply of affordable housing, contributed significantly to the problem of housing affordability in Australia over the past decade.

6.6.4 The Political and Ideological Rationale of Policies that have Contributed to the Housing Affordability Crisis

With respect to the issue of Commonwealth government policies that have contributed to the problem of housing affordability and, *ipso facto*, acted to prevent the adoption of a range of potentially effective policy options, a number of questions arise in light of the theoretical framework through which this dissertation is considering the issue of housing. Why have they (i.e. successive Commonwealth governments) done this? What is the political and ideological rationale for the abovementioned policies and what is their relationship to the neoclassically-inspired neoliberal discourse that is the subject of this dissertation? With respect to the first of these questions, it is evident that domestic political and *electoral* considerations have played a role in relation to the maintenance of policies—such as tax exemptions and negative gearing—that are perceived to have delivered benefits to both home owners, investors and others who are already ‘in the market’ (i.e. mortgagees). Indeed in the context of Australia’s comparatively high rate of home ownership and the fact that a majority of Australians will, at one time or another, own their home, it is unsurprising that the major political parties in Australia would be disinclined to enact policies that *curtailed* house price inflation—particularly in light of the extent to which individual wealth is, on average, concentrated in the ‘family home’.²²

Beyond the comparatively short-term political and electoral motives that are associated with the implementation and maintenance of housing-related policies that are perceived to be financially advantageous to a proportion of the Australian electorate, however, lies an overarching *approach* to housing policy which is symptomatic of changes to the wider ideological, policy and discursive environment which have occurred over the past three decades. This is to suggest that many of the policies and

²² On average, property comprises around 60 percent of the value of household assets in Australia (AIHW 2007: 378).

changes that have intensified and perpetuated the problem of housing affordability in Australia are a *product* of the market-oriented, neoclassical economic logic which comprises the foundation of the dominant neoliberal policy paradigm (and associated political discourse). Take, for example, the deregulation of Australia's financial system (which could be said to have created and enabled the broader conditions from within which a competitive mortgage market could operate). To the extent that this (deregulation) could be said to have been a *product* of the Hawke Labor Government's neoliberal reform agenda of the 1980s and house price inflation a *product* of deregulation and the creation of a competitive home loan market (as suggested above), it could be argued that the housing affordability problem is, at least partly, a product of the neoclassical economic *logic* upon which the deregulation of Australia's financial system was originally predicated.

The 2001 changes to Australia's capital gains tax regime provide a similarly striking example of the relationship between the contemporary housing affordability crisis, government policy and the *logic* and *influence* of the overarching economic, market-oriented neoclassical/neoliberal discourse from within which policy in Australia is formulated. In recommending the equivalent of a 50 percent reduction in capital gains tax on assets held by Australian investors for more than one year, *Review of Business Taxation* Chairman John Ralph argued that:

The Review's Recommendations in respect of the capital gains tax regime for individuals will help to support a *stronger investment culture* amongst Australian Households. The widespread privatisation of major public sector enterprises has greatly increased the number of Australian households owning shares. A less harsh CGT regime which *encourages taxpayers to invest in such assets* will help *entrench and build upon these changes* (Ralph 1999: 77 emphasis added).

The changes to CGT were thus part of a broader strategy to 'entrench' and promote a 'stronger investment culture' in Australia and 'reward risk and innovation' (Ralph 1999: 77). As has been argued, there is little doubt that such changes were successful in their attempt to 'encourage' taxpayers to invest in assets like housing. And yet, in so far as the changes to CGT are a *product* of the prevailing discourse and the housing affordability crisis a *product* of changes to CGT, it seems reasonable to suggest that the problem of housing affordability (along with the associated problems of 'housing

stress' etc) may be understood as a *product* of the dominant discourse. This is not to suggest that the housing affordability crisis is exclusively the result either of changes to CGT, financial deregulation or government policy in general; but rather that these kinds of policies/reforms have exacerbated the problem and that many such policies can be traced to the neoclassical/neoliberal discourse that is the subject of this dissertation.

Indeed it could be argued that a majority of the major policy initiatives examined in this chapter can, in a qualitative sense, be understood as a product of the dominant neoclassical/neoliberal discourse. Further targeting, a reduction in the number of public dwellings, a greater reliance on the community and private sectors and the promotion of 'demand-side' policies (e.g. rent assistance) along with financial deregulation and a reduction of the taxation of capital gains are all quintessentially neoliberal in so far as they are designed to (a) *minimise* the extent to which government is *directly responsible* for the provision of housing (b) foster the conditions under which a competitive market can operate while bolstering private sector activity and (c) promote 'market-based' solutions to public policy problems. Arguably, the abovementioned policies and initiatives have also contributed to the *further* conceptualisation of housing as a 'means to wealth' rather than a 'social right' in Australia (Mortensen and Seabrooke 2008). That the problems confronting the housing sector haven't been solved and have, in many respects, intensified, suggests—particularly in light of the period over which such policies have been implemented and the evidence presented in this case study—that the economic logic on which on which such policies are based is at best problematic and at worst, fundamentally non-conducive to the amelioration of problems confronted by policy-makers in this area.

6.7 Conclusion

This chapter has suggested that housing affordability has—along with a range of associated issues—emerged as a major problem with which governments (and others) in Australia have had to contend in the opening decade of the twenty-first century. It has provided an epigrammatic overview of the evolution and structure of housing policy in Australia since the end of the Second World War and suggested that since the mid-1970s, the 'problem' of housing has been reconceptualised (to a significant extent) in

accordance with the neoclassical/neoliberal policy paradigm and discourse that is the subject of this dissertation. In addition to the above, it has argued that while the housing affordability crisis Australia is presently experiencing is by no means exclusively the result of Commonwealth government policies, since the 1980s, federal governments of both political persuasions have supported and/or enacted a number of policies which have *significantly intensified* the problem of housing affordability and that many of these policies are a *product* of the neoclassical/neoliberal policy paradigm and discourse which, the author contends, acts to constrain the range of policy options available to government and thereby prevent the adoption and implementation of a range of potentially effective policy alternatives. Commonwealth government housing policy can therefore be said to provide another salient example of the way in which the economic policy paradigm and discourse which is the focus of this thesis can act as an impediment to the development of effective policy in contemporary Australia.

CONCLUSION

If war is too serious to be left to the generals, the economy is certainly too serious to leave to the economists. *There is an urgent need for open public debate, in plain language, on issues too long smothered by the...[dominant] discourse.* There is a need for clear headed examination of the actual consequences of the nostrums so long promoted by the [economics] profession (not all bad, but not the unqualified benefit so confidently assumed), and above all for *transparency* in the discussion of normative issues (Richardson 1997: 59-60 emphasis added).

At the beginning of this thesis, it was suggested that this dissertation was *concerned* with the political influence of economic ideas and, more specifically, the ways in which neoclassical economic ideas acted to constrain the range of policy alternatives available to governments and other actors in contemporary Australian society. Further to this objective, the *purpose* of the study was to provide an *analysis* of the ways in which the prevailing neoclassical economic *discourse* and associated neoliberal *policy paradigm* worked in conjunction with one another to prevent the adoption a range of potentially effective policy alternatives by ‘structuring the bounds of the possible and impossible’ (Finlayson *et al.* 2005: 520). This, it was argued, was intended to deepen our understanding of the ideational *obstacles* which presently exist to the enactment of policies which are conducive to the amelioration of a range of social, environmental and other problems confronting our society and the wider global community.

To achieve this, in Chapter 1 a theoretical framework was constructed which explained the relationship between neoclassical economics as a discipline of the social sciences, neoliberalism as a political project and the hegemonic economic discourse to which they have collectively given rise in the late twentieth and early twenty-first centuries. I then sought to explain the process by which a neoclassically-inspired neoliberal policy paradigm became institutionalised throughout much of the Western world (and Australia specifically) in the 1980s, 1990s and beyond in Chapters 2 and 3. This was followed by an analysis of the 2004 Australian federal election campaign; through which it was shown how the dominant economic discourse impacts upon the wider discursive milieu from within which policy in Australia is formulated, limits debate and punishes those who espouse ideas which do not accord with the prevailing

economic ethos. It was then shown how the neoclassical economic discourse and neoliberal policy paradigm that are subjects of this dissertation ‘structure the field of possible government action’ (Beeson and Firth 1998: 217), limit the number of potentially effective policy alternatives available to government and, in some instances, significantly *exacerbate* the social and environmental problems we collectively face through case studies of the Commonwealth climate change and housing policy respectively.

It was also stated from the outset that while, at one level, this thesis was concerned with the emergence and evolution of neoliberal policies over the past three decades and their political and discursive impact on government policy in Australia; it was, in fact, more *fundamentally* concerned with the meta-theoretical, neoclassical economic ideas on which neoliberalism is based, and the ways in which these ideas render our political institutions and those who inhabit them largely incapable of addressing many of the social and environmental problems confronting our society and civilisation. Moreover, I have argued that policies based on neoliberal ideas may be understood as an ideological and political *vehicle* through which those in favour of *neoclassical* economics (in business, the academy and elsewhere) have attempted to actualise their ideas over the past three decades.

In respect to the author’s attempt to examine the impact of the *deeper* assumptions on which neoliberal policies are based, it is noteworthy that in February 2009, Australian Prime Minister Kevin Rudd (2009: 25) published an essay in which he proclaimed that the ‘great neo-liberal experiment of the past 30 years ha[d] failed’. Writing in relation to the events of the previous year, the Prime Minister argued that ‘the Global Financial Crisis ha[d] called into question the prevailing neo-liberal economic orthodoxy’ which had ‘so spectacularly failed to prevent’ the economic crisis of 2008 (Rudd 2009: 20). According to Rudd (2009: 29, 22), ‘seismic changes [were] underway’ as ‘policymakers and economists’ tore up ‘the neo-liberal playbook and governments...made unprecedented and extraordinary interventions to...bring the financial system back from the brink’. The Prime Minister also argued that ‘with the demise of neo-liberalism’, the role of the state had once more been recognised as ‘fundamental’ and that it was yet again the duty of ‘social democrats to save capitalism from itself: to recognise the great strengths of open, competitive markets while

rejecting the extreme capitalism and unrestrained greed' that had 'perverted' the global financial system (Rudd 2009: 25, 20-21).

Arguably, however, the political and ideational changes which have resulted from the Global Financial Crisis of 2008 are somewhat less profound than the Prime Minister's analysis would suggest. That is to say that in the wake of the Crisis, it is evident that the deeper, market-oriented, neoclassical economic assumptions and presuppositions upon which our society and wider civilisation is predicated—and from which so many of the problems that we collectively face, ultimately stem—remain largely unchallenged at the level of official political discourse. It is also apparent that the mainstream, bipartisan commitment to economic growth, ever higher standards of living and the materialistic ethos which pervades the Australian polity (discussed in section 4.4.3) is stronger than ever.

Anecdotal evidence of this is abundant. Indeed, although the focus of this dissertation has been on the ways in which the dominant neoclassical economic discourse and neoliberal policy paradigm acted to constrain the range of options available to the Howard Coalition Government between 1996 and 2007, it is clear that the Rudd Labor Government (elected in November 2007) has not sought to deviate (in any substantial way) from the political and economic trajectory of the previous government; either before the Global Financial Crisis of 2008 or since. Take, for example, the issue of climate change. In spite of the Prime Minister's own description of this problem as 'the greatest market failure in human history' (Rudd 2009: 23), the Rudd Labor Government has adopted a *market-based* approach to the issue of climate change (in the form of an emissions trading scheme) which, details aside, is virtually indistinguishable from the model to which Howard Government committed itself before it lost government in 2007.

Other examples abound. In the lead up to the 2007 federal election, the current Prime Minister repeatedly described himself as an 'economic conservative' who would 'heed the warnings of the Reserve Bank', 'spend less than Mr. Howard', put downward pressure on inflation [sic] and ensure that 'any commitments' made by the Labor Party were 'first and foremost economically responsible' (Rudd 2007). In early 2009 the Prime Minister also emphasised the need for governments to engage in 'direct, demand-side stimulus to offset...[any] large-scale contraction in private demand' at a

time of ‘faltering growth’ (Rudd 2009: 26) and assured the Australian public that ‘The Government...[was] determined to take *whatever...measures...*[were] necessary to continue to support growth and jobs’ in the wake of the Global Financial Crisis (Rudd 2009a emphasis added). More recently, the Prime Minister echoed his Coalition predecessor (see sub-section 4.4.2.1) in arguing that ‘the core’ to ‘delivering a better future for all Australians’ is ‘to build a strong economy for the future’ and that in the absence of ‘long-term, sustainable economic growth, we do not have the enduring basis for rising living standards, let alone the investment in the social and economic infrastructure we need’ (Rudd 2010). The current Prime Minister has even attempted to justify the Commonwealth’s takeover of public hospitals on economic grounds, arguing that:

Unless we act on comprehensive health reform, we will see a radical reduction in the number of Australians of working age participating actively in the workforce, thereby undermining long-term productivity, living standards and overall economic growth. Health reform is [therefore] not just a social policy imperative. Health reform, equally, is an economic policy imperative (Rudd 2010).

These examples are indicative of the extent to which the Rudd Labor Government has not sought to alter the basic trajectory of public policy in Australia, *problematise* the deeper, economic assumptions of the Australian polity or *acknowledge* the underlying *relationship* between these assumptions and the social and environmental challenges we collectively face. Thus, while it could be argued that superficially, the Global Financial Crisis has led many to question the extent to which financial markets should be regulated or otherwise (and, incidentally, illustrated the degree to which Keynesian-style demand-management policies—now referred to as ‘economic stimulus’—are alive and well in the twenty-first century), it has arguably done little to challenge the underlying materialistic, market-oriented, neoclassical principles on which the prevailing neoliberal orthodoxy is based; all of which remain *taken for granted* at the level of official political discourse.

The continuation of what, at an underlying or *structural* level, could accurately be described as ‘business as usual’ by the Rudd Labor Government raises a fundamental and overarching question in view of the arguments presented in this dissertation: How might we as a society, along with the policy-makers who are ostensibly acting on our

behalf, effectively deal with the kinds of social and environmental problems that have been outlined in this dissertation? While a comprehensive response to this question lies well beyond the scope of these concluding remarks, it is the author's contention that an awareness, understanding and *recognition* of the relationship between neoliberal policies, neoclassical economics, the deeper materialistic ethos on which they are both predicated and the *inability* of governments to successfully address pressing social and environmental problems is a necessary first step. Also required is a *repoliticisation* of 'mainstream' economics; both as a discipline of the social sciences which informs public policy and as a 'master social narrative' (Finlayson *et al.* 2005) through which citizens and policy-makers alike view both the world in which they live and the social and environmental problems with which they are confronted.

As indispensable and necessary as *recognition* and *repoliticisation* may be, however, they are, in and of themselves, insufficient to address a number of the problems which stem from the assumptions and presuppositions that lie at the very heart of modern industrial society and the dominant, neoclassical economic discourse and policy paradigm that have been discussed. Indeed arguably, what is required in order to respond effectively to challenges such as climate change is a 'paradigm shift' of the kind described by Thomas Kuhn (1970) in his profoundly influential essay entitled *The Structure of Scientific Revolutions*. Although writing in relation to the natural sciences, Kuhn (1970) suggested that meta-theoretical frameworks—or 'paradigms'—which are generally accepted (or dominant) at a given point in time are contingent upon a range of fundamental assumptions which are essentially *taken for granted* by those who are working within the parameters of what he refers to as 'normal science'. According to Kuhn (1970: 38), such paradigms (as well as their underlying assumptions) remain dominant until the discovery of phenomena which cannot be accommodated or explained by the existing meta-theoretical or explanatory framework necessitates the creation of a new paradigm; one that is capable of *explaining* the new phenomena and *solving* the seemingly intractable practical and theoretical problems with which researchers in a particular scientific field are confronted.

Metaphorically speaking, I would argue that a paradigm shift of the order that Kuhn (1970) suggested occurred in the natural sciences is *precisely* what is required to successfully address the larger social and environmental problems confronting the Australian and wider international community. Indeed, in light of the extent to which

policies that accord with the dominant neoclassical/neoliberal policy paradigm and discourse appear singularly unable to address many of the pressing environmental and social problems of our time, it is apparent that ‘minor tweakings of long established orthodoxies will not do’ (Rudd 2009a) and that a *fundamentally* new way of thinking; a new paradigm—one less constrained by the economistic, materialistic and market-oriented assumptions and presuppositions of neoclassical economics and neoliberalism—is necessary to successfully address such problems.

What a policy paradigm that is capable of successfully addressing the plethora of problems confronting humanity in the twenty-first century might look like is still largely unknown. This dissertation has, however, demonstrated that, in the words of Albert Einstein, ‘the significant problems we face cannot be solved at the same level of thinking we were at when we created them’ and that new ways of thinking are needed to address problems that were created by the old. And while the scale of the conceptual challenge that lies before all of us in the twenty-first century is immense, the broader social, environmental, political and economic consequences of the failure to make the transition to a new policy paradigm may prove to be catastrophic. For this reason, it is hoped that this thesis has made a small, but significant, contribution to such a transition.

BIBLIOGRAPHY

- ABC News, 2004, 'It's time for a change, Latham says', 29 August. Available at: <<http://www.abc.net.au/news/newsitems/200408/s1187496.htm>> [accessed 18 January 2008].
- ABC News, 2004a, 'Rate rise predicted regardless of election outcome', 30 August. Available at: <<http://www.abc.net.au/news/newsitems/200408/s1187821.htm>> [accessed 12 February 2008].
- ABC News, 2006, 'PM announces carbon trading inquiry', 13 November. Available at: <<http://www.abc.net.au/news/stories/2006/11/13/1787629.htm>> [accessed 31 July 2009].
- ABC News, 2007, 'PM "considering" carbon trading, rules out tax'. 5 February. Available at: <<http://www.abc.net.au/news/newsitems/200702/s1840827.htm>> [accessed 5 August 2009].
- ABC News, 2008, 'Households struggling as "mortgage stress" spreads', 26 November. Available at: <<http://www.abc.net.au/news/stories/2008/11/26/2429866.htm>> [accessed 23 February 2009].
- ABC Radio National, 2003, 'Howard addresses issues facing federal government', *AM* (program transcript), 4 August. Available at: <<http://www.abc.net.au/am/content/2003/s916452.htm>> [accessed 11 February 2009].
- ABC Radio National, 2003, 'Nazi Greens?', *Earthbeat* (program transcript), 8 November. Available at: <<http://www.abc.net.au/rn/science/earth/stories/s984328.htm>> [accessed 20 May 2008].
- AC Nielsen, 2007, 'Australian consumers vote Al Gore, Oprah Winfrey and Richard Branson most influential people to champion global warming cause', 4 July. Available at: <<http://au.acnielsen.com/site/Globalwarmingandclimatechange.shtml>> [accessed 12 June 2007].
- ACOSS, 2001, 'No Unfunded Tax Cuts Before Action to Reduce Poverty & Inequality' (media release), 12 September. Available at: <<http://www.acoss.org.au/media/2001/mr0912.htm>> [accessed 26 June 2004].
- ACOSS, 2003, 'The Bare Necessities: Poverty & Deprivation in Australia Today', ACOSS Paper No. 127, *Submission to the Senate Inquiry into Poverty and Financial Hardship*. Available at: <http://www.coss.net.au/news/acoss/1049850196_3173_acoss.jsp> [accessed 24 June 2004].

- Australian Electoral Commission (AEC), 2009, 'House of Representatives: Seats Which Changed Hands' (1998). Available at:
<http://www.aec.gov.au/Elections/federal_elections/1998/hor/seats.htm> [accessed 10 November 2009].
- Australian Electoral Commission (AEC), 2004, 'Election 2004, House of Representatives (results)'. Available at:
<<http://results.aec.gov.au/12246/results/HouseDivisionFirstPrefs-12246-192.htm>> [accessed 11 February 2008].
- Australian Electoral Commission (AEC), 2004a, 'Election 2004, House of Representatives (results)'. Available at:
<<http://results.aec.gov.au/12246/results/HouseDivisionFirstPrefs-12246-193.htm>> [accessed 11 February 2008].
- Age, 2004, 'Labor's old-growth forest gamble', 5 October.
- Age, 2004a, 'PM warns of ALP economic disaster', 30 August.
- Age, 2004b, 'Labor lashed over forest plan', 5 October.
- Age, 2004c, 'ALP loses preferences over forest policy', 5 October.
- Alford, K, 1998, 'Is University Economics Training Producing Male "Idiots Savants"?' , *Journal of the Economic Society of Australia*, Vol. 17, No. 1, pp. 42-50
- Alleyne, R, 2008, 'Gordon Brown: It's the economy, stupid!', *The Telegraph*, 23 May.
- Apple, M.W, 'Constructing the "Other": Rightist Reconstructions of Common Sense' in McCarthy, C and Crichlow, W, *Race, Identity and Representation in Education*, Routledge, New York and London.
- Argy, F, 2004, Housing Inequalities: Presentation to the National Summit on Housing Affordability, 27-29 June. Available at:
<<http://www.housingsummit.org.au/05/media/FredArgyPresentation.pdf>> [accessed 10 January 2009].
- Argy, F, 2006, 'Equality of Opportunity in Australia: Myth and Reality', *The Australia Institute*, Discussion Paper No. 85. Available at:
<<https://www.tai.org.au/documents/downloads/DP85.pdf>> [accessed 1 December 2009].
- Argy, F, 2007, Australia's Fiscal Straitjacket: Eight myths about tax and public debt which are holding us back, Occasional Paper No. 4, *Centre for Policy Development*.
- Asia-Pacific Partnership on Clean Development and Climate, 2007, *About the Asia-Pacific Partnership on Clean Development & Climate*. Available at:
<<http://www.asiapacificpartnership.org/english/about.aspx>> [accessed 24 August 2009].

- Aulich, C and O'Flynn, J, 2007, 'John Howard: The Great Privatiser?', *Australian Journal of Political Science*, Vol. 42, No. 2, pp. 365-381.
- Australian Bureau of Statistics (ABS) 2008, 'Renter Households', *Australian Social Trends*. Available at:
<<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Chapter9002008>> [accessed 13 January 2009].
- Australian Financial System Inquiry (Campbell Report), 1981, *Final Report*, Australian Government Publishing Service, Canberra.
- Australian Institute of Health and Welfare (AIHW), 2007. *Australia's Welfare 2007*. Cat. no. AUS 93. Canberra.
- Australian Institute of Health and Welfare (AIHW), 2008. *Housing Assistance in Australia*. Cat. no. HOU 173. Canberra.
- Australian Labor Party (ALP), 2004, 'Great Australian Schools', 14 September. Available at:
<<http://pandora.nla.gov.au/pan/22093/200410090000/www.alp.org.au/media/0904/pcedufl1140.html>> [accessed 6 February 2008].
- Australian Taxation Office (ATO), 2007, *Rental Properties 2007*, NAT 1729-6.
- Ban, Ki-Moon, 2009, Remarks at 39th Plenary Assembly of the World Federation of United Nations Associations, *United Nations*, 10 August. Available at:
<http://www.un.org/apps/news/infocus/speeches/statments_full.asp?statID=555> [accessed 13 August 2009].
- Barber, S, 2003, *Interest rates, Home Loans and Repayments*, Research Note No. 20 2003-04, Statistics Group, Parliament of Australia. Available at:
<<http://www.aph.gov.au/library/pubs/rn/2003-04/04rn20.htm>> [accessed 21 February 2008].
- Barry, A, Osborne, T and Rose, N, 1996, 'Introduction' in Barry, A, Osborne, T and Rose, N (eds.), *Foucault and Political Reason: Liberalism, Neo-liberalism and Rationalities of Government*, University of Chicago Press.
- Bean, C and McAllister, I, 2000, 'The Electoral Politics of Economic Reform in Australia: The 1998 Election', *Australian Journal of Political Science*, Vol. 35, No. 3, pp. 383-399.
- Bean, C and McAllister, I, 2006, 'Leaders, the Economy or Iraq? Explaining Voting in the 2004 Australian Election', *Australian Journal of Politics and History*, Vol. 22, Number 4, pp. 604-620.
- Bean, C and McAllister, I, 2005, 'Voting Behaviour: Not an Election of Interest (Rates)' in Simms, M and Warhurst, J (eds.), *Mortgage Nation: The 2004 Australian Election*, API Network, Perth.

- Beazley, K, 2005, *Speech to the Sustaining Prosperity Conference* (Melbourne), 1 April. Available at:
<[http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=\(Id:media/pressrel/n4mf6\);rec=0;](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=(Id:media/pressrel/n4mf6);rec=0;)> [accessed 10 August 2005].
- Beeson, M and Firth, A, 1998, 'Neoliberalism as a Political Rationality: Australian Public Policy since the 1980s', *Journal of Sociology*, Vol. 34, No. 3, pp. 215-31.
- Bell, S, 1997, 'Globalisation, Neoliberalism and the Transformation of the Australian State', *Australian Journal of Political Science*, Vol. 32, No. 3, pp. 345-367.
- Bennett, S, Newman, G and Kopras, A, 2005, *Commonwealth Election 2004*, Research Brief, Department of Parliamentary Services, Parliament of Australia, No. 13, 14 March. Available at: <<http://www.aph.gov.au/library/pubs/rb/2004-05/05rb13.pdf>> [accessed 18 February 2008].
- Bernstein, M, 1999, 'Economic Knowledge, Professional Authority and the State: The Case of American Economics During and After World War II' in Garnett, R.F (ed.) *What do Economists Know?*, Routledge, New York & London.
- Berry, M and Dalton, T, 2004, 'Housing Prices and Policy Dilemmas: A Peculiarly Australian Problem?' *Urban Policy and Research*, Vol. 22, No. 1, pp. 69-91.
- Berry, M, Whitehead, C, Williams, P and Yates, J, 2004, *Financing Affordable Housing: A Critical Comparative Review of the United Kingdom and Australia*, Final Report No. 72, AHURI.
- Berry, M, 2006, *Housing Affordability and the Economy: A Review of Labour Market Impacts and Policy Issues*, National Research Venture 3: Housing affordability for lower income Australians, Research Paper 5, AHURI.
- Blenkin, M, 2004, 'Anderson sees red over "watermelon" greens', *Age*, 7 September.
- Boggs, C, 1986, *Social Movements and Political Power: Emerging Forms of Radicalism in the West*, Temple University Press, Philadelphia.
- Bongiorno, P, 2004, 'Mark Latham, Leader of the Opposition', *Meet the Press* (program transcript), 29 August. Available at:
<http://74.125.153.132/search?q=cache:JJEwRJrCfxYJ:parlinfo.aph.gov.au/parlInfo/download/media/tvprog/MLKD6/upload_binary/mlkd62.doc%3BfileType%3Dapplication/msword+universal+public+health+care%E2%80%A6for+all+Australians+Mark+Latham+29+August+2004&cd=1&hl=en&ct=clnk&gl=au> [accessed 20 January 2008].
- Bowden, T, 2004, 'Parents assess child care election promises', *7.30 Report* (program transcript), 4 October. Available at:
<<http://www.abc.net.au/7.30/content/2004/s1212905.htm>> [accessed 12 February].

- Bowles, S, Gordon, D.M. and Weisskopf, T.E, 1990, *After the Waste Land: A Democratic Economics for the Year 2000*, Armonk, New York.
- Bowles, S, Gordon, D.M. and Weisskopf, T.E, 1983, *Beyond the Wasteland: A Democratic Alternative to Economic Decline*, Anchor Books.
- Bowles, S, Gordon, D.M. and Weisskopf, T.E, 1989, 'Business Ascendancy and Economic Impasse: A Structural Retrospective on Conservative Economics, 1979-87', *Journal of Economic Perspectives*, Winter, pp. 107-134.
- Bramble, T and Kuhn, R, 1999, 'Social Democracy After the Long Boom: Economic Restructuring under Australian Labor' in Upchurch, M (ed.), *The State and 'Globalization': Comparative Studies of Labour and Capital in National Economies*, Mansell, London.
- Brandis, G, 2003, Parliamentary Hansard (Senate), 28 October. Available at: <<http://www.aph.gov.au/hansard/senate/dailys/ds281003.pdf>> [accessed 27 May 2008].
- Brennan, G and Pincus, J, 2002, 'From the Australian Settlement to Microeconomic Reform: The Change in Twentieth Century Policy Regimes', *Centre for International Economic Studies*, Discussion Paper No. 0213.
- Brissenden, M, 2004, 'Major parties unveil health plans', *7.30 Report* (program transcript), 6 September. Available at: <<http://www.abc.net.au/7.30/content/2004/s1193445.htm>> [accessed 18 January 2008].
- Brissenden, M, 2006, 'PM changes tack on climate change', *7.30 Report* (program transcript), 14 November. <http://www.abc.net.au/7.30/content/2006/s1788660.htm> [accessed 10 May 2007].
- Broomhill, R, 1996, 'Globalisation, Neoliberalism and Restructuring the Public Sector', *Australian Options*, No. 5, pp. 21-26.
- Bryan, D, 2000, 'The Rush to Regulate: The Shift in Australia from the Rule of Markets to the Rule of Capital', *Australian Journal of Social Issues*, Vol. 35, No. 4.
- Burchell, G, 1993, 'Liberal Government and Techniques of the Self', *Economy and Society*, Vol. 22, No. 3, pp. 267-282.
- Burke, T and Tiernan, A, 2002, 'A Load of Old Garbage: Applying Garbage-Can Theory to Contemporary Housing Policy', *Institute for Social Research*, Working Paper No. 3.
- Byatt, I, Castles, I, Goklany, I.M, Henderson, D, Lawson, N, McKittrick, R, Morris, J, Peacock, A, Robinson, C and Skidelsky, R, 2006, 'The Stern Review: A Dual Critique: Part II: Economic Aspects', *World Economics Journal*, Vol. 7, No. 4, pp. 165-232.

- Campbell, A, Fishman, N, McIlroy, J, 1999, 'The Post-War Compromise: Mapping Industrial Politics, 1945–1964' in Campbell, A, Fishman, N, McIlroy, J (eds.), 1999, *British Trade Unions and Industrial Politics: The Post-War Compromise, 1945–1964*, Vol. 1, Ashgate.
- Campbell, I, 2006, *AP6 Partnership meeting to help fight global climate change* (media release), 12 January. Available at:
<<http://www.environment.gov.au/minister/env/2006/mr12jan206.html>>
[accessed 18 May 2007].
- Campbell, I, Downer, A, Howard, J and Macfarlane, I, 2006, *Asia-Pacific partnership sets new path to address climate change* (media release), 12 January. Available at:
<<http://www.environment.gov.au/minister/env/2006/mr12jan06.html>>
[accessed 18 May 2007].
- Campbell, I, 2006a, 'Australians Consider Climate Change Top Priority', *The World Today* (program transcript), 3 October. Available at:
<<http://www.abc.net.au/worldtoday/content/2006/s1754691.htm>> [accessed 30 May 2007].
- Campbell, I, 2006b, *Greenhouse emissions projections released* (media release), 20 December. Available at:
<<http://www.environment.gov.au/minister/env/2006/mr20dec06.html>>
[accessed 31 May 2007].
- Capra, F, 1982, *The Turning Point: Science, Society and the Rising Culture*, Simon and Schuster, New York.
- Carney, S, 2004a, 'Labor lost votes on economic competence', *Age*, 11 October.
- Carney, S, 2004, 'Playing risky L-Plate politics', *Age*, 21 September.
- Carter, R, De Freitas, C.R, Goklany, I, Holland, D, Lindzen, 2006, 'The Stern Review: A Dual Critique: Part I: The Science', *World Economics Journal*, Vol. 7, No. 4, pp. 165-232.
- Castles, F, 1988, *Australian Public Policy and Economic Vulnerability: A Comparative and Historical Perspective*, Allen and Unwin, Sydney.
- Castles, F, 2001, 'A Farewell to Australia's Welfare State', *International Journal of Health Services*, Vol. 31, No. 3, pp. 537-44.
- Catley, B, 1996, *Globalising Australian Capitalism*, Cambridge University Press, Melbourne.
- Cerny, P.G., 2004, 'Mapping Varieties of Neoliberalism', *International Political Economy Group Papers in Global Political Economy*, No. 12.
- Chomsky, N, 1998, *Profit over People: Neoliberalism and Global Order*, Seven Stories Press, New York.

- Climate Change Department, 2009, *Australia's National Greenhouse Accounts*, National Inventory Report 2007, Vol. 1. Available at: <http://www.climatechange.gov.au/inventory/2007/pubs/NIRv1_part1.pdf> [accessed 7 August 2009].
- Cockett, R, 1994, *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution 1931-1983*, Harper Collins, London.
- Colebatch, T, 2003, 'The great Australian illusion', *Age*, 5 August.
- Colebatch, T, 2003a, 'Why Costello should scrap negative gearing', *Age*, 8 July.
- Commonwealth Bank, 2004, *Record Low Housing Affordability in December Quarter* (media release), 11 March. Available at: <<http://www.commbank.com.au/about-us/news/media-releases/2004/110304-news-low-housing-affordability.aspx>> [accessed 1 October 2009].
- Commonwealth of Australia, 2003, *Commonwealth–State Housing Agreement 2003*, Canberra, Australia.
- Conley, T, 2004, 'Globalisation and the Politics of Persuasion and Coercion', *Australian Journal of Social Issues*, Vol. 39, No. 2, pp. 183-200.
- Conley, T, 2007, 'Globalisation and the Transformation of the Australian Political Economy' in Curran, G and Van Acker, E (eds.), *Globalising Government Business Relations*, Pearson, Sydney.
- Cook, D.M. and Polsky, A.J., 'Political Time Reconsidered: Unbuilding and Rebuilding the State Under the Reagan Administration', *American Politics Research*, Vol. 33. No. 4. pp. 577-605.
- Coorey, P, 2006, 'Voters' verdict on climate crisis', *Sydney Morning Herald*, 7 November.
- Costello, P, 2004, 'Labor's Tax Policy', Press Conference (transcript), 7 September. Available at: <<http://www.treasurer.gov.au/DisplayDocs.aspx?pageID=&doc=transcripts/2004/111.htm&min=phc>> [accessed 6 February 2008].
- Costello, P, 2004a, 'Latham and the Economy. Good Luck!; Labor's schools hit-list', Doorstop Interview, 15 September. Available at: <<http://www.treasurer.gov.au/DisplayDocs.aspx?pageID=&doc=transcripts/2004/124.htm&min=phc>> [accessed 28 January 2008].
- Dando, W.A, 1980, *The Geography of Famine*, Wiley, New York.
- Darcy, M, 1999, 'The Discourse of 'Community' and the Reinvention of Social Housing Policy in Australia', *Urban Studies*, Vol. 36, No. 1. pp. 13-26.

- The Day After Tomorrow*, 2004. [film] Directed by Roland Emmerich, USA, 20th Century Fox.
- Delong, J.B and Eichengreen, B, 1991, 'The Marshall Plan: History's Most Successful Structural Adjustment Program', *National Bureau of Economic Research* (NBER), Working Paper No. 3899.
- Denoon, D, Mien-Smith, P, Windham, M, 2000, *A History of Australia, New Zealand and the Pacific*, Blackwell Publishing, Massachusetts.
- Department of Health and Ageing, 2009, 'Lifetime Health Cover'. Available at: <<http://www.health.gov.au/internet/main/publishing.nsf/Content/health-privatehealth-lhc-providers-faq.htm>> [accessed 8 November 2009].
- Department of Prime Minister and Cabinet, 2004, *Securing Australia's Energy Future*, Goanna Print, Canberra.
- Department of Prime Minister and Cabinet, 2007, *Australia's Climate Change Policy: Our Economy, Our Environment, Our Future*, Goanna Print, Canberra.
- Moore, D, 2006, 'When Will the Leviathan Fade Away?', *Policy*, Vol. 22, No. 3, pp. 10-16.
- Disney, J, 2007, 'Election 2007: Affordable Rental Housing', *Australian Review of Public Affairs*, September. Available at: <<http://www.australianreview.net/digest/2007/election/disney.html>> [accessed 8 January 2009].
- Dodson, J, 2006, 'Rolling the State: Government, Neoliberalism and Housing Assistance in Four Advanced Economies', *Urban Research Program*, Research Paper 7.
- Downer, A, 2005, Asia-Pacific Partnership on Clean Development and Climate, *Joint Statement* (media release), 11 August. Available at: <http://www.foreignminister.gov.au/releases/2005/js_cdc.html> [accessed 17 May 2005].
- Downer, A, 2006, *International Action to Reduce Climate Change*, Speech to the Energy Supply Association of Australia, 2 June. Available at: <http://www.foreignminister.gov.au/speeches/2006/060602_esaa.html> [accessed 16 May 2007].
- Downer, A, 2006a, *The Impact of Energy Security on Australia's International Relations*, 11 October. Available at: <http://www.foreignminister.gov.au/speeches/2006/061011_es.html> [accessed 16 May 2007].
- Duménil, G and Lévy, D, 2004, *Capital Resurgent: Roots of the Neoliberal Revolution*, Harvard University press, Cambridge.
- Dusevic, T, 2006, 'Leader of the Pack', *Time* (Pacific), 27 February.

- Eccleston, R, 2007, 'The Howard Government, Capital Taxation and the Limits of Redistribution?', *Australian Journal of Political Science*, Vol. 42, No. 2, pp. 351-364.
- The Economist*, 2004, 'The Battle for Mortgageville', 2 September. Available at: <http://www.economist.com/agenda/displayStory.cfm?story_id=3148978> [accessed 10 September 2004].
- Edsall, T.B, 1984, *The New Politics of Inequality*, W.W. Norton, New York.
- Edwards, L, 2002, *How to Argue with an Economist: Reopening Political Debate in Australia*, Cambridge University Press, New York.
- Eisler, R, 2007, *The Real Wealth of Nations: Creating a Caring Economics*, Berrett-Koehler, San Francisco.
- Emy, H.V and Hughes, O.E, 1991, *Australian Politics: Realities in Conflict*, 2nd edition, Macmillan, Melbourne.
- Esping-Andersen, G, 1990, *The Three Worlds of Welfare Capitalism*, Princeton University Press, Princeton.
- Esteva, G, 1992, 'Development' in Sachs, W (ed.) *The Development Dictionary*, Zed Books Ltd, London.
- Finlayson, C.A., Lyson, T.A., Pleasant, A., Schafft, K.A., Torres, R.J., 2005, 'The "Invisible Hand": Neoclassical Economics and the Ordering of Society', *Critical Sociology*, Vol. 31, No. 4, pp. 515-536.
- Finley, M.I, 1999, *The Ancient Economy*, University of California Press, Berkeley.
- Fones-Wolf, E, 1990, 'Beneath Consensus: Business, Labor and the Post-War Order', *PhD Dissertation*, University of Massachusetts.
- Foucault, M, 1990, 'Politics and the Study of Discourse' in Burchell, G, Gordon, C and Miller, P (eds.), *The Foucault Effect: Studies in Governmentality*, University of Chicago Press.
- Fraser, A and Maley, P, 2007, 'Howard's housing takeover', *Australian*, 27 July.
- Fullbrook, E, 2004, 'Introduction: Broadband Versus Narrowband Economics' in Fullbrook, E (ed.) *A Guide to What's Wrong with Economics*, Anthem, London.
- Fullbrook, E, 2006, 'Economics and Neoliberalism' in Hassan, G (ed.) *After Blair: Politics after the New Labour Decade*, Lawrence and Wishart, London.
- Gamble, A, 2006, 'Two Faces of Neo-liberalism' in Robison, R (ed.), *The Neo-Liberal Revolution: Forging the Market State*, Palgrave Macmillan, New York.

- Gabriel, M, Jacobs, K, Arthurson, K, Burke, T and Yates, J, 2005, Conceptualising and Measuring the Housing Affordability Problem, National Research Venture 3: Housing Affordability for Lower Income Australians, Research Paper 1, AHURI.
- Garnaut, R, 1989, *Australia and the Northeast Asian Ascendancy: Report to the Prime Minister and Minister for Foreign Affairs and Trade*, Australian Government Publishing Service, Canberra.
- Garnaut, R, 2008, *The Garnaut Climate Change Review: Final Report*, Cambridge University Press, Port Melbourne, Victoria.
- Gartrell, T, 2004, *National Press Club Address*, 9 November. Available at: <<http://www.alp.org.au/media/1104/spe100.php>> [accessed 6 February 2008].
- Gates, G, 2000, 'Ownership Statistics', *The Shared Capitalism Institute*. Available at: <<http://www.sharedcapitalism.org/scfacts.html>> [accessed 15 July 2001].
- George, S, 2000, 'A Short History of Neoliberalism', in Bello, W, Hullard, N and Malhotra, K (eds.) *Global Finance: New Thinking on Regulating Speculative Capital Markets*, Zed Books, New York.
- George, S, 1997, 'How to Win the War of Ideas: Lessons from the Gramscian Right', *Dissent*, Summer, Vol. 44, Issue 3, pp. 47-54.
- Gettler, L, 2006, 'Not the Worst Case but the "Just in Case"', *Age*, 8 November.
- Gill, S, 1995, 'Globalization, Market Civilization and Disciplinary Neoliberalism', *Millennium*, Vol. 24, No. 3, pp. 399-423.
- Gilmore, N, 2004, 'Labor's choice of Latham a mistake: Liberals', *Lateline* (program transcript), 27 October. Available at: <<http://www.abc.net.au/lateline/content/2004/s1229330.htm>> [accessed 16 February 2008].
- Gittins, R, 2004, 'Labor's fatal error was its failure to defend its economic record', *Age*, 16 October.
- Gordon, C, 1991, 'Governmental Rationality: An Introduction' in Burchell, G, Gordon, C and Miller, P (eds.), *The Foucault Effect: Studies in Governmentality*, University of Chicago Press.
- Gordon, J, 2004, 'Interest rates will rise, no matter who wins', *Age*, 31 August.
- Hall, P.A., 1993, 'Policy Paradigms, Social Learning and the State: The Case of Economic Policymaking in Britain', *Comparative Politics*, Vol. 25, No. 3, pp. 275-296.
- Hamilton, C, 1994, *The Mystic Economist*, Willow Park Press, Canberra.

-
- Hamilton, C, 2003, 'The Economy: Growth Fetish', *Australian Policy Online*. 3 April. Available at:
<http://www.apo.org.au/webboard/comment_results.chtml?filename_num=12778> [accessed 24 May 2008].
- Hamilton, C, 2007, *Scorcher: The Dirty Politics of Climate Change*, Black Inc, Melbourne.
- Hartcher, P, 2004, 'Close race even the bookies can't tip', *Sydney Morning Herald*, 1 October.
- Hartwich, O.M, 2009, 'Neoliberalism: The Genesis of a Political Swearword', *Centre for Independent Studies (CIS) Occasional Paper No. 14*. Available at:
<http://www.cis.org.au/temp/OP114_neoliberalism.pdf> [accessed 15 July 2009].
- Harvey, D, 2006, 'Neo-Liberalism as Creative Destruction', *Geografiska Annaler*, Vol. 88, No. 2, pp. 145-158.
- Hawke, B, 1991, *Building a Competitive Australia*, Parliamentary Statement by the Prime Minister, 12 March.
- Hawken, P, Lovins, A and Lovins, L.H, 1999, *Natural Capitalism: Creating the Next Industrial Revolution*, Little, Brown and Co, Boston.
- Hawes, M, 1990, 'Assessing the World Economy: The Rise and Fall of Bretton Woods' in Hugland, D and Hawes, M (eds.), *World Politics: Power, Interdependence and Dependence*, Toronto, Harcourt Brace Jovanovich.
- Hay, C, 2001, 'The "Crisis" of Keynesianism and the Rise of Neoliberalism in Britain: An Ideational Institutional Approach' in Campbell, J.L and Pedersen, O.K (eds.), *The Rise of Neoliberalism and Institutional Analysis*, Princeton University Press, New Jersey.
- Hay, C, 2004, 'The Normalizing Role of Rationalist Assumptions in the Institutional Embedding of Neoliberalism', *Economy and Society*, Vol. 33. No. 4, pp. 500-527.
- Held, D, McGrew, A, Goldblatt, D and Perraton, J, 1999, *Global Transformations: Politics, Economics and Culture*, Polity, Oxford.
- Henderson, D, 1995, 'The Revival of Economic Liberalism: Australia in an International Perspective', *The Australian Economic Review*, Vol. 58, No. 1, pp. 59-85.
- Henderson, G, 1990, *Australian Answers*, Random House Australia, New South Wales.
- Her Majesty's (HM) Treasury, 2007, 'About us'. Available at:
<http://www.hmtreasury.gov.uk/about/about_index.cfm> [accessed 6 June 2007].

- Housing Industry Association, 2007, *Action on Affordability now Urgent* (media release), 18 October. Available at:
<<http://hia.com.au/hia/news/article/MR/National/EC/Action%20On%20Housing%20Affordability%20Now%20Urgent.aspx>> [accessed 1 October 2009].
- Higgott, R, 1991, 'International Constraints on Labor's Economic Policy' in Callaghan, B and Singleton, G (eds.), *Business and Government Under Labor*, Longman Cheshire, Melbourne.
- Hilmer, F, 1993, *National Competition Policy Review*, Australian Government Publishing Service, Canberra.
- Hindess, B, 1993, 'Liberalism, Socialism and Democracy: Variations on a Governmental Theme', *Economy and Society*, 22 (3), pp. 300-313.
- Hoogvelt, A, 2001, *Globalization and the Postcolonial World: The New Political Economy of Development*, 2nd edition, Palgrave, Hampshire.
- Housing Industry Association, 2007a, *Housing Affordability at Its Lowest on Record* (media release). 22 January. Available at:
<<http://hia.com.au/Latest%20News/Article.aspx?CID=&yearmonth=200701&title=January%202007&AID=%7B69A399DD-4BCF-417E-B420-6931E8DF0D20%7D>> [accessed 1 October 2009].
- Howard, J, 1997, *Safeguarding the Future: Australia's Response to Climate Change*, Statement by the Prime Minister of Australia, 20 November.
- Howard, J, 2002, Parliamentary Hansard (House of Representatives), 5 June. Available at <<http://www.aph.gov.au/Hansard/reps/dailys/dr050602.pdf>> [accessed 15 May 2007].
- Howard, J, 2004, *Transcript of the Prime Minister*, Press Conference, Parliament House, 29 August. Available at:
<<http://pandora.nla.gov.au/pan/10052/20041008-0000/www.pm.gov.au/news/interviews/Interview1109.html>> [accessed 31 January 2008].
- Howard, J, 2004a, 'Mature Aged Worker Tax Offset', *A Stronger Economy, A Stronger Australia*, 9 September. Available at:
<http://parlinfo.aph.gov.au/parlInfo/download/library/partypol/HMPD6/upload_binary/hmpd64.pdf;fileType%3Dapplication%2Fpdf> [accessed 18 January 2008].
- Howard, J, 2004b, *Address at the Coalition Campaign Launch*, Brisbane, 26 September. Available at:
<http://parlinfo.aph.gov.au/parlInfo/download/media/pressrel/W2XD6/upload_binary/w2xd64.pdf;fileType=application/pdf#search=%22PRIME%20MINISTER%20t-z%20election%20issues%22> [accessed 7 February 2008].
- Howard, J, 2004c, *A Stronger Economy: A Stronger Australia: Election 2004 Policy*, October 2004.

- Howard, J, 2004d, *Address to the Enterprise Forum Lunch*, Adelaide, 8 July. Available at: <<http://pandora.nla.gov.au/pan/10052/20040821-0000/www.pm.gov.au/news/speeches/speech978.html>> [accessed 20 November 2009].
- Howard, J, 2005, Parliamentary Hansard (House of Representatives), 16 February. Available at: <<http://www.aph.gov.au/Hansard/reps/dailys/dr160205.pdf>> [accessed 20 May 2007].
- Howard, J, 2005a, *Transcript of the Prime Minister*, the Honourable John Howard MP, Press Conference, Sydney, 28 July. Available at: <<http://pandora.nla.gov.au/pan/10052/20050821-0000/www.pm.gov.au/news/interviews/Interview1483.html>> [accessed 25 June 2009].
- Howard, J, 2006, *Speech to the Asia-Pacific Partnership on Clean Development and Climate*, Inaugural Ministerial Meeting, Government House, Sydney, 12 January. Available at: <<http://www.pm.gov.au/news/speeches/speech1741.html>> [accessed 16 June 2007].
- Howard, J, 2006a, Parliamentary Hansard (House of Representatives), 6 December. Available at: <http://parlinfoweb.aph.gov.au/piweb//view_document.aspx?TABLE=HANSARD&ID=2649813> [accessed 18 May 2007].
- Howard, J, 2006b, Parliamentary Hansard (House of Representatives), 11 September. Available at: <http://parlinfoweb.aph.gov.au/piweb//view_document.aspx?TABLE=HANSARD&ID=2612945> [accessed 18 May 2007].
- Howard, J, 2006c, Parliamentary Hansard (House of Representatives), 4 December. Available at: <http://parlinfoweb.aph.gov.au/piweb//view_document.aspx?TABLE=HANSARD&ID=2653757> [accessed 18 May 2007].
- Howard, J, 2007, *Address to the Liberal Party Federal Council*, Westin Hotel, Sydney, 3 June. Available at: <<http://pandora.nla.gov.au/pan/10052/20070615-0000/www.pm.gov.au/media/Speech/2007/Speech24350.html>> [accessed 29 July 2009].
- Howard, J, 2007a, Weekly Radio Message – Emissions Trading, 28 May. Available at: <<http://pandora.nla.gov.au/pan/10052/20070615-0000/www.pm.gov.au/media/Speech/2007/Speech24343.html>> [accessed 29 July 2009].
- Howard, J, 2007b, Weekly Radio Message – Climate Change, 16 April. Available at: <<http://pandora.nla.gov.au/pan/10052/20070615-0000/www.pm.gov.au/media/Speech/2007/Speech24250.html>> [accessed 29 July 2009].

- Howard, J, 2007c, *Address to the Queensland Media Club*, Brisbane, 23 April. Available at: <<http://pandora.nla.gov.au/pan/10052/20070615-0000/www.pm.gov.au/media/Speech/2007/Speech24272.html>> [accessed 3 August 2009].
- The Howard Years* (Part 1), 2008, television program, Australian Broadcasting Corporation, Sydney, 17 November.
- Hudson, P, 2004, 'Libs in "dirty tricks" claim', *Age*, 19 September.
- Humphries, D, 2006, 'Turning up the Heat: The Environment Gets Political', *Sydney Morning Herald*, 25 November.
- Hutchison, G, 2004, 'Family First Party makes federal debut', *7.30 Report* (program transcript), 4 October. Available at: <<http://www.abc.net.au/7.30/content/2004/s1212902.htm>> [accessed 11 February].
- International Monetary Fund (IMF), 2009, 'Structural Adjustment', Glossary of Selected Financial Terms. Available at: <<http://www.imf.org/external/np/exr/glossary/showTerm.asp#136>> [accessed 20 June 2009].
- International Monetary Fund (IMF), 2010, 'IMF Members' Quotas and Voting Power, and IMF Board of Governors', About the IMF. Available at: <<http://www.imf.org/external/np/sec/memdir/members.htm#3>> [accessed 1 February 2010].
- IPCC, 2007: *Climate Change 2007: Synthesis Report. Contribution of Working Groups I, II and III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change* [Core Writing Team Pachauri, R.K and Reisinger, A. (eds.)]. IPCC, Geneva, Switzerland.
- IPCC, 2007a, 'Summary for Policy-makers', in *Climate Change 2007: The Physical Science Basis. Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change* [Solomon, S., D. Qin, M. Manning, Z. Chen, M. Marquis, K.B. Averyt, M. Tignor and H.L. Miller (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA.
- Jennett, G, 2003, 'Wilkie says Howard Government "sexed-up" intelligence reports', *Lateline* (program transcript), 22 August. Available at: <<http://www.abc.net.au/lateline/content/2003/s930404.htm>> [accessed 10 February 2008].
- Jennett, G, 2004, 'Howard pressured over "children overboard" knowledge', *Lateline* (program transcript), 16 August. Available at: <<http://www.abc.net.au/lateline/content/2004/s1177964.htm>> [accessed 24 January 2008].

- Jennett, G, 2004a, 'Latham promises Medicare overhaul', *Lateline* (program transcript), 29 September. Available at:
<<http://www.abc.net.au/lateline/content/2004/s1209987.htm>> [accessed 24 January 2008].
- Johnson, C, 2002, 'Australian Political Science and the Study of Discourse', *Paper Presented to the Australasian Political Studies Association*, Australian National University, Canberra.
- Johnson, C, 2005, 'The Ideological Contest: Neo-Liberalism versus New Labor' in Simms, M and Warhurst, J (eds.), *Mortgage Nation: The 2004 Australian Election*, Perth, API Network.
- Johnson, C, 2007, 'John Howard's "Values" and Australian Identity', *Australian Journal of Political Science*, Vol. 42, No. 2, pp. 195-209.
- Jones, T, 2004, 'Labor attacks Howard's spending spree', *Lateline* (program transcript), 27 September. Available at:
<<http://www.abc.net.au/lateline/content/2004/s1208261.htm>> [accessed 18 February 2008].
- Jones, T, 2004b, 'Labor defends campaign style, policies', *Lateline* (program transcript), 21 October. Available at:
<<http://www.abc.net.au/lateline/content/2004/s1225367.htm>> [accessed 19 February 2008].
- Jones, T, 2004a, 'Macklin defends schools policy', *Lateline* (program transcript), 15 September. Available at:
<<http://www.abc.net.au/lateline/content/2004/s1200068.htm>> [accessed 5 February 2008].
- Jones, T, 2004c, 'PM defends economic record', *Lateline* (program transcript), 2 September. Available at:
<<http://www.abc.net.au/lateline/content/2004/s1191084.htm>> [accessed 25 March 2008].
- Kain, J, Kuruppu, Indra and Billing, R, 2003, *Australia's National Competition Policy: Its Evolution and Operation*, Parliamentary E-brief, Economics, Commerce and Industrial Relations Group, Parliament of Australia. Available at:
<http://www.aph.gov.au/library/intguide/econ/ncp_ebrief.htm> [accessed 22 February 2005].
- Karpin, D.S, 1995, 'Report of the Industry Taskforce on Leadership and Management Skills' in *Enterprising Nation: Renewing Australia's Managers to meet the Challenges of the Asia-Pacific Century*, Australian Government Publishing Service, Canberra.
- Kasper, W, Blandy, R, Freebairn, J, Hocking, D and O'Neill, R, 1980, *Australia at the Crossroads: Our choices to the Year 2000*, Harcourt Brace Jovanovich, Sydney.

- Kay, P, 1997, *Australia and Greenhouse Policy—A Chronology*, Background Paper 4 1997-1999, Science, Technology, Environment and Resources Group, Parliament of Australia. Available at: <<http://www.aph.gov.au/library/pubs/bp/1997-98/98bp04.htm>> [accessed 5 May 2007].
- Keen, S, 2001, *Debunking Economics: The Naked Emperor of the Social Sciences*, Pluto Press, New South Wales.
- Keen, S, 2007, 'Deeper in Debt: Australia's Addiction to Borrowed Money', *Centre for Policy Development*, Occasional Paper No. 3. Available at: <http://cpd.org.au/sites/cpd/files/KeenCPD_DeeperInDebt_FullDoc_0.pdf> [accessed 20 January 2009].
- Kelly, P, 1992, *The End of Certainty: The Story of the 1980s*, Allen & Unwin.
- Kelly, P, 2004, 'People's PM but no Party Pin Up', *Australian*, 5 March.
- Kelly, P, 2006, 'Re-thinking Australian Governance: The Howard Legacy', *Australian Journal of Public Administration*, Vol. 65, No. 1, pp. 7-24.
- Kelly, P, 2009, 'Rudd's legacy from old rivals', *Australian*, 12 September.
- Kelly, S, 2001, 'Trends in New Wealth Estimates for the 1990s', Paper Presented to the 30th Annual Conference of Economists, University of Western Australia, 26 September. Available at: <http://www.anglicare.asn.au/campaigns/childpoverty/InequalityinAustralia_fa.pdf> [accessed 29 June 2004].
- Kelsey, J, 1997, *The New Zealand Experiment: A World Model for Structural Adjustment*, 2nd edition, Auckland University Press, Auckland.
- Kerr, C, 2009, 'Economy still the main game', *Australian*, 20 February.
- Khadem, N, 2007, 'Australians now floating in a record sea of debt', *Age*, 22 June. Available at: <<http://www.theage.com.au/articles/2007/06/21/1182019283559.html>> [accessed 15 January 2009].
- Kingdon, J, 1995, *Agendas, Alternatives and Public Policies*, 2nd edition, Harper Collins, New York.
- Knight, B, 2006, 'Government in flurry of climate change announcements', *7.30 Report* (program transcript), 1 November. Available at: <<http://www.abc.net.au/7.30/content/2006/s1779184.htm>> [accessed 12 May 2007].
- Korten, D, 2001, *When Corporations Rule the World*, 2nd edition, Kumarian Press.
- Koutsoukis, J, Darby, A, Grattan, M and Guerrera, O, 'Howard trades trees for jobs', *Age*, 7 October.

- Kroll, L, 2008, 'The World's Billionaires', *Forbes*, 3 May.
- Larner, W, 2000, 'Neo-liberalism: Policy, Ideology, Governmentality', *Studies in Political Economy* Vol. 63, No. 5, pp. 5-26.
- Latham, M, 2004, 'Latham launches ALP tax policy', Australian politics.com (audio clip), 7 September. Available at:
<<http://australianpolitics.com/elections/2004/>> [accessed 16 January 2008].
- Latham, M, 2004a, 'Mark Latham's Official Campaign Launch Speech', Australianpolitics.com (official transcript), 29 September. Available at:
<http://australianpolitics.com/news/2004/09/04-09-29_latham.shtml> [accessed 25 January 2008].
- Latham, M, 2004b, 'Labor's plan to save Tasmania's high conservation value forests', *Press Conference* (transcript), 4 October. Available at:
<<http://pandora.nla.gov.au/pan/22093/20041009-0000/www.alp.org.au/media/1004/pcf11040.html>> [accessed 7 February 2008].
- Latham, M, 2004c, *National Press Club Address*, 6 October. Available at:
<<http://pandora.nla.gov.au/pan/22093/200410090000/www.alp.org.au/media/index5be3.html?task=search&keywords=&name=Latham+Mark&pt=fll>> [accessed 21 March 2008].
- Lavelle, A, 2005, 'Social Democrats and Neo-Liberalism: A Case Study of the Australian Labor Party', *Political Studies*, Vol. 53, pp. 753-771.
- Lawson, J and Milligan, V, 2007, *International Trends in Housing and Policy Responses*, Final Report No. 110, AHURI.
- Lawson, T, 2006, 'The Nature of Heterodox Economics', *Cambridge Journal of Economics*, Vol. 30, No. 4, pp. 483-505.
- Laxer, G, 2001, 'Neo-liberal Globalism and its challengers: Sustainability in the Semi-Periphery', *Parkland Institute*. Available at:
<<http://globalization.icaap.org/content/v1.1/gpfd.html>> [accessed 17 June 2009].
- Lemke, T, 2001, 'The birth of bio-politics': Michael Foucault's Lecture at the Collège de France on Neoliberal Governmentality', *Economy and Society*, Volume 30, No. 2, pp. 190-207.
- Lester, T, 2004, 'Experts analyse Labor's policies', *7.30 Report* (program transcript), 8 September. Available at:
<<http://www.abc.net.au/7.30/content/2004/s1195027.htm>> [accessed 6 February 2008].
- Lester, T, 2004, 'Latham aims to woo business', *7.30 Report* (program transcript), 23 September. Available at:
<<http://www.abc.net.au/7.30/content/2004/s1205924.htm>> [accessed 25 March 2008].

- Letelier, O, 1976, 'Economic "Freedom's" Awful Toll: The "Chicago Boys" in Chile', *Review of Radical Political Economics*, Vol. 8, pp. 44-52.
- Lewis, C, 2008, 'Howard's Government: Post-Mortem', *Online Opinion*, 28 July. Available at: <<http://www.onlineopinion.com.au/view.asp?article=7664>> [accessed 15 June 2009].
- Lichtenstein, N, 2002, *State of the Union: A century of American Labor*, Princeton University Press, New Jersey.
- Long, S, 2004, 'Coalition and Labor bicker over budget management', *AM* (program transcript), 24 September. Available at: <<http://www.abc.net.au/am/content/2004/s1206218.htm>> [accessed 21 March 2008].
- Lovins, A, Lovins, L.H and Weizacker, E.V, 1997, *Factor Four: Doubling Wealth – Halving Resource Use: A New Report to the Club of Rome*. Allen & Unwin, St Leonards.
- Lowy Institute, 2006, *Australia, Indonesia and the World: Public Opinion and Foreign Policy*, Lowy Institute for International Policy, Sydney.
- Macfarlane, I, 2006a, 'From Golden Age to Stagflation', 2006 Boyer Lecture delivered on 19 November. Available at: <<http://www.abc.net.au/rn/boyerlectures/stories/2006/1769923.htm>> [accessed 2 November 2009].
- Macfarlane, I, 2006, 'The Golden Age', 2006 Boyer Lecture delivered on 12 November. Available at: <<http://www.abc.net.au/rn/boyerlectures/stories/2006/1769918.htm>> [accessed 2 November 2009].
- Macfarlane, I, 2006b, 'The Recession of 1990 and its Legacy', 2006 Boyer Lecture delivered on 3 December. Available at: <<http://www.abc.net.au/rn/boyerlectures/stories/2006/1769927.htm>> [accessed 6 November 2009].
- Macfarlane, I, 1995, *Inflation and Changing Public Attitudes*, Reserve Bank of Australia Bulletin (December).
- Macfarlane, I, 2006b, *Speech to the Electricity Supply Association of Australia*, 11 October. Available at: <<http://minister.industry.gov.au/index.cfm?event=object.showContent&objectID=3549AD64-E214-0858-736F872FAC663687>> [accessed 16 May 2007].
- Macintosh, A and Hamilton, C, 2007, 'Greenhouse Strategies: What do Australians prefer?', *The Australia Institute*, Research Paper No. 44, June.
- Macintyre, C, 1999, 'From Entitlement to Obligation in the Australian Welfare State', *Australian Journal of Social Issues*, Vol. 34, No. 2, pp. 103-118.

- McIntyre, R and Hillard, M, 2008, 'The "Limited Capital-Labor Accord": May it Rest in Peace?', *Review of Radical Political Economics*, Vol. 40, No. 3, pp. 244-249.
- Maddison, A, 1982, *Phases of Capitalist Development*, Oxford University Press, Oxford.
- Mangan, J, 2004, 'Battler stations', *Age*, 5 October.
- Manne, A, 2008, 'Love & Money: The Family and the Free Market', *Quarterly Essay* No. 29, Black Inc, Melbourne.
- Manning, H, 2005, 'Aspirational Voters' and the 2004 federal election', *Australian Review of Public Affairs*, 4 July. Available at: <<http://www.australianreview.net/digest/2005/07/manning.html>> [accessed 18 February 2008].
- Manning, H, 2004, 'Family First's unprecedented campaign', *Australian Policy Online*, 4 October. Available at: <<http://apo.org.au/commentary/family-firsts-unprecedented-campaign>> [accessed 10 February 2008].
- McEachern, D, 1991, *Business Mates: The Power and Politics of the Hawke Era*, Prentice Hall.
- McGrath, K, 2004, 'Election campaign focuses on interest rates', *PM* (program transcript), 2 September. Available at: <<http://www.abc.net.au/pm/content/2004/s1191014.htm>> [accessed 25 January 2008].
- McGrath, K, 2003, 'Senior intelligence officer, Andrew Wilkie, resigns in protest', *AM* (program transcript), 12 March. Available at: <<http://www.abc.net.au/am/content/s804540.htm>> [accessed 24 January 2008].
- McHugh, I, 2006, 'Stern's Warning – The Implications for the Howard Government', *Crikey*, 31 July. Available at: <<http://www.crikey.com.au/2006/10/31/sterns-warning-the-implications-for-the-howard-government/>> [accessed 31 May 2007].
- McIntosh, G and Phillips, J, 2001, *The Commonwealth-State Housing Agreement*, E-Brief, Parliament of Australia. Available at: <<http://www.aph.gov.au/library/intguide/sp/statehouseagree.htm>> [accessed 5 February 2009].
- McKew, M, 2004, 'Friday forum', *Lateline* (program transcript), 17 September. Available at: <<http://www.abc.net.au/lateline/content/2004/s1201958.htm>> [accessed 22 March 2008].
- Meadows, D.H, Meadows, D.L, Randers, J and Behrens, W, 1972, *The Limits to Growth: A Report for the Club of Rome's Project on the Predicament of Mankind*, Universe Books, New York.

- Mirowski, P, 1989, *More Heat than Light: Economics as Social Physics, Physics as Nature's Economics*, Cambridge University Press, Cambridge.
- Mitchell, C, 2006, 'A healthy skepticism can save the world', *Australian*, 2 November.
- Mokhiber, R, 1997, 'Corporate Crime: Underworld USA' in Danaher, K (ed.), *Corporations are gonna get your mama: Globalization and the Downsizing of the American Dream*, Common Courage Press, Monroe.
- Monbiot, G, 2007, 'Giving up on two degrees', *The Guardian*, 1 May.
- Moran, Alan, 2006, *The Tragedy of Planning: Losing the Great Australian Dream*, Institute of Public Affairs. Pinnacle Print Group. Victoria.
- Morris, R, 2000, 'A Watershed on the Waterfront? The 1998 Stevedoring Dispute', *Maritime Policy & Management*, Vol. 27, No. 2, pp. 107-120.
- Mortensen, J.L and Seabrooke, L, 2008, 'Housing as Social Right or Means to Wealth? The Politics of Property Booms in Australia and Denmark', *Comparative European Politics*, 6, pp. 305-324.
- National Competition Policy (NCP), 2009, (website), 'Outcomes'. Available at: <<http://ncp.ncc.gov.au/pages/outcomes>> [accessed 10 January 2010].
- National Competition Policy (NCP), 2009a, (website), 'Overview'. Available at: <<http://ncp.ncc.gov.au/pages/overview>> [accessed 10 January 2010].
- National Community Housing Forum, 2004, *National Strategic Framework for Community Housing 2004-2008*. Available at: <<http://www.nchf.org.au/downloads/NCHFstrategicframework.pdf>> [accessed 10 January 2009].
- National Housing Strategy, 1991, *Australian Housing: The Demographic, Economic and Social Context*, Issues Paper No. 1, Australian Government Publishing Service, Canberra.
- National Housing Strategy, 1991a, *The Affordability of Australian Housing*, Issues Paper No. 2, Australian Government Publishing Service, Canberra.
- National Housing Strategy, 1992, *Agenda for Action*, Australian Government Publishing Service, Canberra.
- National Labor Relations Board (NLRB), 2009, 'National Labor Relations Act', <http://www.nlr.gov/about_us/overview/national_labor_relations_act.aspx> [accessed 17 November 2009].
- Nelson, R.H, 2001, *Economics as Religion: From Samuelson to Chicago and Beyond*, Pennsylvania State University Press, Pennsylvania.

- Newman, G, 2005, *Federal Election Results 1949-2004*, Research Brief No. 11 2004-2005, Statistics Section, Parliament of Australia. Available at: <<http://www.aph.gov.au/LIBRARY/pubs/RB/2004-05/05rb11.htm#exec>> [accessed 18 February 2008].
- Newspoll/*Australian*, 2004, 'Which political party do you think will win the federal election to be held on Saturday the 9th of October?', 7 September. Available at: <http://www.newspoll.com.au/image_uploads/cgi-lib.15070.1.0901_Fed.pdf> [accessed 28 January 2008].
- Newspoll/*Australian*, 2004a, 'Personality traits of Prime Minister and Leader of the Opposition', 22 September. Available at: <http://www.newspoll.com.au/cgi-bin/polling/display_poll_data.pl> [accessed 2 February 2008].
- Newspoll/*Australian*, 2007, 'Climate change poll', 21 February. Available at: <http://www.newspoll.com.au/image_uploads/0205%20Climate%20Change.pdf> [accessed 20 June 2007].
- Nicholls, S, 2000, *Obstacles to Transition: The Political Economy of Renewable Energy in Australia*, Unpublished Honours Thesis (Flinders University of South Australia).
- Nicholson, B, 2004, 'Bid to save forests splits party', *Age*, 5 October.
- Nissen, B, 1990, 'A Post-World War II "Social Accord"?' in Nissen, B, 1990 (ed.) *U.S. Labor Relations, 1945-1989: Accommodation and Conflict*, Garland, New York.
- Norton, A, 2006-07, 'The Rise of Big Government Conservatism', *Policy*, Vol. 22, No. 4, pp. 15-24.
- O'Connor, J, 1973, *The Fiscal Crisis of the State*, St. Martin's Press, New York.
- Office for National Statistics (UK), 2009, 'Annual Rates of Return of Private Non-Financial Corporations', *Profitability of UK Companies*, Time Series Data. Available at: <<http://www.statistics.gov.uk/statbase/TSDdownload1.asp>> [accessed 20 November 2009].
- Painter, M, 1996, 'Economic Policy, Market Liberalism and the "End of Australian Politics"', *Australian Journal of Political Science*, Vol. 31, No. 3, pp. 287-299.
- Pearse, G, 2007, *High and Dry: John Howard, Climate Change and the Selling of Australia's Future*, Viking, Australia.
- Peatling, S, Metherell, M and Darby, A, 2004, 'Forest plan splits workers and greens', *Age*, 5 October.
- Peatling, S, 2007, 'PM to stress economic risks', *Sydney Morning Herald*, 29 May. Available at: <<http://www.smh.com.au/news/environment/pm-to-stress-economic-risks/2007/05/28/1180205163533.html>> [accessed. 31 May 2007].

- Peck, J and Tickell, A, 1994, 'Jungle Law Breaks Out: Neoliberalism and Global-Local Disorder', *Area*, Vol. 26, No. 4, pp. 317-326.
- Peck, J and Tickell, A, 2003, 'Making Global Rules: Globalization or Neoliberalization?' in Peck, J and Yeung, H (eds.), *Remaking the Global Economy: Economic-Geographical Perspectives*, Sage, London, pp. 163-181.
- Peck, J and Tickell, A, 2002, 'Neoliberalizing Space', *Antipode*, Vol. 34, No. 3, pp. 380-404.
- Phelan, C, 2007, 'Worldwide Trends and Prospects for Trade Union Revitalization' in Phelan, C (ed.) *Trade Union Revitalization: Trends and Prospects*, Oxford University Press.
- Porteous, C, 2006, 'PM's brave new Kyoto', *Courier Mail*, 4 November.
- Poulsen, J.D, 'An 'Uneasy Stability: "Unpacking" the Post-War Labor-Management Accord', *Labor Studies Journal*, Vol. 34, No. 4, pp. 543-558.
- Productivity Commission, 2004, *First Home Ownership*, Productivity Commission Inquiry Report, No. 28, 31 March.
- Pusey, M, 1991, *Economic Rationalism in Canberra: A Nation-Building State Changes its Mind*, Cambridge University Press, England.
- Pusey, M, 2003, 'An Australian Story: The Troubling Experience of Economic Reform', *Senate Occasional Lecture Series*, 20 June.
- Quiggin, J, 1999, 'Globalisation, Neoliberalism and Inequality in Australia', *Economic and Labour Relations Review*, Vol. 10, No. 2, pp. 240-259.
- Quiggin, J, 1998, 'Social democracy and market reform in Australia and New Zealand', *Oxford Review of Economic Policy*, Vol. 14, No. 1, 76-95.
- Quinlan, M, 1998, 'Industrial Relations Policy Developments 1977-1998: A Critical Review', *Journal of Australian Political Economy*, No. 42, pp. 75-105.
- Ralph, J, 1999, *Review of Business Taxation*, Commonwealth of Australia.
- Reagan, R, 1981, *Economic Recovery Program*, Speech to the United States Congress, 28 April. Available at:
<http://reagan2020.us/speeches/Economic_Recovery_Program.asp> [accessed 30 December 2009].
- Reagan, R, 1981a, *First Inaugural Address*, 20 January. Available at:
<http://reagan2020.us/speeches/First_Inaugural.asp> [accessed 30 December 2009].
- Reserve Bank of Australia (RBA), 2002, *Recent Developments in Housing: Prices, Finances and Investor Attitudes*, Reserve Bank of Australia Bulletin (July).

- Reserve Bank of Australia (RBA), 2008, 'Reserve Bank of Australia – Monetary Policy Changes'. Available at:
<http://www.rba.gov.au/statistics/cashrate_target.html> [accessed 7 February 2008].
- Reserve Bank of Australia (RBA), 1996, 'Statement on the Conduct of Monetary Policy', 14 August. Available at: <<http://www.rba.gov.au/monetary-policy/framework/stmt-conduct-mp-1-14081996.html>> [accessed 22 October 2009].
- Richardson, J.L., 1997, 'Economics: Hegemonic Discourse', *Quadrant*, Vol. 41, No. 3, pp. 52-60.
- Richardson *et al.*, 2009, *Climate Change: Global Risks, Challenges & Decisions*, Synthesis Report, University of Copenhagen. Available at:
<<http://climatecongress.ku.dk/pdf/synthesisreport>> [accessed 24 August 2009].
- Rickard, M., 2007, *Principle and Pragmatism: A Study of Competition Between Australia's Major Parties at the 2004 and Other Recent Federal Elections*, Department of Parliamentary Services, Commonwealth of Australia.
- Riley, M., 2003, 'Poll: majority of Australians "feel misled" by Howard', *Sydney Morning Herald*, 24 September.
- Robison, R., 2004, 'Neoliberalism and the Future World [sic]: Markets and the End of Politics', *Inaugural Address as Professor of Political Economy*. Delivered on 5 February 2004 at the Institute of Social Studies, The Hague, The Netherlands.
- Rose, N., 1996, *Inventing Our Selves: Psychology, Power and Personhood*, Cambridge University Press, UK.
- Rudd, K., 2008, *D.R. Dossetor Address to the Housing Industry Association*, Sydney Exhibition and Convention Centre, Sydney, 2 May. Available at:
<<http://www.pm.gov.au/node/5812>> [accessed 21 January 2009].
- Rudd, K., 2009, 'The Global Financial Crisis', *The Monthly*. February.
- Rudd, K., 2009a, *Transcript of Joint Press Conference with Treasurer Wayne Swan and Finance Minister Lindsay Tanner*, Main Committee Room, Parliament House, Canberra, 3 February. Available at:
<<http://www.pm.gov.au/node/5329>> [accessed 10 February 2010].
- Rudd, K., 2010, *The Two Arms of Australian Economic Policy* (speech), 29 March. Available at:
<http://www.australia.to/2010/index.php?option=com_content&view=article&id=1825:the-two-arms-of-australian-economic-policy-kevin-rudd&catid=73:oped&Itemid=165> [accessed 1 April 2010].

- Ruggie, J.G, 1982, 'International Regimes, Transactions and Change: Embedded Liberalism in the Post-War Economic Order', *International Organisation*, Vol. 36, No. 2, pp. 379-415.
- Saul, J.R, 1992, *Voltaire's Bastards: The Dictatorship of Reason in the West*, Sinclair-Stevenson, London.
- Sawer, 2003, 'Down with Elites and Up with Inequality: Market Populism in Australia', *Australian Review of Public Affairs*, 27 October. Available at: <<http://www.australianreview.net/digest/2003/10/sawer.html>> [accessed 20 November 2006].
- Schubert, M and Guerrero, O, 2004, 'Labor's Private school hit list', *Age*, 15 September. Available at: <<http://www.theage.com.au/articles/2004/09/14/1094927584033.html>> [accessed 5 February 2008].
- Schwartz, H, 2003, 'Economic Rationalism in Canberra and Canada: Public Sector Reorganisation, Politics and Power', *Australian Economic History Review*, Volume 43, No. 1, pp. 45-65.
- Seabrook, J, 1993, *Victims of Development: Resistance and Alternatives*, Verso, London.
- Seelig, T, Milligan, V, Phibbs, P and Thompson, A, 2008, *Reconceptualising Housing Need in the Context of 21st Century Australian Housing Policy*, Positioning Paper No. 110, AHURI.
- Sexton, M., 2004, 'Students, universities concerned for the future', *7.30 Report* (program transcript), 6 October. Available at: <<http://www.abc.net.au/7.30/content/2004/s1214600.htm>> [accessed 6 Feb 2008].
- Shanahan, D, 2004, 'Latham within striking distance', *Weekend Australian*, 9-10 October.
- Shanahan, D, 2006, 'Now we can start debating climate change', *Australian*, 1 November.
- Singer, P, 2004, *One World: The Ethics of Globalization*, Yale University Press, New Haven, Connecticut.
- Sketee, M, 2004, 'The new Howard', *Australian*, 2 October.
- Smith, A, 1901 [1776], *An Inquiry into the nature and Causes of the Wealth of Nations*, Cosimo Books, New York.
- Smith, D, 2006, 'Global warming and economics', *ABC Radio National*, 11 November. Available at: <<http://www.abc.net.au/rn/scienceshow/stories/2006/1785922.htm>> [accessed 30 May 2007].

- Southcott, A, 2004, 'Governor-General's Speech: Address in Reply', 29 November.
Available at:
<<http://www.andrewsouthcott.com/news/default.asp?action=article&ID=123>>
[accessed 25 January 2008].
- Speedy, B, 2007, 'Oil chief emerges with climate warning', *Australian*, 23 January.
- Spicker, P, 2000, *The Welfare State: A General Theory*, Sage Publications, London.
- Spies-Butcher, B, 2008, 'Restocking the Economic Toolkit: Changes to Social Policy and the Ability of the State to Manage the Economy', *Journal of Australian Political Economy*, No. 61. pp. 267-295.
- Srinivas, N, 2003, 'The Great Grain Drain: US Floods Global Markets', *The Economic Times of India*, 23 April.
- Starick, P, 2004, 'Economics will decide result', *Advertiser*, 7 October.
- Stern, N, 2006, *Stern Review: The Economics of Climate Change*, HM Treasury.
Available at: <http://www.hm-treasury.gov.uk/sternreview_index.htm>
[accessed 6 June 2007].
- Stewart, J and Maley, M, 2007, 'The Howard Government and Political Management: The Challenge of Policy Activism', *Australian Journal of Political Science*, Vol. 42, No. 2, pp. 277-293.
- Stilwell, F.J.B., 2002, *Political Economy: The Contest of Economic Ideas*, Oxford University Press, South Melbourne, Victoria.
- Stokes, G, 2004, 'The "Australian Settlement" and Australian political Thought', *Australian Journal of Political Science*, Vol. 39, No. 1, pp. 5-22.
- Swan, W, 2005, *Rebuilding Labor's Economic Credibility in the Suburbs*, Speech to the Fabian Society, 21 February. Available at:
<<http://www.alp.org.au/media/0205/spetre220.php>> [accessed 23 February 2008].
- Taber, G, 'Rx For Russia: Shock Therapy', *Time*, 27 January 1992.
- Sydney Morning Herald*, 2004, 'We're not spending too much: Costello', 29 September. Available at:
<<http://www.smh.com.au/articles/2004/09/29/1096401618656.html>>
[accessed 23 January 2008].
- Sydney Morning Herald*, 2004a, 'Howard defends poll spending spree', 27 September.
Available at:
<<http://www.smh.com.au/articles/2004/09/27/1096137164222.html>>
[accessed 23 January 2008].

- Sydney Morning Herald*, 2005, 'Don't blame me...I was only the leader', 17 September. Available at: <<http://www.smh.com.au/news/national/dont-blame-me--i-was-only-the-leader/2005/09/16/1126750128998.html>> [accessed 11 February 2008].
- Teeple, G, 1995, *Globalization and the Decline of Social Reform*, Humanities Press, Toronto.
- Time* (magazine), 1965, 'The economy: we are all Keynesians now', 31 December. Available at: <<http://www.time.com/time/magazine/article/0,9171,842353,00.html>> [accessed 1 November 2009].
- Time* (magazine), 1966, 'Letters', 4 February. Available at: <<http://www.time.com/time/magazine/article/0,9171,898916-2,00.html>> [accessed 1 November 2009].
- Tol, R.S.J, and Yohe, G.W, 2006, 'A Review of the Stern Review', *World Economics Journal*, Vol. 7, No. 4, pp. 233-250.
- Trainer, T, 1995, *The Conserver Society: Alternatives for Sustainability*, Zed Books, London.
- Trainer, T, 2002, 'Recognising the Limits to Growth: A Challenge to Political Economy', *Journal of Australian Political Economy*, No. 50, December, pp. 163-178.
- Uhlmann, C, 2007, 'Government to overhaul public housing', *PM* (program transcript), 26 July. Available at: <<http://www.abc.net.au/pm/content/2007/s1989391.htm>> [accessed 12 February 2009].
- United Nations Framework Convention on Climate Change (UNFCCC), 1994, *Full Text of the Convention*. Available at: <http://unfccc.int/essential_background/convention/background/items/1349.php> [accessed 24 August 2009].
- United Nations, 1999, *Human Development Report*, Oxford University Press, New York.
- United Nations Framework Convention on Climate Change (UNFCCC), 2002, *Climate Change Information Kit*. Available at: <http://unfccc.int/resource/docs/publications/infokit_2002_en.pdf> [accessed 24 August 2009].
- Van Ark, B and Crafts, N, 1996, 'Catch-up, Convergence and the Sources of Post-war European Growth: Introduction and Overview' in Van Ark, B and Crafts, N (eds.), *Quantitative Aspects of Post-War European Growth*, University of Cambridge Press.

- Veblen, T, 1900, 'The Preconceptions of Economic Science', *Quarterly Journal of Economics*, Part III, Vol. 14. Available at:
<<http://socserv2.mcmaster.ca/~econ/ugcm/3ll3/veblen/prec3.txt>> [accessed 28 May 2006].
- Wade, R, 2002, 'National power, Coercive Liberalism and "Global" Finance' in Art, R.J. and Jervis, R (eds.) 2002, *International Politics: Enduring Concepts and Contemporary Issues*, Longman, New York.
- Wallace, C, 2007, 'Libertarian Nation by Stealth', *Griffith Review*, No. 16.
- Warhurst, J, 2007, 'The Howard Decade in Australian Government and Politics', *Australian Journal of Political Science*, Vol. 42, No. 2, pp. 189-194.
- Weintraub, E.R, 1999, 'How Should we Write the History of Twentieth-Century Economics?', *Oxford Review of Economic Policy*, Vol. 15, No. 4, pp. 139-152.
- Weintraub, E.R., 2002, 'Neoclassical Economics', *The Concise Encyclopedia of Economics*. Available at:
<<http://www.econlib.org/library/Enc1/NeoclassicalEconomics.html>> [accessed 12 May 2006].
- Weissman, R, 2002, 'The Age of Inequality', *Corp-Focus*. Available at:
<<http://lists.essential.org/pipermail/corp-focus/2002/000116.html>> [accessed 23 February 2003].
- Whitwell, G, 1986, *The Treasury Line*, Allen & Unwin, North Sydney, NSW.
- Wilford, H, 2002, 'American Labour Diplomacy and Cold War Britain', *Journal of Contemporary History*, Vol. 37, No. 1, pp. 45-65.
- Wood, A, 2006, 'Don't heed Stern warning', *Australian*, 1 November.
- WorkChoices: A New Workplace Relations System*, 2005, Australian Government Publishing Service.
- WorldPublicOpinion.Org, 2006, *World Publics Willing to Bear Costs of Combating Climate Change*, 11 October. Available at:
<<http://www.worldpublicopinion.org/pipa/articles/btenvironmentra/255.php?nid=&id=&pnt=255&lb=bte>> [accessed 10 June 2007].
- Wyatt, K, McDonald, J, Nandha, M, 2005, 'Negative Gearing and Housing Affordability for First Home Buyers', *Journal of Australian Taxation*, 8(1). pp. 150-180.
- Yates, J, 1994, 'Private Finance for Social Housing in Australia', *Housing Policy Debate*, Vol. 5, Issue 2. pp. 177-202.

- Yates, J, Milligan, V, Berry, M, Burke, T, Gabriel, M, Phibbs, P, Pinnegar, S and Randolph, B, 2007, *Housing Affordability: A 21st Century Problem*, National Research Venture 3: Housing Affordability for Lower Income Australians, Final Report No. 105, AHURI.
- Yaxley, L, 2004, 'Coalition attacks Latham's record as Mayor of Liverpool City Council', *The World Today* (program transcript), 28 September. Available at: <<http://www.abc.net.au/worldtoday/content/2004/s1208701.htm>> [accessed 23 January 2008].
- Yergin, D and Stanislaw, J, 1998, *The Commanding Heights: The Battle Between Government and the Marketplace that is Remaking the Modern World*, Simon & Schuster, New York.