

The light on the hill and the 'right to work'

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Abstract

In 1945 the Curtin Labor Government declared it had the capacity and responsibility to permanently eliminate the blight of unemployment from the lives of Australians in its White Paper 'Full Employment in Australia'. This was the culmination of a century of struggle to establish the 'right to work', once a key objective of the 19th century labour movement. Deeply resented and long resisted by employer groups, the policy was abandoned in the mid-1970s, without an electoral mandate. Although the Australian Labor Party and union movement urged public vigilance to preserve full employment during 23 years of Liberal rule, after 1978 they quietly dropped the policy as the Australian Labor Party turned increasingly to corporate donors for the money they needed to stay electorally competitive. While few leading lights of today's Labor movement care to discuss it, it is right that Australians celebrate this bold statement of our right to work, and the 30 years of full employment it heralded.

JEL Codes: P16, P35, N37

Keywords

Australian Labor Party, full employment, job guarantee, neoliberalism, post-Keynesian economic theory, post-war Australia, right to work, unemployment

Introduction

On 30 May 1945, the Curtin government released its White Paper 'Full Employment in Australia' formally declaring its intention to permanently keep unemployment below 2% after the Second World War. Although the establishment of full employment was arguably the Australian Labor movement's greatest strategic achievement of the 20th century, the anniversary passes each year without acknowledgement by either the Australian Labor

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Party (ALP) or ACTU. While recent Labor leaders have been keen to associate themselves with the Curtin and Chifley governments at an abstract level, embracing the lofty symbolism of the ‘light on the hill’ rhetoric (e.g. Gillard, 2010), they never mention the key strategic issue Labor then pursued for ‘the betterment of mankind’ – the elimination of all but frictional unemployment (Chifley, 1949).

For 32 years (1942–1974), successive Labor and Liberal governments used public sector employment and expenditure to supplement and fuel private sector demand for labour, to deliberately keep the rate of unemployment below 2%. This simple fact has enormous difficulty gaining traction in the minds of scholars who write about the period. When Labor MP Andrew Leigh (2014) searched for the explanation as to why workers and unions fared so well in the 30 years after the war, compared with their declining fortunes since the mid-1970s, the policy of keeping unemployment below 2% was not even acknowledged as a possible explanation. When Troy Branston wrote of Labor’s ongoing march toward the ‘light on the hill’, the policy that Chifley emphasised as crucial to leading us there was nowhere mentioned, not even in numerous references to ‘Post War Reconstruction’ or the ALP federal election campaigns between 1943 and 1972, in which Labor’s commitment to maintaining full employment was centre stage (Bramston, 2011; Chifley, 1949).

Although central to Chifley’s thinking, there is scant recognition by today’s Labor leaders that in order for working people to have richer and freer lives, they need to have more power in their workplaces, which is determined by the prevailing level of labour under-utilisation, and how the unemployed are treated. The more fearful workers are of losing their jobs and incurring a protracted and painful episode of unemployment, the greater the capacity of employers to impose their will and demand more of them. Conversely, in times of labour scarcity, when jobs are plentiful, workers are empowered to seek better terms and conditions of employment.¹ This reality has been understood by policymakers for centuries, yet since workers won the right to vote, it is rarely publicly acknowledged for strategic reasons. Nevertheless, in the heat of debates over full employment proposals, as occurred in Britain during the WWII, the role of unemployment is sometimes plainly stated, as in this article from *The Times* (1943: 5):

Unemployment is not a mere accidental blemish in a private enterprise economy. On the contrary, it is part of the essential mechanism of the system, and has a definite function to fulfil. The first function of unemployment (which has always existed in open or disguised form) is that it maintains the authority of master over man. The master has normally been in a position to say: ‘If you do not want the job, there are plenty of others who do’. When the man can say: ‘If you do not want to employ me, there are plenty of others who will’, the situation is radically altered.

Although unemployment is typically treated as only a technical macroeconomic problem, as Michal Kalecki (1943) observed during the full employment debate in wartime Britain, it is at heart about power, that is, a political question:

although most economists are now agreed that full employment may be achieved by government spending, this was by no means the case even in the recent past. Among the opposers of this doctrine there were (and still are) prominent so-called ‘economic experts’ closely connected

with banking and industry. This suggests that there is a political background in the opposition to the full employment doctrine, even though the arguments advanced are economic. That is not to say that people who advance them do not believe in their economics, poor though this is. But obstinate ignorance is usually a manifestation of underlying political motives.

So in remembering the 1945 White Paper, Labor's pledge to industrially and socially empower workers with full employment, we are confronted with the contrast with today's ALP. How is it that full employment was so central to Labor's mission back then, but not now? How did such a contentious policy survive changes of government over 30 years? What ended it, and why did the Labor party not restore the policy when in office? This discussion seeks to address these issues, drawing on research into the history of opposition to full employment aimed at informing a campaign for its restoration.²

Why was full employment established?

John Curtin and his cabinet were sufficiently preoccupied with defending the country from immanent invasion, and knew big business would mobilise vehement opposition to full employment, so why did they pursue this policy in the Second World War? Two key reasons stand out. First, establishing permanent full employment was an objective of the labour movement since the mid-19th century known as the 'right to work' (RTW). Second, and more pragmatically, faced with the challenge of uniting and mobilising the Australian people for total war, a credible promise of post-war full employment addressed the divisive bitter legacies of the interwar years.

The Right to Work

The Right to Work was once a key demand of the labour movement, alongside the right to collectively bargain over wages and conditions, the right to parliamentary representation and the 8-hour day. It held that governments were responsible for ensuring people had work, by offering decent jobs to those the private sector chose not to employ.³ While the other labour movement goals were gradually conceded to workers by the early 20th century, the RTW was not (Brown, 1971; Burnett, 1994; Quirk, 2008).⁴

It arose from long-standing European traditions of undertaking public works in recessions, and was coined as a term in 1830s France in the writing of Luis Blanc and others (Blanc, 1848). It was established in Paris in February 1848, and its withdrawal 4 months later provoked 3 days of hand-to-hand street fighting in which 6000 workers lost their lives. The episode prompted the accusation by Alexis De Tocqueville that full employment was a slippery slope to communism (McKay, 1965; Quirk, 2007; Senior, 1973: 52–53).

The Paris experiment was sufficiently well known among British Parliamentarians in 1886, as to be widely cited as a good reason not to proceed with long called-for public works, after 20,000 unemployed rioted in Trafalgar Square demanding work. Most speakers in the debate warned of the dire consequences of conceding a 'right to work' (Quirk, 2008). The Right to Work was a key policy objective of the first three 'Independent Labor Party' members elected to the House of Commons in 1893. James Keir-Hardie, the most prominent advocate of the policy, went on to introduce a 'Right to Work Bill' from

opposition in 1907.⁵ Liberal government politicians came under such intense lobbying from their unemployed constituents that half crossed the floor to support its second reading, before the bill was finally rejected. Labor leader Ramsay Macdonald dropped the policy from Labor's platform in exchange for the establishment of parliamentary salaries by the Liberal Government, in 1911, in the wake of the Osbourne case⁶ (Brown, 1971; McLean, 1975; Quirk, 2008).

A more comprehensive 'Right to Work' system than that of Keir-Hardie was proposed for Queensland by its Premier Ted Theodore in his impressive Unemployed Workers Bill of 1919, which provoked unprecedented employer opposition. Entailing large-scale infrastructure projects, regulation of local government works, unemployment insurance and other measures, it reflected a clear grasp of the economic role of the public sector in maintaining high stable private sector demand for labour. I argue elsewhere (Quirk, 2009) that a 4-year financial blockade (1920–1924) that was placed on Queensland by the London financial houses was more likely provoked by the Unemployed Workers Bill than by the Pastoral Lease act typically cited by prominent historians as the cause (Fitzgerald, 1994; Schedvin, 1971: 40; Theodore, 1919, 1924).

Big business hostility to Theodore when he later became Australia's Treasurer during the 1930s Depression reflected a fear that he *would* reflate the economy before the depression had achieved its purpose of lowering the cost of production in Australia as they intended it should. He was blocked at every turn by foreign and domestic financiers and a hostile Senate, his plans vilified in the press, but two close observers of his struggle, caucus colleagues Curtin and Chifley, went on to promote and apply much of what he (and later Keynes) argued for, in the course of institutionalising full employment during the Second World War (Ahamed, 2009; Black, 2001; Denning, 1982; Fitzgerald, 1994; Keynes, 1936; Quirk, 2009, 2010; Theodore, 1932).

Shoring up national support for the war

The Second World War created a momentum for full employment that proved too much for its opponents to resist. Conservative expenditure on war preparations from 1939 to 1941 demonstrated that Commonwealth spending could significantly bring down unemployment, just as Theodore had earlier argued (Fitzgerald, 1994; Forde, 1971). With the mobilisation for total war in early 1942, following Japanese raids on Pearl Harbour and Darwin, unemployment rapidly fell below 2%. This prompted public questioning as to how this could be, given the bitter memories many had of the Depression, when no money could be found to employ people, including war veterans, leaving their families destitute and many evicted from their homes. How was it that money was suddenly in abundant supply, sufficient to employ everybody, just because there was another war to fight? They recalled the opposition of the banks, big business and conservative politicians to Theodore's reflation plans, and their assertions that he would cause a Weimar-style hyper-inflation. How then could Australia be operating with such a low level of unemployment?

More pointed scepticism was directed at recruitment propaganda that echoed the promises made during the previous war, that soldiers would return to a land fit for heroes. The First World War veterans returned to chronic high unemployment, negligible social security and industrial violence, where they were set upon by anti-union 'white army'

groups in which former officers played prominent roles (Cathcart, 1988; Evatt, 1942; Moore, 1989).

The need to shore up national unity and commitment to the war effort, and their long-standing advocacy of the RTW, led the Curtin government to use the promise of post-war full employment to give Australian workers a future worth fighting for. To dispel doubts that they meant to carry out what they promised, in November 1942 the Curtin Government held Australia's first constitutional convention since the federation of the nation in 1901, to seek a 6-year post-war extension of the economic controls granted under the constitution during war-time hostilities, to preserve full employment during demobilisation (Curtin, 1942). In declaring his government's commitment to post-war full employment, Curtin promised that the shameful neglect of the previous war's veterans would not be repeated. Attorney General Dr Evatt (1942) led the convention, declaring:

With the lesson that it took a war to teach us, we can no longer assert that the problem of unemployment is insoluble, that men are out of work only because they are unfit for work or unwilling to work, that financial policy prevents their employment, that the task of maintaining full employment is not a responsibility of the national Government.

Full employment was also a stated post-war goal of other allied nations, including Britain and the USA, although business interests managed to derail the US 1945 Full Employment Bill (Truman, 1952).⁷ It was consistent with the goal of achieving freedom from want, one of 'four freedoms' that President F.D. Roosevelt, pledged would guide the post-war order (Evatt, 1942).⁸ Australia, usually represented by H.V. Evatt, was at the forefront of advocating global adoption of full employment at various international conferences during and after the war (McIntyre, 2015).

For his part, Robert Menzies opposed the policy on the philosophical grounds that the economic security of full employment would stifle progress:

You cannot have progress and absolute security at the same time. That, perhaps, puts into one sentence the entire difference between the political philosophy of this Government and my own...to say that the taking of risks is now an old-fashioned idea, and that the one thing that matters is absolute security, is...a denial of the whole genius of our people throughout their history. (Menzies, 1943: 248)

Griffen-Foley (2003) attributes Menzies' political resurrection (after being overthrown as United Australia Party leader in 1941) and ascent to the leadership of the new Liberal Party in 1945, to his success in defeating the 1944 post-war powers referendum. Curtin held the referendum after the conservative states reneged on undertakings given at the 1942 convention to temporarily cede the powers to the Commonwealth. Nevertheless, the government published its White Paper in May 1945, declaring itself irrevocably committed to full employment.

'Full Employment in Australia': The 1945 White Paper

The document begins by declaring the Right to Work, resolving that it will henceforth be the responsibility of the Commonwealth government to ensure decent work is available

to all who want it. Then follows an explanation of how this will be achieved and how foreseeable problems will be addressed. It explained unemployment as a deficiency in aggregate demand, noting the characteristics of the sectors of the economy that contribute to that demand: Net foreign expenditure on Australian output is inherently unstable and ultimately beyond the capacity of government to control. Private capital expenditure occurs when investors anticipate it is warranted by a demand for more output, and stops when demand drops, so that investors pro-cyclically amplify shifts they detect in aggregate demand. Because public expenditure on current services and public capital expenditure can be fairly precisely controlled, these would be varied to stimulate private sector consumption and investment as required in downturns, to maintain high and stable demand. This was a reversal of the previous orthodoxy of cutting public expenditure in economic downturns. A high stable level of aggregate demand would thus be maintained sufficient to employ the available factors of production, especially labour.

Work would not be created for its own sake, but to meet a pressing need in the community and the economy for improved public services and infrastructure. Modernising public infrastructure would boost productivity, while a proactive public employment service would anticipate and address skill shortages and facilitate labour mobility.

The White Paper also acknowledged the limits to which aggregate expenditure could increase output. Once the economy was operating at full employment, further expenditure would only lead to increased prices. Inflation control thus required that any additional (private or public) spending at full employment was offset by expenditure cuts elsewhere.

The paper also set out special measures to deal with the immediate post-war situation where around 1 million workers would have to be reintegrated into the civilian economy from the armed services and various war-related industries. Housing construction was a key priority for the immediate post-war, while industry assistance was to be provided for manufacturing and agricultural sectors in retooling for the civilian economy. Because of the failure of the 1944 post-war powers referendum, the paper highlighted the need for cooperation between the Commonwealth and States (Commonwealth of Australia (CoA), 1945).

The institutionalisation of full employment

Whereas some of the targets for housing construction in the first few years were not met, largely due to materials shortages, the plan generally succeeded. Aggregate demand was augmented through public sector employment and expenditure, while keeping a large portfolio of fully blueprinted and costed public works projects on standby should there be a slump in the economy (*The Canberra Times*, 1949: 4; Coombs, 1958).

Following the death of Curtin in 1945, Chifley's government won a convincing victory at the 1946 election with the maintenance of full employment its key policy, against the Coalition's offer of a 20% tax cut (*The Canberra Times*, 1946). The electoral backlash for opposing full employment forced the Liberals to commit to supporting it in 1947, prompting a debate in 1949 as to whether they intended to redefine the meaning of 'full employment' to between 6% and 8% unemployment, which they strenuously denied (*The Argus*, 1949a: 6). Nationally, fewer than 2000 people were unemployed out of a

population of 8.5 million in the final year of the Chifley government, equivalent to about 7000 today. Establishment hostility to full employment was clearly evident, however, as reflected in this *Sydney Morning Herald* (SMH, 1949) editorial:

The plain truth is that in a labour market which favours the seller of services, workers have become less inclined to exert themselves. They have lost fear of unemployment, and, generally speaking, no other adequate stimulus to steady, conscientious effort has replaced that economic spur.

At his Federal election campaign launch in December that year, Chifley (1949) warned the public of the hostility of business interests to full employment, and of the likelihood that a Menzies government would abandon the policy:

You cannot have discipline and efficiency — so critics say — unless you have a degree of unemployment. Not too much unemployment of course — that would be bad for business. Just a nice six or eight per cent of unemployment, just a quarter million or so out of work to keep the fear of the sack in the hearts of all the rest.

Full employment was so popular that it was only by neutralising the issue, by insisting a Liberal government would keep unemployment below 2%, using public sector job creation if need be, that Menzies's pledge to end petrol rationing won him office in 1949.

But given the evident hostility it evoked among the Liberal Party's business patrons, why was the full employment policy not abandoned during the historic 23 years of continuous Liberal rule?

How full employment survived under Menzies

By 1949, Chifley had succeeded in habituating the public to low unemployment. Weekly figures of 1000 or 2000 people unemployed rated little more than a paragraph in the metropolitan papers, not even on the front page (e.g. *The Argus*, 1949b). Their equivalent today would be front page headlines. Schmidt (1984) observed that electorates will punish governments harshly for even minute increases in the UE rate once they become accustomed to low unemployment over a prolonged period of time. Throughout Menzies's record 16-year term in office, even the lightest pruning of public expenditure prompted opportunistic cries of 'they're abandoning full employment!' from the Labor opposition and the unions, mindful of the damage this invariably inflicted on the government's electoral support (e.g. *The Argus*, 1951; *The Canberra Times*, 1951). Ministers were regularly forced to publicly re-pledge their commitment to full employment, reinforcing public perceptions that the level of unemployment was a policy choice. Even in 1951, when facing a 20% inflation rate caused by the Korean War wool boom, the Liberal-Country coalition government successfully managed the issue with unemployment only briefly rising to 3%, yet even then it faced a near-fatal collapse of electoral support (Barber, 2011).⁹

By the late 1960s, global business interests were growing restless (Tsokhas, 1984), particularly with the unwillingness of governments to use unemployment to curb worker power. A 1970 report ('Inflation the present problem') produced by a new economic

policy group within the Organisation for Economic Cooperation and Development (OECD) discussed the 'profit squeeze' occurring in countries where sustained low unemployment had strengthened the bargaining capacity of workers. In competitive markets where increased labour costs were difficult to pass on to customers, full employment suppressed profits. Where the costs could be passed on, it produced inflation. The study also acknowledged the electoral risk to any government seeking to increase unemployment as a solution once the public was habituated to it being kept low (Korpi, 1991, 2002):

People's reaction to going bankrupt or being thrown out of a job may have been different in the 1930s when it could be thought that this was the result of a natural disaster. But today a serious recession would be clearly recognised to be the result of a deliberate policy being followed by the government. (OECD, 1970: 37)

It suggested the risk could be mitigated if an exogenous shock to the world economy were to occur, allowing governments to collectively push up unemployment while claiming it was the result of the shock and beyond their control (OECD, 1970). For Walter Korpi (1991):

This policy statement, published well before the oil crisis, comes surprisingly close to recommending unemployment as a cure to inflation and the profit squeeze. (p. 335)

Within the OECD staff, [Gosta] Rehn argued against the formulations in this document, maintaining that it would be widely interpreted as an official recommendation for increasing levels of unemployment. His objections were overruled, and internationally the policy document came to be interpreted in the way Rehn had feared. (Korpi, 2002: 20)

In April 1971, BHP Chairman Sir Colin Syme publicly called for more unemployment and for business to back the government in administering the 'tough medicine' that the workforce needed (Maiden, 1971). When Treasury officials attempted to induce a recession a few months later, having understated the negative impact of proposed budget cuts to Liberal PM William McMahon, ACTU President Hawke accused:

It's clearly an attempt to do something about prices which may be seen as a response to a suggestion of BHP's Sir Colin Syme for the government to create a pool of unemployed. (*The Age*, 1971: 3)

McMahon strenuously denied the charge but his Industrial Relations Minister (Phillip Lynch), who went on to become Malcolm Fraser's first Treasurer, was evidently more willing to associate himself with Sir Colin's views and Treasury's mindset. Couching his message in terms of an ultimatum to unions to curb their demands or face abandonment of full employment, he observed:

A prolonged period of employment security strongly enhances the bargaining power of unions and weakens the resistance of employers to unreasonable wage demands. In the past few years, trade union leaders have come to realise that they are in a strong position that they can dictate rather than negotiate terms and conditions of employment to employers. (Lynch, 1972, quoted in Windschuttle, 1979: 258–259)

These and similar comments expressed during the post war period, and prior to the OPEC oil shock, indicate the resentment of business leaders and their political advocates for the power full employment bestowed on workers. Most significantly, they also demonstrate an acceptance across the political spectrum at that time that governments can control the level of unemployment (Mitchell, 1998; Mitchell and Fazi, 2017; Mitchell and Muysken, 2008; Quirk, 2004).

Abandonment of full employment

The abandonment of full employment in Australia (1974–1975) is inextricably bound with the story of the Whitlam government: its poisonous relationship with the Federal bureaucracy it inherited after 23 years of Liberal-Country Party rule, the inflation surge bequeathed to them by the outgoing McMahon government, the Organisation of Petroleum Exporting Countries (OPEC) oil shock, the wage-price spiral this produced and the controversy surrounding the timing of Whitlam's removal from office.

Treasury officials were acting to induce a recession long before the OPEC shock, and the 1970s wage-price spiral, against the expressed wishes of governments they were obliged to serve. McMahon, himself a former Treasurer, was given 'unanimous' advice by Treasury that the 1971 budget would not adversely affect employment. He then heard from former colleagues of dissenting views within the Treasury, and, realising he'd been misled, spent heavily to avoid a recession and stop as much unemployment appearing as he could prior to the December 1972 election (Weller and Cutt, 1976: 24; Whitlam, 1985: 205). This was the initial cause of the inflation the Whitlam Government immediately faced on winning power. It was soon exacerbated by the quadrupling of the world price of oil by the OPEC a few months later.¹⁰ Militant unions, free of any fear of losing their jobs, then aggressively sought nominal wage increases to preserve the real value of their incomes, which employers passed on as higher prices, creating a price-wage spiral. A 1973 referendum to give the government control over wages and prices was lost in the face of opposition by both business and the ACTU under Bob Hawke (Whitlam, 1985).

The Treasury policy to abandon full employment was implemented (on its second attempt) by Treasury officials acting without informing the Whitlam government during 1974, although it took another year for the unemployment they induced to push well over the 30-year norm of 2%. Whitlam admits he approved a credit squeeze in September 1973 in the face of a sharp increase in inflation, but claims Treasury understated the depth and duration of its contraction, denying it would cause unemployment to rise, and withheld the data that would have indicated otherwise, just as they did with McMahon (Whitlam, 1985: 204–205). In May 1974, during the double dissolution election campaign, Russel Prowse, Assistant General Manager of the Bank of New South Wales told the Nine Television Network's Federal File programme, that the country 'faced its tightest credit squeeze since the early 1960s', which would require a release of about AUD500 million from Statutory Reserve Deposits to avoid a serious recession. Whitlam immediately summoned the heads of Treasury and the Reserve Bank to Kirribilli House to demand an explanation. Both emphatically denied Prowse's claim (*The Age*, 1974: 1; Whitlam, 1985).

The question of abandoning full employment was openly discussed by key figures during this period. For example, a declassified US embassy cable on a briefing provided by Bob Hawke (then both ACTU and ALP President) to the US ambassador Marshal Green (1974a) on 5 July 1974, reveals Hawke's analysis of the situation:

On question of labor [sic] unrest and 'fear of unemployment' Hawke pointed out that full employment was long time national commitment and was not unique goal of labor movement. While people expected low unemployment rate and had come to expect it ever since wartime economic expansion, this was much more dangerous area for Whitlam government than any other. Government planners had for some time unwisely, in his opinion, figured on unemployment as instrument in fight against inflation. He gave estimate that new election would take place within twelve months if rate of inflation continued to increase and if unemployment passed or closely approached two percent.

On 31 July Hawke consulted with Acting Secretary Ingersoll:

On Australian internal situation, Hawke opposed anti-inflationary proposals emanating from Treasury and voiced opinion that, if accepted, they could raise unemployment to between two and three percent which Hawke felt might result in new elections within a year. ... In view of Australian history of virtual full employment for last 34 years, Hawke felt that unemployment rate of even two or three percent could prove politically disastrous. (Martens, 1974)

Another despatch reported that Hawke:

rejects idea that unemployment rate, or measures which raise it, are appropriate inflation control instruments, using strong language on July 20 to condemn those in 'ivory towers' and in the Treasury who regarded people as 'pawns on an economic chessboard'. (Harrop, 1974)

After winning their second election in 18 months, the Whitlam cabinet started working on the August 1974 budget, for which the Treasury recommended a '...a hard line deflationary package of reduced expenditure and increased taxes across the board'. Treasurer Frank Crean presented the Treasury line to cabinet, arguing for full employment to be temporarily abandoned to curb union wage demands in the face of an inflation emergency (Cabinet Submission 1243, 1974, National Archives of Australia (NAA), 2004)¹¹ Crean met with strong opposition from his cabinet colleagues, both on the grounds of Labor principle, and in consideration for the electoral consequences. In any event, Treasury took the decision out of the Cabinet's hands.

Treasury's contempt for the right of a democratically elected government to determine the course of economic policy soon revealed itself in a dramatic fashion. According to then Minister for Urban and Regional Development, Tom Uren, Dr Michael Keating, then head of his Ministry's Economic department, had privately advised him that Treasury was planning a AUD1300 million surplus, which would push unemployment higher than it had been in the previous 30 years. On the morning Treasury presented its budget recommendations to Cabinet, Uren left the cabinet room on the pretext of a call of nature, took the papers to his office downstairs, had staff copy them and asked Keating to brief him on their contents that lunchtime. Although the papers claimed a AUD300 million surplus, Keating found an additional AUD1000 million in net expenditure cuts hidden in

the detail. Uren (1994: 233–234) then briefed Cairns, and the Cabinet was then informed of the Treasury's attempted deception.

'Cabinet rejected most of the Treasury package and Caucus, unable to stomach a policy deliberately designed to create unemployment, threatened to reject most of what was left' (Freudenberg, 1977: 304). Cabinet ordered Treasury to produce alternative policy options including recommendations aimed at *reducing* rather than increasing unemployment. In an extraordinary demonstration of its mindset, the Treasury refused and withdrew from most of the process of producing and presenting the budget, which the Cabinet largely developed by itself, aiming at a domestic surplus of AUD23 million. Within weeks, the government received confirmation of the depth of the credit squeeze and tried to reverse it in a November mini-budget, but it was too late to stop unemployment from rising to nearly 5% in the following year (Whitlam, 1985: 204–207; Whitwell, 1986: 214–216).

Hawke's prediction of an election within a year is interesting, since having won the May 1974 election, Whitlam's government was not obliged to face the electorate again until mid-1977. Given that time frame, while Cairns, Cameron and others were staunchly opposed to any departure from full employment, others such as Hayden (who became Treasurer in mid-1975) may have thought they had time to allow the Treasury-induced unemployment to remain high for a couple of years to elicit greater cooperation from the unions, and still bring it down well before the next election. What transpired is that during 1975, two conservative state governments appointed non-Labor people to fill two casual Senate vacancies won by the ALP at previous elections. This gave the Liberal-Country party the ability to defer Senate consideration of budget bills (it was unconstitutional to reject them) and thus deny the Whitlam government the funds to govern. But given these moves occurred during 1975, it is hard to understand the accuracy with which some key political figures, like Hawke, predicted the course of events a year earlier.

In November 1974, for example, Governor General Sir John Kerr privately conferred with Rupert Murdoch in the presence of several Murdoch journalists, on the options available to himself, the government and the opposition, should the latter move to block supply in the Senate the following year (Menadue, 1999: 155). Murdoch provided US Ambassador Marshal Green (1974b) with a wide-ranging assessment of the political situation on 16 November 1974 where he noted:

Australian elections are likely to take place in about one year, sparked by refusal of appropriations in the Senate. All signs point to a Liberal-Country victory, since the economy is in disturbingly bad condition and will probably not improve much of that time...

Murdoch also declared a preference for Hawke as a future ALP leader over Deputy PM Cairns who he considered 'a puzzling and disturbing figure' (Green, 1974b). Cairns's political demise in mid-1975, under siege by the Murdoch press over accusations of ministerial impropriety that he went to his grave denying, made way for Bill Hayden to take over as Treasurer. Hayden's mildly contractionary 1975 budget ensured unemployment would be slow to fall from the historic high it had by then reached (around 5%). Malcolm Fraser seized his opportunity to block supply, and on 11 November, Sir John Kerr ensured the full electoral backlash for the loss of full employment was visited upon the Whitlam government.

The restoration of chronic labour underutilisation

In the campaign for the 1975 election, both major parties pledged to restore full employment. Fraser and his employment spokesperson (Tony Street) berated Labor for the rise in unemployment, claiming that while they would rely more on the private sector than would Labor, they would also use a public sector job creation programme operated through the states, to restore full employment and prosperity (SMH, 1975: 13). Following his 12 December landslide win, Fraser immediately announced the coalition would 'fight inflation first', and only bring down unemployment after inflation was subdued (Hughes, 1980). He immediately announced a crackdown on 'welfare cheats' (Windschuttle, 1979). At the February 1976 opening of Parliament, Kerr's (1976) opening address declared the new government's 'long term objective is to prevent the growth of centralized bureaucratic government domination in Australia' and that 'there will be a major redirection of resources away from government toward individuals and private industry' (p. 6). A large corporate-funded 'economic education' campaign was imported from the USA in 1976, extolling the virtues of the free market, the social necessity for businesses to make healthy profits and condemning excessive government involvement in the economy. Millions were spent each year thereafter to sell the message through radio and television advertising, school text books, workplace talks, and on growing and establishing right-wing think tanks (Beder, 2005, 2006; Carey, 1995).

Fraser embraced a range of agenda management techniques to contain the political damage of pushing up unemployment, as it continued to rise throughout his term in office, blaming Whitlam, the unions and (reprehensibly) the unemployed themselves (Harding, 1985; Hughes, 1980). Research undertaken by Professor Heinz Arndt (1973) on his return from 6 months with the OECD group that produced 'Inflation the Present Problem' had suggested that people would be more tolerant of higher unemployment if they believed it was substantially voluntary. Consequently, Fraser and the media barons blamed the work-shy attitudes of the unemployed for their plight (Windschuttle, 1979).

During this period the cash-strapped ALP opposition morphed into a 'free market' party under the leadership of Bill Hayden, who succeeded Whitlam in 1977. Campaign costs had risen sharply throughout the 1970s, leaving Labor on the verge of insolvency after fighting four federal campaigns in 5 years (Whitlam, 1985). Labor's survival rested on its ability to make itself more palatable to corporate donors, and so its commitment to the Right to Work was quietly dropped. Hawke entered parliament at the 1980 election and deposed Hayden for the Labour leadership on the day Fraser announced the 1983 election. With unemployment at 10.6%, Hawke promised to create 500,000 jobs: 'but he did not promise restoration of full employment in his first term; to do so would be dishonest, he said' (Grattan, 1983: 1).

Hawke overcame his 1974 aversion to using people as 'pawns on an economic chessboard', in introducing the activity test in 1988 that implied people's willingness to work could be tested without offering them work (Cass, 1988; Howe, 1991). His Treasurer then presided over a policy-induced recession (1990–1992), pushing the unemployment rate up to 11% (Toohey, 1994),¹² arguing publicly and privately it was 'a recession we had to have'.¹³ The labour market rapidly casualised with the intensified competition for

jobs, while the fragmentation of permanent full-time work appeared in the persons-based labour-force framework as new jobs being created.

As a million people became unemployed, Commonwealth Employment Service (CES) staff saw little justice in punishing them for breaching their 'activity agreements' (Australian National Audit Office (ANAO), 1991), so a public relations firm was engaged to re-engineer its organisational culture. The organisational manual was rigidly codified, and staff were threatened with prosecution for criminal fraud for deviation from guidelines. This inflexibility impaired their effectiveness as job brokers, reflected in a fall in the CES share of advertised vacancies from 41% in 1988 to 19% in 1992 (Committee on Employment Opportunities (CEO), 1993). Keating (and his Minister Peter Baldwin) then commissioned McKinsey and Co. bank downsizing consultant Paul Twomey to design a marketised employment services system, of which 'contracted case management' introduced with the 1994 White Paper 'Working Nation' was the first implementation stage (Campbell, 1994; Wearing and Smyth, 1998; Jose and Quirk, 2002; Quirk, 2002; Twomey, 1994). This approach linked the employment security of employment service staff to their willingness to cut the incomes of the unemployed. The Howard Government's Job Network that replaced the CES in 1998 was merely the final implementation stage of Labor's policy, despite Labour's confected opposition at the time (Jose and Quirk, 2002; Quirk, 2002). The system's effectiveness was reflected in the breaching-induced poverty epidemic reported by welfare agencies around 2000 (Salvation Army, 2001), yet the ALP appeared to have no qualms about marketised public employment services, or any intention to reverse the policy when it returned to office in 2007.

The missing political party

And so, with corporate money and the media barons backing them, the Fraser, Hawke and Keating governments acclimatised the public to mass unemployment. ALP governments actively engaged in transferring a large portion of national output from wages to profits under the Accord process¹⁴ and used a savage recession to casualise the labour force in the early 1990s, further disempowering the union movement (Pusey, 2003), as they privatised, outsourced and downsized the public sector (Cook et al., 2012). In its most recent period in office, Labor governments pursued budget surpluses as unemployment and labour underutilisation rates rose (Battin, 2017). Whereas the gap between rich and poor narrowed during the period of full employment, it has continued to widen ever since, such that Australia is now considered by Citigroup investment strategists as a 'plutonomy' (Citigroup, 2006; Gradin, 1999; Oxfam, 2014).

How do we account for Bob Hawke's role in all this? Although claiming to admire what Curtin and Chifley achieved, and condemning proposals to abandon full employment during an inflation crisis, he then presided over a government that created mass unemployment, punished the unemployed and deliberately casualised the labour force. Perhaps a clue lies in the diplomatic cable traffic of 1974 where Hawke is reported to have had 'feelers about political realignment' while dismissing the likelihood of a 'national unity' government at that time (Brand, 1974). Of course, the 'national unity' message of his first government was dramatically emphasised at the 'national economic

summit' Hawke convened within a month of leading Labor back to power in March 1983. Business and union leaders sat in the House of Representatives of the Old Parliament House to forge a deal between labor and capital – to bury class antagonisms and agree to increase profits for reinvestment in job creating, productive enterprises, to bring down unemployment and inflation. Unfortunately, the beneficiaries of this largesse used it to excessively acquire shares, companies, property, artworks and other assets, producing the asset price inflation of the late 1980s, prompting the interest rate rises that caused the recession Paul Keating thought 'we had to have' (Toohey, 1994).

When governments of 'national unity' were previously formed in Australia and the UK during the 1930s economic crisis, prominent Labo(u)r figures became the leaders of conservative governments. In Australia, former Labor Premier of Tasmania and acting Federal Treasurer Joseph Lyons was recruited by Keith Murdoch (Rupert's father) and a group of Melbourne business and political figures, including Robert Menzies, to lead the rebadged conservative 'United Australia Party' (Denning, 1982; Jost, 1978). Labor leader Ramsay MacDonald took a similar path in Britain. Both were contemptuous of the left-wings of their parties, both were backed by powerful business and media interests and both were condemned as traitors by their respective former parties. Like Hawke, they called for sacrifices in the national interest, reduced the workers' share of national income and increased the business share. Whereas we see some parallels with Hawke, a key difference is that MacDonald and Lyons left the remains of their Labo(u)r parties in opposition, so they could eventually regroup and return to office as in the case of the Curtin-Chifley government. Hawke retained the Labor franchise as his 'national unity' party, thus ensuring the political pendulum had nowhere to swing back to when the electorate tired of the economic repression that Fraser's, his and subsequent neoliberal governments actively facilitated by preserving high levels of labour underutilisation.

Conclusion

As a blueprint for a major policy innovation, the details (and omissions) of the 1945 White Paper, the development of its various drafts, its political compromises and so forth, are legitimate concerns for modern-day reviewers.¹⁵ Nevertheless, we should not lose sight of its most important achievement: it played a critical strategic role in convincing Australians that the Commonwealth had the power and responsibility to eliminate all but frictional unemployment. It was this understanding that prevented governments from using unemployment as a political instrument for the next 30 years. We should celebrate this document, and reflect on how profound its core message was: a free and democratic people have a right to work. The contrast between the Australian Labor Party of 73 years ago that successfully fought to establish that right, and its modern namesake that pretends it never happened, is a stark reminder of what Australia's working people have lost along the way.

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Notes

1. An early description of this phenomenon may be found in the preamble to the English Statute of Labourers of 1349 and 1351. This maximum rates award was enacted because the bubonic plague wiped out one-third of the working age population, and the scarcity of labour/relative abundance of jobs, emboldened workers to seek higher wages and better working conditions. The act set wages to the levels they were 4 years before the plague struck, and included penalties for employers who paid above them and for workers who refused offers of work (Quirk, 2006; Stephenson and Macham, 1937).
2. The Centre of Full Employment and Equity (CofFEE) at the University of Newcastle, NSW, advocates the elimination of unemployment with a 'Job Guarantee', whereby the Commonwealth provides a pool of minimum wage jobs to people who would otherwise be unemployed, entailing work of benefit to the community or the environment, designed to inculcate skills in demand in the local economy. See: Cook et al., 2008; Mitchell, 1998; Mitchell and Muysken, 2008; Mitchell and Quirk, 2005; Mitchell and Watts, 2003; Mitchell and Wray, 2004; Mosler, [1997] 1998; Quirk et al., 2006; Wray, 1997.
3. The term 'right to work' was later appropriated, predominantly in the USA, as a denunciation of the 'closed shop' where employment is conditional on joining a trade union. It is seldom explained that the closed shop was adopted as a countermeasure to the victimisation and blacklisting of unionists in workplaces (Olson, 1971).
4. This is despite the inclusion of the Right to Work in both the 1948 Universal Declaration of Human Rights (article 23) and the United Nations Covenant on Economic Social and Cultural Rights (article 6; Nevile and Kriesler, 2016).
5. Entitled 'A Bill to promote work through public authorities for unemployed people. 7 Edw VII, c3'.
6. Where a court had ruled British trade unions could not fund political activities, such as wages for Labour politicians.
7. President Harry S. Truman explained to a New Hampshire audience on 16 October 1952 that when he and other senators introduced the 'Full Employment Bill' of 1945 to 'establish a national policy of full employment, and set up the machinery to carry out that policy' the 'National Association of Manufacturers and the other big business organizations rolled out their propaganda machines' to scuttle the policy. 'They brought up all kinds of arguments as to why full employment was a bad idea. They said people would lose their initiative if they could count on having full employment... One distinguished witness said it was good for business to have a 'floating pool of unemployed'. '... The NAM flooded the country with propaganda leaflets against the full employment bill. They saw that these leaflets got into the hands of schoolteachers, editors, radio commentators and everybody else in a position to influence public opinion'. 'One reactionary group, calling themselves the Committee for Constitutional Government – which specializes in calling progressive legislation communistic – put that label on the idea of full employment, too. And this refrain was picked up by other big business opponents of the bill. That same committee's literature also attacked the goal of full employment as – quote – "sentimental humanitarianism"'. These opponents 'succeeded in getting the act watered down. The title had been changed from the Full Employment Act of 1946 to just the Employment Act of 1946. And the right-to-a-job idea had been killed and the rest of the provisions had been changed accordingly. 'The Republicans in the House of Representatives voted almost 2 to 1 against the full Employment Act of 1946 (Truman, 1952).
8. President Roosevelt declared the 'Four Freedoms', of speech and religion, from want, and from fear, in a speech to Congress on 6 January 1941.
9. The Menzies government was returned with less than 50% of the two-party preferred vote at both the 1954 and 1961 elections (Barber, 2011).

10. This is now thought to have been deliberately engineered by US Secretary of State and National Security Advisor, Henry Kissinger. Oil market insider Walter Engdahl (2004) suggests that Kissinger's oil industry patrons benefitted enormously, because unprofitable oil fields were made profitable. At the same time, this strategy restored value to the recently floated and devalued US dollar, because the global oil market is denominated in US dollars, so increasing the price of oil increased demand for US currency. US columnist Jack Anderson (1979) made similar accusations at the time.
11. (Cabinet Submission 1243, 1974: 2): A number of things must be present before inflation can be reversed. They include a slacker demand situation, a shock to inflationary expectations and, for a time, reduced employment opportunities. I set aside the popular cure theories we read about in the daily press; they have not worked anywhere else and they will not work here. So it is not really a choice between widely varying methods of checking inflation but a choice between whether or not we are going to seriously tackle it at all; doing so must inevitably entail some consequences in terms of employment opportunities, profits and growth. There is another viewpoint that over-full employment must be maintained all of the time. I understand that viewpoint. But inflation of the order we are experiencing, let alone of the order in prospect, is so socially and economically destructive and divisive in its implications that we must ask ourselves whether for a time we should not have a different priority.
12. The initial error in tightening monetary policy too far was inexcusable, but the dogmatic refusal of Treasury and the Reserve Bank to contemplate any form of economic stimulus in 1990 and 1991 was perverse. ... A Royal Commission should have been held into this massively destructive series of misjudgements, which are still destroying the working lives of hundreds of thousands, and costing the Australian people tens of billions of dollars. (Langmore and Quiggin, 1994: 74)
13. 'According to the PM [Keating] the countries that are going to "make it", that are going to emerge "at the top of the pack", are those with some degree of unemployment during the transition period between the first phase of economic restructuring (Australia in the 1980s) and the second stage, which will follow in the mid-1990s. He got rather carried away with the notion of unemployment in this phase of restructuring – "international", "necessary" and "inevitable". "It is the unemployment we had to have"' (Blewett, 1999: 153).
14. For specifically the case of Australia, see Mitchell and Fazi (2017) and Stanford (2017), both demonstrating declining wages shares and real unit labour costs and rising profit shares throughout Labor's term of office, more markedly under Hawke than Keating. Also: Australian Bureau of Statistics (ABS, 2017). Stockhammer (2012) includes Australia in a global analysis of declining wages shares.
15. See, for example, Rowse (2000) and Nevile (2015).

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Author biography

Victor Quirk teaches and researches in the School of Humanities and Social Science, in the Faculty of Education and Arts and the Centre of Full Employment and Equity at the University of Newcastle, NSW. He has written on skill shortages, the history of unemployment as a social control mechanism, the operationalising of the Job Guarantee, the dismantling of the public sector, employment service practice, and on bullying and workplace culture. He is also a specialist employment services practitioner.