


Resisting neo-liberalism, reclaiming democracy? 21st-century organised labour beyond Polanyi and Streeck

The Economic and
Labour Relations Review
2017, Vol. 28(1) 129–145
© The Author(s) 2017
Reprints and permissions:
sagepub.co.uk/journalsPermissions.nav
DOI: 10.1177/1035304617693800
journals.sagepub.com/home/elrr



Christopher Lloyd

University of New England, Australia; University of Tampere, Finland

Tony Ramsay

University of New England, Australia

Abstract

Despite its greatly weakened condition, could organised labour again be counter-hegemonic to and ultimately transformative of capitalism? Or is the current crisis, a crisis of collapse of manufacturing and wages and under-consumption due to the loss of redistributive power by key socio-political agents, possibly the final crisis of unionism, as argued by Wolfgang Streeck? Some on the political left, such as Streeck, argue that a new phase has been reached where redistributive and oppositional power of organised labour has been not just defeated but destroyed, with enormous consequences for the future of workers and capitalism itself. This article rejects such an overly pessimistic interpretation and asks what the possibility is of the labour movement's again playing its historic role of transforming capitalism. It explores the potential role of organised labour in re-embedding the economy within democratic society, as Karl Polanyi argued, and building a socio-economic structure that is both stable and enhancing of social and environmental health. This problem is approached through a critique of the theories of Polanyi and Streeck and an examination of the unfortunate embrace of labourism and accommodation to neo-liberalism in the Australian labour movement.

JEL Codes: L5

Keywords

Counter-hegemony, labourism, neo-liberalism, organised labour, Polanyi, social democracy, Streeck

Corresponding author:

Christopher Lloyd, Business School, University of New England, Armidale, NSW 2351, Australia.
Email: chris.lloyd@une.edu.au

I think politicians would be better employed believing in people's capacity to learn than justifying their abandonment of politically shaping the future with a fatalistic referral to unalterable systemic forces. Angela Merkel's career offers, with the withdrawal from nuclear energy and her path-breaking refugee policy, two remarkable counter-examples to the thesis of a lack of room for political maneuver.

Jurgen Habermas (2016)

Introduction: The issue for analysis

In 2016, the long-awaited Western political crisis of market fundamentalism began, not with a sustained social democratic response but with the rightist responses of Brexit, the Law and Justice election in Poland, the Trump election and other illiberal developments. The erosion of employment, job security, incomes and welfare of workers at many levels of industrial and service employment in recent decades has contributed, among other causes, to the exacerbation of socio-economic inequality and the rising appeal of right-wing, xenophobic populism. This right-wing resurgence is now a major issue facing advocates of liberal democracy, socio-economic integration, social justice and egalitarianism in the Western world. With the collapse of unionisation in many countries from the 1980s and the complicity in, or open advocacy of, global neo-liberalism by centre-left governments (Humphrys and Cahill, 2016), it seems that the era of the counter-hegemonic strength of social democratic Western labour has passed.

In this context, can Western (including Australian) labour organisations somehow regain democratic social and political strength from their parlous state? A number of contributions to this much debated question (notably Wolfgang Streeck, 2016) have tended to 'write off' labour's role in a world successively described as post-Fordist, post-industrial, neo-liberal and now neo-nationalistic. In exploring whether such defeatism is warranted, and concluding that it is not, this article argues that Streeck's analysis suffers from three conceptual problems. First, it adopts a form of linear analysis that takes little account of the historical contingency and historic structural shifts that have been a recurring feature of the history of capitalist and labour development during the past century and a half. Second, linear thinking has blocked the recognition of the continuing existence of the working class as constituting the vast majority of the people of Western capitalist societies. The decline of manufacturing, the rise of services and the collapse of permanent employment have not destroyed the working class as a stratum but reconstructed it into a more alienated, fractured and individualised, but still majoritarian, component of society. Third, labourist thinking (a narrow focus on improving wages and conditions through bargaining and employment law) has reduced labour organisations' capacity to re-develop an ideology of social democratic radicalism in the face of the pervasive crisis of the 21st century. Of course, the institutional erosion of labour organisations has weakened their capacity to respond to the present crisis conditions, which are, on the face of it, more propitious for a radical response. But linear, ahistorical and narrowly labourist thinking is not helpful in making an analysis that can effectively counter the ascendancy of the new populist right as well as neo-liberalism.

A re-examination of the 21st-century potential for labour renewal is approached here via an evaluation of the usefulness of Karl Polanyi's (1944) and Wolfgang

Streeck's (2016) historical-socio-economic theories of capital/labour relations and the long-run tendencies these writers claim to have uncovered. In the face of the collapse of labour's 'historic mission' of transforming the social conditions of existence of working people, the article addresses the continuing relevance of Polanyi's argument from the 1940s. This is an argument that organised labour within capitalism is a democratising and counter-hegemonic force that *necessarily* asserts itself through a double movement at the moment of deepest capitalist crisis (akin to a dialectical process whereby the drive to marketisation itself generates resistance to the ravages it generates). Streeck's post-Polanyian argument, in the contemporary context of globalisation, adopts a more pessimistic view of the possibility for a reactivation of the historic role of labour and social democracy as the saviour, if not transformer, of capitalism. Streeck describes a 'final crisis' of under-consumption, leading to chaos and degradation rather than counter-hegemony. Such a crisis is theorised as the consequence of the supposed completion of the long-run capitalist trajectory, also feared by Polanyi, of the conversion of all social life into market relations, including the last remaining 'fictitious commodities' of labour, nature and money. Does it mean there is no way back for labour and, more broadly, for the social democratic society that organised labour was instrumental in creating?

In addressing the issue of the future social role of organised labour through the prism of Polanyian and Streeckian theory, this article also takes a long-run historical perspective on the Western labour movement. It argues that democratic shifts have actually occurred in structural crisis circumstances that did not seem propitious at the time. A case is made for an ideological and organisational shift back to social democracy and away from a labourism that has been largely co-opted into a neo-liberal or free-market policy regime. Such a shift of intellectual perspective is necessary to be able to see the task of responding to the current crisis in a new/old way and to then begin to act on this new basis.¹ Re-building social democratic thought via historical and socio-political analysis can then inform organisational and political action, which to be effective must reject the kind of co-opted fatalism that seems to have overtaken much of the Western labour and social democratic leadership.

After a discussion of the intensified fundamental structural contradictions of the capital/labour relationship of today, the article moves to a critical examination of the possible continuing relevance of the Polanyian double movement theory. This relevance depends in turn on the shifting relative strengths of social democratic and labourist ideology and practice within Western labour movements. Throughout, the Australian case is used as more or less representative, for it exhibits many of the central features of Western labour movements, having been a pioneer of industrial and political organisation and an exemplar of four historical tendencies. The first of these tendencies was the early 20th-century attempt to democratise capitalism. The second was a continually disabling disjuncture between labourism and social democracy. The third, from the 1970s, was an increasing tendency to compromise with or even accept co-option into neo-liberalism. Last has been the decline of labourism and democracy alike in the late 20th- and early 21st-century eras of globalisation. Following a critique of Polanyi and Streeck, we move to a critique of the failures of labourism and a defence of the necessity of a re-articulation of social democracy as the basis of new political agency.

Western capitalism in the 21st century and the role of labour

Workers, living wholly or mainly from the employment of their labour time, who are the large majority of people within capitalist societies, can exist and work only within the actual institutionalised structural conditions of globalised Western capitalism today. The major, even revolutionary, shift since the 1980s to a post-industrial, service-based economy has made job and labour market insecurity, income stagnation, persistent unemployment and underemployment, and rising inequality the new normal. A global shift of production dynamics to Asia has underlain this structural change. Categorising the era as ‘neo-liberal’ and ‘globalised’ capitalism is a convenient shorthand capturing the radically transformed nature of Western work and social relations, and the ways in which the regime of market fundamentalism is regulated as a systemic organisation, especially since the 1990s.

Since 1980, there has been a decline in union membership and density,² very steep in the Anglophone liberal market economies and in the ‘coordinated market economies’ such as Germany and Benelux (Belgium being an exception) but less steep in the Nordic social democratic countries (Kelly, 2015: 532). For example, between 1980 and 2013, union density fell in Australia from 50% to 17% (and 15.5% in 2014), and in the USA from 20% to 11%. In Germany, the corresponding fall was from 35% to 18%, and in Sweden from 78% to 68% (Kelly, 2015: 532). The steep decline of worker organisations and leftist political strength in many countries has been accompanied by neo-liberal ideological and political hegemony (including orthodox economics) and the corresponding decline of social democratic ideology and practice. This is a negatively over-determined structural context for labour organisation and social democratic politics today. And, insofar as workers are being politicised in the face of the crisis they confront, it is mainly by the ideological rhetoric of right-wing populism, which expresses opposition to globalisation via a reactivation of nationalism. Nowhere is this clearer than in France, where the right-wing National Front has now captured large areas of the traditional working class socialist vote. The Socialist Government and Party, co-opted almost completely into neo-liberalism, has almost collapsed.

Indeed, the dialectic of this structural context has both witnessed and caused the precipitous fall in union density and the loss of social democratic ideology by the leaders of labour industrial and political organisation in many countries. Neo-liberal marketisation ideology has captured almost all segments of political contestation. Politics in the West has become in recent decades a contest between factions of neo-liberal globalisers and now, most recently, between neo-liberals and their right-wing populist, nationalistic and xenophobic (if not quasi-fascistic) opponents. Many workers have rightly felt neglected by the politics of the left. They fear social decline and exclusion by libertarian society. What has been the response by the supposedly left-wing movements of social democratic/labour parties to this new challenge from the far right? In a few countries (notably Greece, Spain, Portugal and the British Labour Party), left populism has outflanked the old social democrats but so far with little or no transformative effects. Trying to re-build social democracy in one country or region has so far proven unsuccessful in the face of the regime of global capital and its neo-liberal defenders.

Nevertheless, despite the great transformation from a Fordist industrial structure to a services structure since the 1970s, capitalism still has at its core a fundamental contradiction – unequal income shares of capital and labour resulting from the level of exploitation and the consequent level of under-consumption – identified by scholars from Marx to Keynes, Kalecki, Polanyi and their successors, including (prominently) Colin Crouch (2011), Joseph Stiglitz (2012), Thomas Piketty (2014) and Wolfgang Streeck (2016). Furthermore, the 21st-century hierarchical integration of capital through so-called ‘free trade’ (actually hegemonic or imperialistically managed trade) and through giant global corporations has been able to regulate the division of labour so as to undermine the possibilities of solidaristic labour organisation between global north and south.³

While this contradiction is irresolvable in the long term, *within* a mature capitalist economy, history reveals that truces can be achieved, thanks mainly to politics, in the contest between wages and profits. The ‘state experiments’ era (Reeves, 1902) and associated labourist-protectionism of early 20th-century Australia, the American New Deal, the Swedish Social Democratic hegemony from the early 1930s and the Attlee post-war British Labour government are prominent examples. At those moments, social democracy and welfare could advance. But the contradiction has always reasserted itself because capitalist enterprises must unceasingly search for the maintenance of or an increase of profits, mainly by reducing labour costs and displacing labour via mechanisation. According to Streeck’s (2016) recent analysis, however, a new phase has been reached in Western neo-liberal capitalism in which the redistributive and counter-hegemonic power of organised labour has been not just defeated but effectively destroyed, with enormous consequences for the standard of living of ordinary citizens/consumers and, therefore, for the future of capitalism as a whole.

The question then arises, whether or not, contra Streeck, the wage-earning classes, who constitute the large bulk of the population, can again play their ‘historic role’ of providing not just labour but adequate consumption and democratisation. Can they provide a stable future for capitalism and ultimately achieve a position where they can begin to transform capitalism by re-embedding the economy within democratic society? Can a social democratic structure of liberal, welfare, egalitarian integration re-emerge – one that is not just stable but enhancing of social and environmental health? Or must there be a decline into chaos, driven by right-wing illiberalism and xenophobia?

The crisis of the post-war Keynesian/Bretton Woods settlement in the 1970s and the subsequent neo-liberal ascendancy restored profitability by greatly weakening the power of unions and greatly increasing inequality. This has, however, been a pyrrhic victory by capital according to Streeck (2016), for it has come at the cost of commodification of all three of Karl Polanyi’s ‘fictitious commodities’: labour, land/nature and money. Thus, in Streeck’s analysis, Western capitalism has nothing left to achieve, having revolutionised the whole of society and achieved the ‘completion’ of the capitalist project. But now, in the great crisis, through the destruction of unions, driving down of wages,⁴ deskilling through de-industrialisation, technological destruction of jobs and persistent unemployment, there has been a loss of consumer power and capital cannot continue to complete its valorisation.

The problem with this argument is its over-pessimistic interpretation of the past *and future* role of the wage-earning class (at least potentially) as *both* the historic saviour of

capitalism and as its counter-hegemonic progressive transformative force. Certainly, the capitalist economy has a long-run, increasing, tendency to be destructive of the society and environment in which it exists, and this broad tradition of thought from Marx onwards has also argued that *society cannot be entirely subordinated to the market allocation mechanism* for to do so means its destruction, as Polanyi argued. Streeck takes insufficient account of this, when arguing that the future is one simply of gradually enveloping chaos. *Surely that cannot be an end state*. Social chaos is not just unstable but unsustainable. The long-run evolution of societal history in many locations has revealed the necessity of social order for human existence. The question of the implementation and functioning of order is the crucial issue. In the post-war world of the West, socially integrated, peaceful, egalitarian and prosperous societies were constructed by social democrats in many places, after the catastrophic events of 1914–1945 and against the destructive interests of capital and its fascist allies. If society is to be re-built, the economy has again to be subjected to much greater democratic will. Organised democratic labour is the main institutional progressive counter-hegemonic force to market fundamentalism and democratic erosion, as Polanyi understood. This affirmation of the role of organised labour is not to discount the role of more fluid social movements, demonstrated most recently by the mobilisation of an estimated 2.6 million across six continents in the Women's Solidarity Marches against Donald Trump the day after his 20 January 2017 inauguration (Przybyla and Schouten, 2017).

Is there continuing usefulness of Polanyi's counter-hegemony argument for the strategy of organised labour?

Polanyi's conception of capitalist market domination, which not only reduces people to objects of exchange, as Marx had argued earlier, but disintegrates the cultural and social environment that helps sustain civil human relations, has an analytically as well as historically positive counterpart: 'human society would have been annihilated but for the protective counter-moves which blunted the action of this self-destructive mechanism' (Polanyi, 1944: 79). The first essential step for organised labour in building on this insight is to grasp that its future is not as the handmaiden of neo-liberal capitalism but as its opponent. What can be called this 'Polanyian responsibility' or countervailing 'mission' of labour has, however, increasingly been rejected by Western organised labour over recent decades. Rather, labour's countervailing 'mission' has been interpreted by many union and parliamentary party leaders as an exhausted possibility, such that not even the role of 'loyal opposition' to capital is any longer possible. Indeed, this role has been replaced by that of *instrument of neo-liberal capital*, seen as a self-regulating system.

Polanyi's central proposition was that no economic system, such as market capitalism, is an independently self-regulating entity. All forms of economy are intricate systems constructed and sustained politically by deliberate state regulation. The emergence of national markets was not, he argued, the result of gradual and spontaneous emancipation of the economic sphere from governmental control. On the contrary, the modern market has been the outcome of a conscious and often violent intervention by governments which imposed the market organisation on society for non-economic ends (Polanyi, 1944: 258).

Moreover, a symbiotic relationship must exist between the free market and *counter-vailing forces* that re-civilise and re-democratise social relations (Polanyi, 1944: 7):

Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime and starvation. Nature would be reduced to its elements, neighbourhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed. (Polanyi, 1944: 76)

The history of ‘the great transformation’ of recent centuries reveals not only that capitalism is enormously destructive of social relations, social stability and the natural environment, but also that a *natural response* to the effects of free-market capitalist social exposure is the development of positive responses that mitigate its destructive forces and avert barbarism. Polanyi thus saw two forces working concurrently: a dialectical relationship between destruction of an old economy by capitalism, on the one hand, and protection of society and the environment, on the other. This dialectical relationship

... can be personified as the action of two organizing principles in society, each of them setting itself specific institutional aims, having the support of definite social forces and using its own distinctive methods. The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely *laissez-faire* and free trade as its methods; the other was the principle of social protection aiming at the conservation of man [sic] and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market – primarily, but not exclusively, the working and the landed classes – and using protective legislation, restrictive associations, and other instruments of intervention as its methods. (Polanyi, 1944: 138–139)

Polanyi awarded organised labour a fundamental ‘historic mission’ relating to amelioration of the capitalist mode of production in order, first, to save it. Transformation to socialised production, whatever that might involve, was not an issue for him. The continuing existence of markets and capital was always envisaged.⁵

In re-considering the possibilities of labour as a countervailing force in the 21st century, therefore, we have to gauge the strength of social democracy as an ideology and transformative strategy within the labour movement. It is social democracy, with its whole-society vision, and not labourism, with its more narrow concern with income shares, that has been the essential carrier of the ‘historic mission’. Social democracy was founded on a counter-hegemonic transformative theory, whereas labourism was founded on an acceptance of the fundamental structure of capitalism. This is the essential contest within the problematic and politics of a leftist transformation in opposition to the right-wing resurgence. Wolfgang Streeck’s (2016) powerful analysis of 21st-century capitalism is pessimistic about this happening.

Critique of Streeck’s theory: against pessimism and for political agency

Whereas Fordism was structured by a praxis of integrally shared production activity in which all employees in a worksite depended on the co-operative labour of all in a continuous flow of inputs and transformation into standardised products for sale in a more

or less controlled marketplace where consumers had standardised tastes and wants, the post-Fordist (market fundamentalist) production regime uses information technology (and ultimately artificial intelligence) to deconstruct the production process and even remove almost all labour input. Thus, the fully individualised, service-based and ultra-commodified structure of employment relations in the 21st century greatly undermines the place of collectivism. But does this mean that labour and wider social solidarity must necessarily collapse? Is social re-integration impossible, as Streeck seems to believe? Certainly it seems that the social democratic agenda of building a solidaristic and integrated society of co-operative citizens, united through a strong and socially responsive state, is much more difficult if workers *qua* workers are driven to behave in a competitive individualised manner.

Streeck's very challenging, almost persuasive argument has to be criticised if a counter-hegemonic economic democratisation strategy is to emerge in the 21st century. There are several interconnected problems with what can be seen as his overly structuralist argument about the 'final crisis' of capitalism. The first problem is that he downplays that workers are also social, familial, cultural and political beings and not just economic beings and so their consciousness and wider social life are formed within a whole social milieu. The milieu can include ethnic and communitarian solidarity and ideas of universal humanism, as well as xenophobic nationalism. As in past episodes of democratic advance, politics and social relations and not just work have to be the arenas of anti-capitalist contestation, as Polanyi knew well.

The second problem concerns his neglect of the *necessity* of countering market fundamentalism that is inherent within the basic impulse of human social life. Individual existence is impossible without stable, organised social relations, springing from the 'first moments' of humanity's species being, in Marx's vision. This view has been developed by many thinkers over the past century, including Gramsci, Polanyi and the new socio-biological theorising about human integration, reciprocity and trust (e.g. Bowles, 2016; Bowles and Gintis, 2011).

Third, it can be argued (e.g. Dow, 2016) that Streeck downplays the continuing possibility of centre-left political interventions of a post-Keynesian kind within the present context (Higgins and Dow, 2013). But Streeck's view is that insofar as there might be scope for a renewal of old politics within the existing political structure, it cannot be effective in the world of market fundamentalism and ultra-commodification.

Fourth, and perhaps in contradiction with the previous point, Streeck's half-formed political strategy of reactivation of the civic nationalism of the Keynesian/Bretton Woods era is unrealistic for the political economy of the world has utterly altered and a return to nationalism, however well-intentioned, risks the capture of the state by illiberal interests. However, allowing the struggle between left and right to play out within each state rather than on some global scale could offer a framework for the strengthening of social democracy in mature democracies, such as the UK. That, at least, was the argument of the Lexit (Left Exit) movement prior to the Brexit vote (Tooze, 2017).

The fundamental point is about the continuing possibilities of social democratic, transformative *political agency*. Since the 1980s, neo-liberal market fundamentalism has been the dominant transformative political force in the West. That political programme has had, of course, deeper economic roots in the rapid evolutionary expansion of global

capitalism since the 1990s. This regime, however, is now rapidly losing its agential power in the context of the ongoing Great Recession. Contra Crouch (2011), austerity and market fundamentalism are finally being understood as a failed solution to stagnation, unemployment and loss of accumulation and profitability by capital. The search for an alternative regime is moving towards a reassertion of nationalism against the liberal, global, market order. What sort of nationalism will it be? The most developed nationalism, by the French National Front, seems to be offering a well-worked-out programme that strongly resembles both the statist and racist Vichy regime of 1940–1942 and the more recent interventionist and illiberal Putinist Russian regime. If such a programme were implemented, it would, of course, destroy not just the European Union but perhaps the concert of peace in Western Europe since 1945.

Against the Streeckian leftist civic nationalist agenda, Jurgen Habermas (2016) has asserted the necessity of furthering the international integrationist order on the basis that liberal social agency can be encouraged and furthered by internationalist political leadership. And the social agency of the working class, on which social democratic societies were built in very unpropitious circumstances in many cases, has not somehow eternally evaporated for it is the product in part of human nature, a humanity that always retains its essential characteristics, as Marx and Polanyi strongly believed. This humanity was strongly reaffirmed in the anti-Trump Women's Marches of 21 January 2017.

The question then becomes, how can organised labour understand and respond to the challenges of both global neo-liberal capitalism and right-wing populism? This involves in the first place a realisation of the difference between labourism and social democracy and the inadequacy of the former and necessity of the latter within a new ideological construct. The intellectual critique and re-building of labour's agency should begin with this kind of analysis.

Labourism and social democracy

Most labour movements in the advanced West became increasingly dominated by a labourist outlook and agenda after the heady days of the late 1940s–1960s. Indeed, labourist ideology was a significant element from the beginning of the workers' movement in the late 19th century, competing with evolutionary and radical socialism and revolutionary communism.⁶ Is labourism entirely different from social democracy and socialism or does it share some characteristics with them? As Maddox and Battin (1991) have argued, throughout much of the 20th century, there were several streams running through Australian Labor Party ideology, including a socialist stream, which was at one time distinctive and energising within a collection of other streams – labourist, nationalist, social liberal, secular humanist, religious and, more recently, feminist and environmentalist. The discontinuity within this braided river came at the point when the socialist stream seemed to dry up – sometime in the 1980s under the impacts of globalisation and neo-liberal ideology.

Labourism, which is essentially the defensive ideology and practice of organised labour that focuses almost exclusively on gaining a larger income share for employed labour through workplace struggles against capitalists, mostly ignores wider issues of egalitarian citizenship, social organisation, social welfare, social equality and social

justice.⁷ But to the limited extent that labourism does have these wider perspectives, it has a progressive tendency, which could be seen as supportive of socio-economic transformation under certain circumstances. Key elements of labourist programmes could and did, at specific historical conjunctures, ameliorate capitalism's self-destructive mechanisms. A labour movement with a dominant labourist ideology did have some capacity to be the counter-hegemonic force as envisaged by the Polanyian and post-Keynesian understanding of the role of labour within capitalism.

Indeed, the Australian union and political labour movement throughout much of the 20th century could be understood as attempting at various times (with differing levels of success) to de-commodify labour in a partial manner via the quasi-judicial system of labour market regulation, which acted as a countervailing force to the complete freedom of capital in the labour market. The 'historic compromise' between labour and capital, or 'the Australian Settlement', established in the 1904–1914 era sought and partially achieved a kind of 'civilised capitalism' that would build a harmonious society in which the (white) working class based on the male breadwinner would gain a 'fair' share of national income via labourist redistribution, industrial and employment protectionism and important social welfare measures. It would be incorrect to depict this labourist-protectionist regime (Lloyd, 2002), which persisted in modified form until the 1970s, as one that operated uniformly and always in the interests of labour as a class. Nevertheless, the centralised industrial relations system and employment protections operated to ameliorate the destructive social tendencies of the capitalist system, and during the post-war decades, in common with most similar Western countries, the income shares of labour and capital moved in the interests of labour, as shown cogently by Piketty (2014). That tendency has decisively reversed from the 1980s.

The irony is that trade union leaders in Australia have mostly moved in an opposite (capitalist) direction since the early 1990s, especially regarding sectoral/enterprise wage determination. The consequence of adopting this labourist consciousness is that labour in Australia has not been able to develop an advanced welfare state in the post-war era to match those of northern Europe, despite long periods in government in the period from 1983.⁸ That is, the competitive market mechanism has been accepted as the only or prime terrain on which to struggle. But applying Polanyi's double movement hypothesis, if labour is actually to improve its social, welfare and democratic position as a class, it is clear that neither the wages:profit ratio nor the deployment of labour should be determined solely by market principles.

Unfortunately, labourist leaders in Australia have settled for higher nominal wages within the capitalist system of production, using capitalist instruments, rather than building a regime of production around the central principles of de-commodifying labour as much as possible, extending social welfare, and achieving full employment.⁹ This unconscious anti-Polanyian feature of labourism is linked to the classical notion of 'freedom' that organised labour believes it possesses, which includes the following aspects:

1. Freedom to withhold labour power in the pursuit of gaining a rise in the wage rate;
2. Freedom to withhold labour power in the pursuit of gaining better employment conditions;

3. Freedom either to accept or reject certain types of employment;
4. Freedom either to accept or reject an employer;
5. Freedom either to accept or reject leisure trade-offs.

Esping-Andersen (1990: 37) argues that Marx and Polanyi have shown all too well that without full employment these 'freedoms' operate behind the metaphorical prison wall and are, therefore, fictitious. Accordingly, the *illusion* of these freedoms helps to explain why organised labour more often than not develops trade union consciousness at the expense of more fully matured class-based awareness.

Of course, a case can be made that the working-class movements and cross-class corporatist compromises of Nordic countries in the post-war decades and the quasi-corporatist Australian Prices and Incomes Accord between organised labour and the ALP from 1983 to 1993 were attempts to build solidaristic wage policies in which unions would forgo potential negative intra-class effects associated with wage determination outcomes at the enterprise or industry level and there were compensatory 'social wage' improvements. But even then, not all unions agreed with this social democratic agenda for it undermined their labourist outlook. The social democratic point was appreciated and developed by Frank Stilwell who argued for deepening and broadening the incomes policy (Stilwell, 1986: 123–147) as a recommitment to radicalising the then existing political economy.

This point was also appreciated by certain members of the Australian Council of Trade Unions (ACTU) and the Trade Development Council following a 1986 study tour of Western Europe. The report emanating from this tour, *Australia Reconstructed* (AR), was a coherent and somewhat far-reaching document that attempted to grapple with the macroeconomic structural inadequacies that beset the Australian economy. It was a report that unashamedly argued for a more interventionist approach not only to wages, prices and incomes, but also to trade and industry policy, investment and industrial democracy. The assumptions and policy recommendations of the report can broadly be classified as post-Keynesian. Of most significance, the report articulated how an interventionist strategy can be linked to a macroeconomic transformative programme, one leading from liberal capitalism to social democracy (Jones, 1997). In hindsight, AR was perhaps the final moment of social democratic consciousness among labour leaders in Australia. By 1991, the ACTU/ALP Accord was sustaining a neo-liberal 'revolution' of labourist enterprise bargaining.

Organised labour's relationship with capitalist instruments

By 1991, Australian organised labour had in effect adopted an (irrational) capitalist strategy of market competition. As Michal Kalecki (1943) pointed out, capital's bemoaning of the loss of profits through economic recessions was a normal and rational response. What was illogical, he argued, was capital's insatiable desire to sacrifice advanced capital accumulation and full employment in order to retain discipline over labour. Applying Kaleckian logic, it can be seen that organised labour, too, though for different reasons, has acted irrationally. This irrationality originates from labour's counter-productive embrace of capitalist instruments as a means to achieving its own objectives. The use of industrial disputation as an instrument to extract a higher wages:profit ratio has been, and

continues to be, a central function of organised labour. The critical point is that wage-centric radicalism at the enterprise level does not drive social or political change in a counter-hegemonic direction.

For those on the social democratic left, therefore, the distribution of income should be anchored by an institutionally determined 'living wage' that both usurps and stymies existing market mechanisms and at the same time operates as a countervailing force. In early 20th-century Australia, a gendered version of the living wage concept did hold sway as part of a wider regime of labourist-protectionism that was aimed at harmonising society and ameliorating (or 'civilising') capitalism. The Harvester Judgement of 1907, the industrial relations system that stemmed from subsequent decisions and legislation and later the early Accord of the 1980s, all reflected the political economy of their times. All these episodes expressed social agency under specific circumstances. Progressive collective agents must again seek for (gender and racially equitable and environmentally sustainable) openings within the seemingly hegemonic world of global capital.

The failure to meet the Polanyian task of operating as a countervailing force is not just an Australian phenomenon as trade unions elsewhere have continued to grapple with their 'reason for being'. As compliant partners with capital, they have failed in their fundamental counter-hegemonic mission (Ramsay and Battin, 2005). Some unions in Australia have even failed to protect workplace conditions and wages in terms of the national award safety net, in the low paid service sector, through collusion with large employers (Schneiders et al., 2016).

Why have labour leaders been unable to think and organise counter-hegemonically in recent decades? There are three main factors: structural economic shifts, ideological capture and institutional capture. Structurally, globalisation and de-industrialisation have greatly eroded the traditional Fordist industrial organisational basis of Western labour, and recruitment among new (often precarious) occupations has proven difficult. Ideologically, the leaders of labour have been co-opted (à la Gramscian hegemony) into seeing neo-liberal thinking as the only legitimate framing of the Western condition. Institutionally, they have been co-opted into the career structures offered by the labour union and party (and sometimes capitalist) bureaucracies.

But this argument seems to treat all Western labour leaders as capitalist dupes. Critical re-thinking among labour leaders has occurred, most recently by Ayres (2017). Strategies are being developed for re-building membership, reaching out to wider community groups, and articulating the construction of a social investment state that re-builds welfare and inclusion among many groups. Fairbrother (2015: 572) sees union renewal as depending on a re-articulation of progressive purpose, including policy engagement in fields such as transition to a low carbon economy, formulation of industrial policy and participation in transnational governance. Barnes and Balnave (2015) describe a new Australian approach to alliance-building between peak union bodies and grass-roots community campaigning groups.

There is space for just one example of the capacity for democratic re-building of social infrastructure. Funding of such infrastructure through pension fund savings is one component of a more social democratic strategy for promoting employment and social welfare. In the face of government failure to invest in social infrastructure based on timidity about society's 'willingness to pay' via higher taxation and public budget

allocation, it is worker's funds (superannuation) that could provide a key to domestic demand stimulation and employment via infrastructure expenditure (Ramsay and Lloyd, 2010). Despite most of organised labour's difficulty in understanding or acknowledging the important role of social infrastructure investment in the amelioration 'mission', some industry superannuation funds have in fact been moving in this direction. According to Industry Super Australia, industry superannuation funds have around AUD20 billion directly invested in Australian airports, railway stations, electricity generators, gas pipelines, water treatment plants, roads, shopping centres, schools, aged care facilities, hospitals and courts (Mace, 2016). The industry superannuation fund HESTA has also announced a AUD6.7 million investment in community housing (Cranston, 2016).

While such increased investment in domestic infrastructure is to be applauded, it is certainly insufficient given that Australia's infrastructure deficit continues to grow at AUD20 billion per annum and in New South Wales alone the waiting list for public housing is approximately 59,000 (Social Ventures Australia (SVA), 2016). In any event, however, it seems clear that this increase in infrastructure investment has not come about mainly because of organised labour's explicit desire to break out of the neo-liberal/demand constrained/unemployment nexus, but rather is partly a response to the continuing volatility of international equity markets. Nevertheless, under pressure from members, some industry superannuation funds are slowly developing ethical and environmentally responsible investment approaches, including interrogation of employment practices in the global supply chains of the companies in which they hold shares (e.g. Unisuper, 2017).

Conclusion

We have argued that, as Streeck has asserted, organised labour has indeed largely been co-opted into the neo-liberal regime and no longer acts significantly as a countervailing force against capitalist ultra-commodification. The degree to which organised labour could again fulfil that role is open to question *but not predetermined*. If labour does not fulfil this role, other forces will seek to do so. While labour, historically, has been the main countervailing force, certain liberal and religious interests and more recently gender activists and environmentalists have also played a progressive role. What future other significant forces there will be is not entirely clear but perhaps they will include various social movements, non-government organisations and greens. New kinds of 'grassroots' left populist movements such as Syriza, Podemos and Left Bloc have developed.

Nevertheless, if organised labour, with its potential for class redistribution of welfare and power, is unable to revive and activate new membership among the large new categories of service workers, and more or less vacates the field, then less democratic, less secular, less civil, less universalistic forces could occupy the space in many places that are adversely affected by the failures of global capitalism. The fundamental significance of the social agency of work in all its forms (even if precarious) has not disappeared with globalisation, de-industrialisation and ultra-modernity. Organisations of labour have an essential role to play in the emerging broadly progressive vision. This vision goes well beyond a narrow workplace capitalistic orientation and seeks to combine all progressive forces into

a new powerful, counter-hegemonic force centred on a social investment regime for full employment, redistributive democratic control, social equality and global worker solidarity. Political activism is required that has the same passion, charisma and leadership as exhibited by the new Populist right, and takes heart from the potential for international mobilisation demonstrated in the first day of opposition to Trump, building leadership in radical yet rational criticism of the market fundamentalism that has blighted so many lives.

Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

Notes

1. Serge Halimi's comment on the current situation is apt:

In such a situation, it is tempting to take risks, rather than leave the initiative and advantage to your worst enemies. Terrorism and war may maintain a semblance of national cohesion, but declining social status and a diminishing future will not sit comfortably with political stability for long. This is what the new figures on the left [Corbyn, Sanders, Iglesias, et al] express. Their stride is assured, their destination uncertain. But historical tipping points are the moment to act rather than submit, to move rather than wait. (Halimi, 2016)

2. Union density is, however, only one indicator of union reach. In countries such as France, the decline to 8% density needs to be understood in the context of 92% bargaining coverage and unions' strong capacity to mobilise non-members (Bernaciak et al., 2014: 8). See these authors and also *The Economic and Labour Relations Review* 26(4) for an analysis of the potential for union renewal.
3. There is not the space here to enlarge on the global commodity chain theory or the significance of neo-Ricardian and imperialist rent analyses of exploitation and inequality that are highly pertinent to the place of labour today in global political economy (see, for example, Bieler, 2012; Bieler and Morton, 2014; Lees, 2013; Selwyn, 2015a, 2015b).
4. The most recent data show a calamitous decline in wages and, therefore, consumption across the Organisation for Economic Co-operation and Development (OECD), including in 'recession-proof' Australia (Jacobs and Rush, 2015).
5. Some recent criticisms of Polanyi have sought to argue that his conceptions of the nature of capitalism and of the countervailing forces within it were undeveloped or even incoherent, especially when compared with Marxist theory, and as the 20th century wore on, his conceptions became less relevant (see Block and Sommers, 2014; England, 2015/16; Selwyn and Miyamura, 2014). Our defence of Polanyi is of a somewhat different order for we are not concerned with the precise capacity of his theory to identify the mechanisms of how labour would overcome the predatory power of rampant capitalism and its constant 'border crossings' into and colonisation of democratic, non-marketised society (à la Streeckian theory). Rather, it is his general conception, articulated above, of the *necessity* of counter-hegemonic forces, particularly labour, to oppose capitalism if society is not to collapse into a chaotic and ruinous state. This is not an essentialist or teleological argument if specified as a progressive conception of social integration and analysis of the contradictory nature of the capitalist historical trajectory towards complete commodification.

6. The early electoral success of the Australian Labor Party was the most developed in the early 20th century, owing, among other things, to the early development of de facto parliamentary democracy, which is perhaps one key to understanding its relative lack of socialist radicalism because democratisation was not a problem, unlike elsewhere.
7. For discussions of labourism, see Irving (1994).
8. The reasons for this failure are complicated and are the subject of an extensive literature, much of it revolving around the argument of Francis Castles about the peculiar nature of the 'fourth world' of Australia's 'wage-earners welfare state' that arose out of and perpetuated the peculiar conditions of early federal politics. See discussions in Castles (1994, 1996), Murphy (2011), Deeming (2013) and Lloyd and Battin (2017, forthcoming). Nevertheless, it would be wrong to argue that all Labor governments were completely constrained by labourist ideology, expectations and institutions, as we argue below.
9. This implies interventionist fiscal and monetary expansion and socialised investment. The structural scope for this is considerable given that Australia has one of the smallest public sectors and one of the least developed welfare systems of OECD countries.

References

- Ayres T (2017) 'Death tax grants would give young Australians a future', union secretary says. *Sydney Morning Herald*, February 8. Available at: <http://www.smh.com.au/nsw/death-tax-grants-would-give-young-australians-a-future-union-secretary-says-20170207-gu7eda.html> (accessed 2 February 2017).
- Barnes A and Balnave N (2015) Back to grass roots: peak union councils and community campaigning. *Economic and Labour Relations Review* 26(4): 577–595.
- Bernaciak M, Gumbrell-McCormick R and Hyman R (2014) *European trade unionism: from crisis to renewal?* Report 133. Brussels: European Trade Union Institute. Available at: <http://www.etui.org/Publications2/Reports/European-trade-unionism-from-crisis-to-renewal> (accessed 21 January 2017).
- Bielier A (2012) Workers of the world, unite? Globalisation and the quest for transnational solidarity. *Globalizations* 9(3): 365–378.
- Bielier A and Morton AD (2014) Uneven and combined development and unequal exchange: the second wind of neoliberal 'free trade'. *Globalizations* 11(1): 35–45.
- Block F and Sommers M (2014) *The Power of Market Fundamentalism: Karl Polanyi's Critique*. Cambridge, MA: Harvard University Press.
- Bowles S (2016) *The Moral Economy: Why Good Incentives Are No Substitute for Good Citizens*. New Haven, CT: Yale University Press.
- Bowles S and Gintis H (2011) *A Cooperative Species: Human Reciprocity and Its Evolution*. Princeton, NJ: Princeton University Press.
- Castles F (1994) The wage earners' welfare state revisited. *Australian Journal of Social Issues* 29(2): 120–145.
- Castles F (1996) Needs-based strategies of social protection in Australia and New Zealand. In: Esping-Andersen G (ed.) *Welfare States in Transition: National Adaptations in Global Economies*. London: SAGE, pp. 88–115.
- Cranston M (2016) Super fund HESTA invests in Queensland social housing. *Australian Financial Review*, 13 January. Available at: <http://www.afr.com/real-estate/superfund-hesta-invests-in-queensland-social-housing-20160112-gm4o18> (accessed 21 January 2017).
- Crouch C (2011) *The Strange Non-Death of Neo-Liberalism*. Cambridge: Polity Press.
- Deeming C (2013) The working class and welfare: Francis G Castles on the political development of the welfare state in Australia and New Zealand thirty years on. *Social Policy and Administration* 47(6): 668–691.

- Dow G (2016) Wolfgang Streeck's conception of the crisis phase of democratic politics: a post-Keynesian critique. *Australian Journal of Political Science* 51(2): 255–271.
- England C (2015/16) The limits of transformation: contemporary applications of Karl Polanyi. *Journal of Australian Political Economy* 76: 29–53.
- Esping-Andersen G (1990) *The Three Worlds of Welfare Capitalism*. Cambridge: Polity Press.
- Fairbrother P (2015) Rethinking trade unionism: union renewal as transition. *The Economic and Labour Relations Review* 26(4): 561–576.
- Habermas J (2016) For a democratic polarisation: how to pull the ground from under right-wing populism. *Social Europe*, 17 November. Available at: <https://www.socialeurope.eu/2016/11/democratic-polarisation-pull-ground-right-wing-populism/> (accessed 22 January 2017).
- Halimi S (2016) Rebirth of the real left (English Edition). *Le Monde Diplomatique*, 2 March. Available at: <http://mondediplo.com/2016/03/01left> (accessed 21 January 2017).
- Higgins W and Dow G (2013) *Politics Against Pessimism: Social Democratic Possibilities since Ernst Wigforss*. Bern: Peter Lang.
- Humphrys E and Cahill D (2016) How labour made neoliberalism. *Critical Sociology*. Available at: <http://journals.sagepub.com/doi/abs/10.1177/0896920516655859> (accessed 21 January 2017).
- Irving T (1994) Labourism: a political genealogy. *Labour History – A Journal of Labour and Social History* 66: 1–13.
- Jacobs D and Rush A (2015) Why is wage growth so low? *Reserve Bank of Australia Bulletin*, June, pp. 9–18.
- Jones E (1997) Background to Australia reconstructed. *Journal of Australian Political Economy* 39: 17–38.
- Kalecki M (1943) Political aspects of full employment. *Political Quarterly* 14(4): 322–331.
- Kelly J (2015) Trade union membership and power in comparative perspective. *Economic and Labour Relations Review* 26(4): 526–544.
- Lees N (2013) Structural inequality, quasi-rents and the democratic peace: a neo-Ricardian analysis of international order. *Millennium: Journal of International Studies* 41(3): 491–515.
- Lloyd C (2002) Regime change in Australian capitalism: towards a historical political economy of regulation. *Australian Economic History Review* 42(3): 238–266.
- Lloyd C and Battin T (2017, forthcoming) Reinforcements for the wage-earners welfare state? The effect of world wars on Australia's model of welfare. In: Petersen K and Obinger H (eds) *Warfare and the Welfare State*. Oxford: Oxford University Press.
- Mace J (2016) Infrastructure assets: why your super fund loves it when you fly. *SuperGuide*, 13 September. Available at: <https://www.superguide.com.au> (accessed 21 January 2017).
- Maddox G and Battin T (1991) Australian labor and the socialist tradition. *Australian Journal of Political Science* 26(2): 181–196.
- Murphy J (2011) *A Decent Provision: Australian Welfare Policy, 1870–1949*. Surrey: Ashgate.
- Piketty T (2014) *Capital in the 21st Century*. Cambridge, MA: Belknap Press, Harvard University.
- Polanyi K (1944) *The Great Transformation*. Boston, MA: Beacon Press.
- Przybyla HM and Schouten F (2017) At 2.6 million strong, women's Marches crush expectations. *USA Today*, 22 January. Available at: <http://www.usatoday.com/story/news/politics/2017/01/21/womens-march-aims-start-movement-trump-inauguration/96864158/> (accessed 22 January 2017).
- Ramsay T and Battin T (2005) Labor party ideology in the early 1990s: working nation and paths not taken. *Journal of Economic and Social Policy* 9(2): 143–160.
- Ramsay T and Lloyd C (2010) Infrastructure investment for full employment: a social democratic program of funds regulation. *Journal of Australian Political Economy* 65: 59–87.

- Reeves WP (1902) *State Experiments in Australia and New Zealand*. London: George Allen & Unwin.
- Schneiders B, Toscano N and Millar R (2016) Sold out: quarter of a million workers underpaid in union deals. *Sydney Morning Herald*, 13 August. Available at: <http://www.smh.com.au/business/workplace-relations/sold-out-quarter-of-a-million-workers-underpaid-in-union-deals-20160830-gr4f68.html> (accessed 21 January 2017).
- Selwyn B (2015a) Commodity chains, creative destruction and global inequality: a class analysis. *Journal of Economic Geography* 15(2): 253–274.
- Selwyn B (2015b) Twenty-first-century international political economy: a class-relational perspective. *European Journal of International Relations* 21(3): 513–537.
- Selwyn B and Miyamura S (2014) Class struggle or embedded markets? Marx, Polanyi and the meanings and possibilities of social transformation. *New Political Economy* 19(5): 639–661.
- Social Ventures Australia (SVA) (2016) Investment: housing: investments. Available at: <http://www.socialventures.com.au/investment/housing-investments/> (accessed 22 January 2017).
- Stiglitz J (2012) *The Price of Inequality*. New York: W.W. Norton.
- Stilwell F (1986) *The Accord and Beyond*. Sydney, NSW, Australia: Pluto Press.
- Streeck W (2016) *How Will Capitalism End? Essays on a Failing System*. London: Verso.
- Tooze A (2017) A general logic of crisis. *London Review of Books* 35(1): 3–8.
- Unisuper (2017) Our sustainable and environmental options. Available at: <https://www.unisuper.com.au/investments/responsible-investing/our-sustainable-and-environmental-options> (accessed 22 January 2017).

Author biographies

Christopher Lloyd is Guest Professor in the Finnish Centre of Excellence in Historical Research, Tampere University, Finland; Adjunct Professor in Social Science History, Helsinki University, Finland and Emeritus Professor of Economic History, University of New England, Armidale. His current research interests include the comparative history of the transition from fragmented to peaceful societies and the history of social democratic welfare capitalism.

Tony Ramsay is Lecturer in the UNE Business School, University of New England, Armidale. His current research interests include post-Keynesian analysis of Australian political economy and the role of organised labour relations in capitalist transformations.