Capital in Crisis: Implications for Labour and Society
Youth Unemployment in the Illawarra: A Regional Crisis?

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Abstract

This paper explores the crisis of youth unemployment in the Illawarra and its relationship to neo-liberal strategies and goals. It discusses the profound structural problems in the Illawarra economy. These include the lack of jobs and poor wages for young people. Through an analysis of ABS Census and Labour Force data, the paper highlights how young people are over-represented in part-time rather than full-time employment. Sales, technical and trade, and community service occupations form the core employment opportunities for young people. These occupations generally suffer from poor wages and conditions. In conclusion, the paper argues the structural failures in the regions economy must be addressed. Without this, youth unemployment will continue at crisis levels regardless of the economic cycle, and exacerbate rather than decline in the medium to long-term.
Youth Unemployment in the Illawarra: A Regional Crisis?

Introduction
In the last two decades, youth unemployment in the Illawarra has been in crisis as the region has restructured, deregulated and privatised its core macro-economic institutions. A recent ABC documentary ‘Four Corners’ entitled ‘The New Wave’ highlighted the problems of unemployment. It illustrated the difficulty in finding work in a region of heavy labour market fluctuation and manufacturing decline (see also Shultz 1985; Kelly 1989; Morrisey et al. 1992; Cheshire and Lawrence 2005; Pomfret et al. 2008, pp. 24-25). Most importantly, it discussed the social consequences of unemployment with crime, family breakdown, and the self-defeating effect of inter-generational unemployment just some of the problems affecting young people (O’Neill & Sweetmen 1998; Bryce et al. 2007; ABC 2009).

This paper is about the social consequences of youth unemployment in a restructured, neo-liberal economy. It has two objectives. After outlining some of the dimensions of youth unemployment, it argues that the problem of youth unemployment is structural, and forms part of the ‘crisis’ caused by neo-liberal strategies and goals of labour market and welfare deregulation. Secondly, it provides an analysis of youth unemployment in the Illawarra through an overview of ABS Census and Labour Force data.

Youth Unemployment in the Illawarra: An Overview
One of the main concerns for the region, particularly since the onset of the current crisis has been the dire projections for economic decline and unemployment. While the national unemployment rate increased between December 2008 and May 2009 from 4.4% to 5.7%, the unemployment rate for the Illawarra region also rose, an effect of the global financial crisis. In the 12 months to May 2009, the Illawarra regions unemployment rate moved from 7.4% to 9.6%, with job losses felt across the region (ABS Labour Force 2009; Illawarra Mercury 2009).

While the region has generally fared well in its employment prospects during the boom, it has remained well above the NSW and national unemployment rate for many years, with high and long-term unemployment problems among young people. Youth unemployment rates are tightly tied to movements in the adult unemployment rate but fluctuate quite significantly.

In the current climate of crisis, unemployment among young people will rise to levels not seen since the recession of the 1980’s. Before the current downturn unemployment among young people was already at ‘crisis’ levels at an average of over 22% in the 12 months to December 2007 (ABS 2007; Pomfret et al. 2008, p. 12).

While some have argued that in periods of recession, young people appear to lack the skills, credentials and experience for fewer job vacancies (Clarke and Summers 1982 citied in Biddle and Burgess 1999, p. 87), recent research has shown that in the Illawarra, youth unemployment has been in permanent ‘crisis’ (Stubbs 1999; Pomfret et al. 2008). As the following table illustrates, youth unemployment rates have fluctuated very rapidly during the years of growth in the Illawarra.
In December 1998, the youth unemployment rate stood at 22% some 13% higher compared to the adult unemployment rate. While the youth unemployment rate dropped to 11% in December 2000, it rose rapidly in the ensuing years to a high of 19% in May 2002. It then dropped again but has risen in the years since December 2004, with the latest figures climbing higher than 17% in December 2007 (ABS (2007)).

**Job Creation**

There has been the decline in full-time job opportunities for 15-24 year olds over the past 10-15 years. According to the Dusseldorp Skills Forum (2003), since 1995 there has been a 6.9% decrease in the number of full-time jobs available to teenagers and a 15.2% drop for young adults. Borland and Wilkins (1997) suggest that this trend is evidence of an increase in demand for more highly skilled workers amongst employers seeking full-time employees. As the graph shows, in the period 1996-2006 there has been a 10% decrease in the percentage of available full-time work for young people and an increase in part-time work of 8%.

In June 1996, 67% of the Wollongong Statistical District resident workforce was employed full-time, declining to 61% in 2006. Conversely 31.9% of the region’s workforce is engaged in part-time work, compared to 27% a decade earlier (IRIS Research 2008, p. 9). In the period of 1996-2006, there was a 10.3% job growth in the Wollongong Statistical District. This compares to 18.8% in the Newcastle Statistical District. There has simply not been enough job growth in the boom, to create the opportunities for young people (Pomfret et al. 2008).

Table 1: Job Growth for Wollongong, Newcastle, NSW and Australia (1996, 2001, 2006)

<table>
<thead>
<tr>
<th>Year</th>
<th>Jobs (Wollongong Statistical District)</th>
<th>Jobs (Newcastle Statistical District)</th>
<th>Jobs (NSW)</th>
<th>Jobs (Australia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>78,651</td>
<td>153,180</td>
<td>2,563,315</td>
<td>7,636,319</td>
</tr>
<tr>
<td>2001</td>
<td>81,107</td>
<td>163,555</td>
<td>2,734,553</td>
<td>8,232,803</td>
</tr>
<tr>
<td>2006</td>
<td>86,715</td>
<td>181,971</td>
<td>2,909,445</td>
<td>104,184</td>
</tr>
<tr>
<td>Change 96-01 (%)</td>
<td>3.1</td>
<td>6.8</td>
<td>6.7</td>
<td>7.8</td>
</tr>
<tr>
<td>Change 01-06 (%)</td>
<td>6.9</td>
<td>11.3</td>
<td>6.4</td>
<td>10.6</td>
</tr>
<tr>
<td>Change 96-06 (%)</td>
<td>10.3</td>
<td>18.8</td>
<td>13.5</td>
<td>19.2</td>
</tr>
</tbody>
</table>

Source: ABS (2008); Pomfret et al. (2008)
The decline in full-time job opportunities has resulted in a significant shift in the composition of youth employment. The result of this shift in demand has been that many young people are left with no option but to take casual or part-time positions. Australian Bureau of Statistics Labour Force data (Catalogue 6203.0) reveals that in 1978 less than 20% of teenage workers were engaged in part time employment. Twenty years later, that figure had risen to more than 60%, while in June 2007 it passed the two-thirds mark. The increase over the same thirty year period for 20-24 year olds has been from less than 10% to just over 30%. Wooden (1996, p. 145) noted that incidence of part-time employment rose to over nine times the 1966 level for teenagers, compared to just a four-fold increase for older workers.

The lack of work has pushed young people into involuntarily part-time or casual employment (Wooden 1996, p. 145). For some young people, this trend toward part-time and casual work has deeper implications for longer term career prospects. Some young people in part-time or casual work fail to learn additional skills or gain adequate experience, which in turn increases the risk that they will find it difficult to gain full-time employment in the future (Muir et al. 2003, p. 4). According to Lewis and McLean (1998, p. 160), diminishing job opportunities for teenagers have a ‘discouraged worker effect’ that sees some teenagers who would like to leave school and get a full-time job staying on at school in the face of a weak labour market. Worse still, a small proportion of marginalized teenagers abandon the labour force and study altogether.

**Youth Wages**

Young people in the Illawarra generally suffer from poor wages and pay. This is primarily a result of the heavy concentrations of young people in the services sector and the relative wage levels of the adult population in the region. For the Wollongong Statistical District, individual earnings are below those of NSW overall.

The estimated median individual income for all occupations in the WSD was $702, $46 lower than the NSW median. The difference in incomes, consistent across most of the occupation groups, is most likely due to the much higher wages paid to workers in Sydney, which would drive up the median incomes for the state as a whole. For the vast majority of young people, low wages are the norm rather than the exception. Low skilled jobs such as ‘Sales workers’ and ‘Labourers’ earn the lowest earnings, with median earnings of $370 and $469 per week (IRIS Research 2008: 20). As the figure below illustrates, young people are highly represented in the ‘technical and trade’, ‘community and personal service’, and ‘sales’ sectors.
A number of other factors influence youth wages including periods of unemployment leading to relatively lower hours and pay (Gray 2000). In 1998, the Productivity Commission’s report on youth wages and employment found that youth unemployment was linked to relative wage levels and that there was a significant negative relationship between youth employment and youth wages. As Daly et al. (1998, pp. 67-68) argue,

“The best estimates suggest that a 1 per cent increase in youth wages would lead to a decrease in youth employment of between 2 and 5 per cent in industries employing a relatively high proportion of young persons”

While this may be factually accurate, keeping youth wages low to avoid a fall in employment opportunities cannot be an acceptable social policy. With the heavy concentrations of young people employed in the retail sector in the Illawarra, neo-liberal reforms have successfully wedded young people to poor wages and pay, part-time employment, as well as high unemployment and underemployment (Lewis and Mclean 1998).

**Impact of Neo-liberalism on Employment and Work**

One of the underlying causes of high and long-term youth unemployment in the region is the changing nature of work. Neo-liberalism in its various guises has impacted significantly on the local labour market causing the structure of employment to become increasingly destandardised, fragmented and deregulated (Watson 2003, pp. 67-68).

As the region has suffered significant service withdrawal and private disinvestment, unemployment has risen (Hay 2004a; Cheshire and Lawrence 2005, p. 437). For young people who are unemployed, neo-liberalism has emphasised supply-side programs and
policies such as welfare-to-work and work-for-the-dole schemes rather than addressing the structural economic demand-side problems in the region such as a lack of available jobs and poor youth wages.

Goodman (1999, p. 34) argues public money is not spent on creating jobs or on providing a basic income, but on obtaining ‘placements’ from recruitment agencies. Recent reforms he argues, do not generate employment like investment in public works, in social infrastructure or in environmental regeneration but rather direct public spending into labour intensive schemes or even into income support. The ‘fees’ paid out by government to create jobs, flow to private intermediaries (an integral part of the Job Network), not employment providers. The impact on the composition of young people who became resigned to few employment prospects has been devastating (Stubbs 1999; Pomfret et al. 2008). As McNally (2008, p. 8) argues,

“Wage compression – which is a key component of the increase in the rate of surplus value in the neo-liberal period – was accomplished by way of social and spatial reorganisation of labour markets and production processes. This involved sharp cuts to real wages brought about by union-busting, two-tiered wage systems, and reductions in non-wage social benefits, such as healthcare, food and fuel subsidies, pensions and social assistance programs.”

Conclusion
This paper has examined some of the ‘structural’ problems inherent in the Illawarra economy with a focus on young people who are unemployed. With the advent of the current crisis, youth unemployment will become worse in the foreseeable future as the adult unemployment rate rises, and greater job losses across the region occur. Aside from the real difficulties already present in the Illawarra economy, given the ongoing problems of job creation and youth wages, young people will continue to experience an extremely fragmented, deregulated labour market. This is a structural problem that will remain for the foreseeable future despite any macro-economic changes that would constitute an ‘economic recovery’.

References


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Capital in Trouble
Drew Cottle and Oliver Villar

There is great disorder under capital’s celestial canopy. Unlike the previous economic crises of the past two decades which have occurred in Asia, Russia, Mexico and Argentina, the present crisis of capital occurred at its centre: the United States of America. The financial crisis gripping the American heartland may indicate both the end of a global neo-liberal hegemony and the beginning of the end of the United States as the dominant imperial power. The financial crisis cannot be limited to massive bad loans, burst speculative bubbles or the virtual collapse of key banking and investment institutions in the United States and Europe. Despite the gargantuan bailouts by Washington of the bankrupted and collapsing financial masters of the universe, Goldman Sachs, JP Morgan, Chase, Morgan Stanley, Bear Stearns, Lehman Brothers, Merrill Lynch, and American International Group, the crisis of capital shows no definite signs of abating, despite the predictions that it can be contained, or that its duration will be brief, or miraculously, that the market free of state intervention will correct itself. The present crisis has American origins and its repercussions will be and are global. It may lead to protracted economic stagnation and a world-wide depression as other global crises in food, energy and the environment unfold.

Before examining the background and dynamics of the present unprecedented crisis of capital, it must be stressed that such crises are both unavoidable and essential to the law of motion of capital. Capitalism’s resilience requires the elimination of over-accumulation so that the system can run its course anew. Such a process creates a
fundamental contradiction. It paves the way for more extensive and destructive crises and diminishes the means whereby crises are prevented (Communist Manifesto). The trajectory of this progression depends upon the specific features and the severity of the contemporary crisis as well as other economic and political factors. The global struggle of capital is ceaseless. The last major system failure of capital was the Great Depression of the 1930s. It was the harbinger of international fascism and imperialist war. The resolution of the contemporary crisis of capital is unknown as is its trajectory. Whether it proves to be epochal like the Great Depression may only be judged in hindsight. With these considerations in mind, we may begin to analyse the dynamics of the current crisis.

Although the totally unregulated practices of Wall Street’s financial institutions precipitated a monumental collapse of credit, the raising of loans and corporate bankruptcies, these problems could not be contained. Money capital was entirely separated from productive capital. Speculation in the sub-prime mortgage market and derivatives became the driving force of economic adventurism. Because US-led finance has a dominant role in shaping the global capitalist order, the repercussions of the financial collapse on Wall Street were international in dimension. The ferocity, speed and spread of the Wall Street crisis prefigured a systemic failure of capital. Unlike previous debt and financial crises of the past quarter century, this crisis exploded in the US, the world’s leading capitalist economy and to date remains focused on major bank failures in Western Europe whose governments are engineering separate bailouts. The Russian stockmarket intermittently suspended operations and Asian financial markets collapsed. The present deepening financial crisis will have unpredictable repercussions on the world capitalist system and the power shifts and rivalries within it. The crisis is the outcome of
the fundamental workings of the capitalist system. The background to the crisis is framed in several key considerations. The first is the relationship between the vast enlargement of the US financial sector, the phenomenon of financialization and the globalization of capitalist production of the past two decades. Central to this dynamic is the relationship between the United States and China. Secondly, through the course of this growth and expansion, severe imbalances have developed between the financial system and the expectation of future profits and the accumulation of capital. That is, the structure, actual production and re-investment based on the exploitation of wage-labour. The third consideration is the enormity of the militarization of the US economy. The final consideration is that the crisis is a concentrated expression of the anarchy of capitalist production at an international level.

Most commentary and analysis of the crisis concentrates on the US financial system. The immediate trigger is seen as the collapse of the speculative real estate market, leading to cascading losses in the financial sector and the incapability of bankrupted financial institutions to raise capital or to lend capital. At a deeper level, the crisis is the outcome of the trajectory of world capitalist growth. A significant feature of the past twenty years has been the integration of the world capitalist economy at the level of trade and production. In the realm of global finance, banks operate across national borders and are tightly interconnected through chains of borrowing and lending. This wave of globalization has involved direct production and financial investments and the expansion of outsourcing and contracting. It has created both the fuller integration of export producing Third World countries into the world capitalist market as a globally-integrated cheap labour manufacturing economy. Over forty per cent of US imports are now made
by US transnationals and thirty per cent of US corporate profits are generated overseas. China has become the high profit sweatshop of international capitalism and the epicentre of this surge of corporate globalization.

Global capitalist growth has been spurred by intensified financialization. As production and exploitation is now globalized in Third World countries through free-trade agreements, the financial services sector in advanced capitalist countries has mushroomed. Massive and mobile flows of investment capital have been continuously generated. The stakes of winning or losing were enormous. Capital was provided risk management through investment banks and other financial institutions to ‘hedge’ against interest rate variations, currency fluctuations and other sources of volatility and loss. Finance capital became a source of short term speculative profit making. Global financial assets increased from $12 trillion in 1980 to $200 trillion in 2007, far outstripping the growth in world output or expansion in trade. Growth in advanced capitalist countries is increasingly finance-led and credit-driven. The US is the nerve-centre of this heightened financialization. In 2007, manufacturing made up just 10 per cent of US Gross Domestic Product (the production of goods and services) while finance, insurance and real estate had grown to twenty-five per cent. Moreover, in 1982 the financial sector of total corporate profits was five per cent. In 2007 its share of corporate profits was nearly forty-five per cent.

These processes of globalization and financialization have created unsustainable imbalances and instabilities. The dynamics which accelerated growth have also generated new barriers to the accumulation of capital. The contradictions of this regulatory trajectory of growth have turned strengths into vulnerabilities. The financial
sector is a bloated deadweight on the productive base. The expansion of corporate debt and government deficits in the US is now reliant upon massive and uninterrupted flows of overseas capital, with the central banks of Japan and China holding huge amounts of US Treasury debt. There are billions of dollars of paper assets in the US and throughout world capitalism which cannot be transferred into real productive material assets. American consumption and borrowing which intensified China’s frantic manufacturing growth also created great US trade deficits and mounting competitive pressures throughout the world economy. Financial institutions attempted to reduce risk and profit from risk by dispersing more varied financial instruments over a broader field of investors internationally. The globalization of production, markets and economies has created the conditions for a faster and more extensive rippling effect of capital’s crisis throughout the world.

A major strategic concern for US corporate capital is the international strength of the US dollar. It is the world’s leading currency for settling transactions, clearing debts and holding foreign exchange reserves. It is an investible commodity. The dollar is the linchpin of US supremacy in the current global order. If foreign central banks and investors abandoned their dollar holdings there exists the possibility of a global monetary crisis, in which rival currencies, such as the Euro of Western Europe, and rival powers of the US could be strengthened. So far the US dollar has held firm. But this period of calm may only prove to be a lull in the crisis of international capital. At present the US has limited manoeuvrability. It remains the largest debtor nation. Its wars for empire in Iraq and Afghanistan (and Pakistan?) have been costly and indecisive. Moreover, US military dominance globally is strategically necessary. According to Kenneth Rogoff, the
former chief of the International Monetary Fund: ‘A large expansion of debt will certainly make it harder for the US to maintain its military dominance which has been one of the lynchpins of the dollar (Kenneth Rogoff, ‘America will need $1,000 billion bailout’, Financial Times, 17 September 2008). US Defence and defence related spending amounted to more than $1,000 trillion in fiscal year 2007-2008 (Chalmers Johnson, ‘Why the US has really gone broke’, mondediplo.com, 5 February 2008). Military-related production and research are deeply embedded in the US economy. The US military plays a special role in forcibly preserving and extending the American empire across the globe. American military dominance and the wars the US is waging are increasingly reliant upon the steady inflow of foreign capital of nearly $3 billion a day. For this to continue, the US economy and the dollar must remain stable. This is the stark contradiction for US imperialism.

The US faces new competitive challenges and the emergence of potential rival constellations of power contending for market shares, control over energy resources and geopolitical position. The international bodies which the US dominates – the International Monetary Fund, World Bank and World Trade Organisation – seem impotent under the current crisis. The available funds of the IMF and World Bank are insignificant compared to the scale of loan requirements. Different countries seek to shore up their domestic economies against the financial storm. The WTO globalisation agenda has few enthusiasts.

The crisis of capital has revealed the acute vulnerability of US imperialism. It continues to preserve and extend its supremacy despite its declining economic strength and a fractured and unstable world financial architecture which for the present is based on
the privileged role of the dollar. This is a period of dynamic flux in the world system of capitalism.

From the collapse of the Soviet bloc a new more integrated geopolitical framework for capital accumulation contributed to accelerated globalization. It was intensified by new technologies and consolidated under the US-led project of neoliberalism which privatised government assets, opened new markets to foreign capital, jettisoned most regulations over international business, cut social welfare and suppressed the rights of labour. The rapid industrialization of world agriculture and the transnational integration of food production have increasingly destroyed traditional agricultural systems throughout the Third World. There has been an unprecedented forced urbanization and pauperisation of huge population movements throughout many Third World countries. More than half the world’s population now live in cities. One billion people inhabit the slums of contemporary Third World cities. Mike Davis describes this new material reality as the ‘planet of slums’ (Mike Davis, Planet of Slums, Verso, London, 2006). Arising in the wake of the implosion of the Soviet Union and globalisation is a reactionary transnational Islamic fundamentalism that is a real and ideological force.

As the crisis of capital continues, these shifts and fault-lines in the world economy become clearer. A new situation and great challenges to global capitalism is emerging in its systemic breakdown. China’s rapid economic rise and power projection into East and Central Asia and other strategic regions of the Third World indicate that American global domination is under challenge. The European Union, with its intrusion into central and eastern Europe and the creation of a monetary zone based on the Euro, poses an
economic challenge to US dollar hegemony. Similarly, an assertive energy-based Russia is reaching out and creating pressure on Western Europe, countering US moves and promoting its own interests in energy rich Central Asia, forming a strategic partnership with China over regions of Eurasia and providing technological assistance and advanced weapons to Iran and Venezuela.

The global crisis of capital grips a world economy where there is an intensifying competition for finite resources especially oil and global ecological stresses may be beyond repair or recovery. Its system failure creates greater shifts and fault-lines in the global economy. The prospects for change, political, economic and ideological, may be profound. The fate of global capital in crisis cannot be predicted only anticipated.
THE INFLATION OF EXECUTIVE REMUNERATION

David Peetz

Abstract

Although growth in executive remuneration maintained parity with average earnings until the mid 1980s, thereafter it has grown at a rate far exceeding that of average earnings or national productivity. Various explanations have been put forward for this divergence, but those which most clearly match the evidence concern power and the institutions of remuneration setting. Executive pay is characterised by 'asymmetric pay pegging', whereby firms seek to benchmark their CEO pay to higher-paying firms, and grant CEOs, with whom corporate decision makers share a social milieu, increasing benefits which also confer status benefits on the firm – in sharp contrast to the distributional pay negotiations which occur with workers. Thus 'everybody knows' that CEOs are overpaid, but firms are unwilling to do anything about it, because to do so would damage internal class relations and firm status. The different methods of pay setting for workers and CEOs reflect core differences in class power and changes in that balance of power during a period of neoliberalism. The paper considers possible policy responses.

Introduction

Executive pay has become a centre of public attention, with widespread concern about the levels of executive remuneration. Across Europe and the US, four fifths of people believe that business leaders in their countries are paid too much (figures range from 75 per cent in France to 77 per cent in Spain, 79 per cent in the USA and Italy, 81 per cent in Britain and 88 per cent in Germany) (Harris Interactive 2009). Similarly, 78 per cent of British adults believed directors are overpaid (Blitz 2003). I have not seen comparable random surveys for Australia, though web surveys (St James Ethics Centre 2003) and public debate (Brisbane Times 2009) suggest similar concern here and a 2004 telephone survey of 400 Australians found only 36 per cent thought bonuses and fees for executives and board members were 'fair and reasonable' (Crosby Textor 2004). This paper considers: first, the growth in executive remuneration since the 1970s; second, the causes of the growing divergence between CEO pay and pay of ordinary employees; and third, some policy implications. It focuses on the level of executive remuneration and does not consider the composition of executive remuneration, except for brief reference to the impact of composition on level.

Relative growth in executive remuneration

Since the mid 1980s executive salaries have been growing faster than average wages. However, this difference in growth rates has not always existed.

Figure 1 shows real indexes of senior executive remuneration (as estimated from Cullen Egan Dell (CED) surveys in December each year from 1971 to 1991), and of average weekly earnings (deflated by the CPI) (1992, p11). It shows that through the 1970s and the first part of the 1980s, senior executive salaries maintained a fairly stable relativity with average weekly earnings. Figure 1 also includes, for later years, a CED series on CEO pay. The series on executive remuneration and average earnings tracked each other fairly closely (other than in 1974, when wage earners gained a significant increase in real earnings, and which established a new relativity that remained fairly stable until 1985). From 1985 the
series started to diverge, with major increases in real executive remuneration despite ongoing moderation in real average earnings in the context of the centralized phase of the prices and incomes Accord.

Figure 2 extends these data to 2008, by splicing CEO pay data from CED with other data. The first set, referring to average CEO cash remuneration (which includes base salary, benefits, allowances and incentive bonuses), come from Mercer Cullen Egan Dell data published by the Parliamentary Library (Kryger 1999). They cover the period from 1991 to 1998. The second set, from the John Egan Associates database, relate to median total remuneration of CEOs in the top 100 companies, and cover the period from June 1998 to June 2008. These latter data have been read from a chart in Egan (2009a). Note that median earnings can be well below average earnings (in 2005, mean earnings amongst the CEOs of the top 25 companies were 43 per cent higher than median CEO earnings (calculated from Nicholas 2006)). The AWE data are average weekly total earnings for full-time employees from 1983 onwards, and average male earnings before then.
Figure 1: Real executive remuneration and average weekly earnings, indexes, Australia, 1971-1991


Figure 2: CEO pay series and AWE, indexes, Australia, 1971-2008

Although the three CEO series relate to slightly different concepts, the picture is very clear and not dependent on how the series are spliced. As we saw in figure 1, while CEO pay maintained a stable relativity to average earnings during the 1970s and early 1980s, growth in CEO pay outstripped growth in real average earnings from the mid 1980s, but the divergence continued through the 1990s and the current decade. The divergence was not an artifact of the restraint exercised by average wage earners during the centralized Accord; it continued through subsequent periods of decentralized bargaining for wage earners as well. The growth in CEO pay, of something around 470 per cent over the period 1971-2008, was nearly nine times the 54 per cent growth in real average weekly earnings over the same period.

The increase in CEO pay is a significant factor explaining the rise in the share of national income going to top income earners over the past two decades (Atkinson & Leigh 2007). This increase in top income shares is a relatively recent phenomenon: from 1920 to the early 1980s, the share of top income earners generally declined (ibid).

**Sources of relative growth**

Several explanations have been offered for the contemporary divergence between growth rates of CEO pay and the pay of ordinary workers.

The 'global labour market' explanation is that, with globalisation, the market for senior executives has also globalised in recent decades, so that Australian firms now have to offer higher remuneration to attract or retain CEOs.

The 'risk' explanation is that executives' jobs are increasingly insecure, and their greater pay reflects the greater risk they will lose their job, and the greater losses they will face if this happens.

The 'tournament theory' explanation is that the market for CEOs is like a tournament, with high rewards for a small number of 'winners'.

The 'complex job' explanation is that the work of CEOs has become relatively more complex in recent years, requiring higher levels of skill than previously. The 'productivity' explanation, related to the this, is that greater CEO skills and hence pay have been necessary to drive improvements in productivity and national prosperity.

The 'profitability' explanation is that shareholder returns and company profits have increased in recent years and the higher remuneration of CEOs simply reflects these greater profits and their contributions to them.

The 'power' explanation is that CEOs hold positions of relative power, similar or related to the power that capital has in elation to labour, and that as power has shifted from labour to capital the capacity of CEOs to extract what conventional economists call 'rents' (Bebchuk & Fried 2004) or others call 'surplus value' has increased.

The 'leapfrog' explanation is that CEOs are able to disturb relativities in CEO pay and then use their occupational power to attempt to reassert those relativities, imparting an upward bias to aggregate CEO pay unrelated to performance. For example, CEOs are able to persuade boards to attempt to pay them above the 'median' CEO salary for reasons of organizational status, and as it is mathematically impossible for most people to be paid above the median, relative CEO remuneration will rise regardless of performance. Remuneration consultants play a crucial role in the 'leapfrog' explanation.

What does evidence suggest?
First, there is evidence that rising executive pay and productivity, in support of the 'productivity' explanation. Indeed, there is good evidence for the reverse. Shields, O'Donnell & O'Brien (2004, 2003) showed that, over the period 1999-2002, the 20 best-performing Australian companies paid their CEOs substantially less than did the 20 worst performing companies. It did not matter if corporate performance was measured by return on equity, share price change, or change in earnings per share, the same pattern held. What is more, the best performing companies increased the pay of their CEOs by only half the amount that the worst performing companies did. The researchers examined the link between CEO pay and performance in different pay bands and concluded that:

the current average pay gap between top 100 CEOs and ordinary employees is at least three times higher than that required to maximise organisational performance. (Shields, et al. 2003)

Less systematic analysis in later years also indicated highly paid CEOs underperformed lower paid CEOs (Trounson 2007) alongside numerous examples of CEO pay rising while their firm's performance deteriorated (eg Steffens 2008, West 2009, Williams 2009). Another earlier Australian study found that CEO pay was only correlated with company performance during boom periods; during soft landing and flat recovery periods there was 'no relationship between corporate performance and executive remuneration', and during recession on one measure there was a negative relationship (Matolcsy 2000). It is possible that there is a ratcheting effect, whereby bonuses boost pay during good times, but base levels are then boosted (or bonuses restructured) to offset the loss of value of bonuses or options schemes in bad times (eg Schwab 2009a)

That said, even if there were a positive (rather than negative) relationship at the micro level between company performance and executive remuneration, this would not in itself indicate that the growth in executive remuneration was due to improving performance. It would be possible for executive remuneration to reflect both micro-level performance differentials and an underlying inflation, redistributing income from elsewhere to CEO remuneration. The relationship between CEO pay and national market sector productivity over the past decade is shown in Figure 3. This compares the movements in the spliced series of real CEO pay (used in Figure 2) with movements in national market sector productivity over the period from 1978. As can be seen, growth in executive remuneration has far outstripped growth in productivity. Over the two decades from 1978, growth in real CEO pay was approximately six times growth in productivity. Once again, the divergence commenced in the mid 1980s, with CEO pay and productivity moving fairly closely together over the period to 1984, but diverging thereafter.
We see that the rise in CEO remuneration far exceeds the improvement in national economic performance, suggesting that there is an underlying inflationary factor in executive pay that goes well beyond any productivity effects. Even if CEOs are rewarded for their contribution to higher productivity, the rewards far exceed any contributions they have made to productivity growth.

The relationships with productivity and performance also undermine the 'profitability' and 'tournament' explanations, as these suggest the highest rewards should be associated with the highest performing companies. The 'complexity' argument also has some problems: CEOs are not the only people who make a corporation profitable. The majority of Australian workers have also faced increased work pressure (eg Morehead, et al. 1997), and a majority of employees experience overload at work, leading to poor work-life interaction (Skinner & Pocock 2008). All a corporation's workers contribute to its profitability, and if it becomes more profitable it is not immediately obvious why the senior management should be the only ones to benefit. Indeed, as mentioned, CEOs appear to be extracting gains far beyond those attributable to higher productivity. Meanwhile the argument that CEOs face higher risks that ordinary workers has also been challenged, especially in light of the 'golden parachutes' that CEOs typically have access to on conditions far superior to termination packages available to ordinary workers (Cassidy 2008, Isles 2006, Mayne 2009, Robinson 2009, West 2008).

The 'global market' explanation can be tested by considering if there is a convergence in international pay levels of executives. If the market for CEOs was internationalizing, moreso than that for other workers, then we would expect to see smaller differences in the pay of, say, American and Swedish CEOs, operating in the same labour market, than between the American and Swedish restaurant workers, operating in very different labour
markets. The data suggest otherwise. American executives remuneration grew from 42 times average production workers' wages in 1982, to 411 times in 2001 (Klinger & Cavanagh 2002). In 2000-01 CEO pay was 367 per cent higher in the USA than in Sweden, but McDonalds workers' base pay was 8 per cent lower in the USA than in Sweden (Aschenfelter & Jurajda 2001). This is not principally because the USA is a larger country than Sweden or is home to a greater number of globally significant corporations. In 2006, the 20 highest paid US CEOs received an average of three times the remuneration of the 20 highest paid European CEOs – yet the companies controlled by the US CEOs had sales 29 per cent less than those controlled by the European CEOs (Anderson, et al. 2007).

Further questioning of the 'global markets' theory comes from a 1990s survey in which only 2.5 per cent of large corporations admitted 'pay levels overseas' were a 'fairly' or 'very important' source of direction on executive salaries (Noble Lowndes Cullen Egan Dell 1992). The large differences in CEO pay levels between countries do not reflect differences in national economic performance. They appear more likely to reflect differences in corporate cultures or 'varieties of capitalism' (Hall & Soskice 2001). Swedish CEOs and boards appear to feel a greater sense of responsibility and need for restraint than do American ones.

There is evidence for the 'leapfrog' explanation in a survey of executive pay methods undertaken by Noble Lowndes Cullen Egan Dell (1992), which showed that the most important factor influencing executive pay was 'remuneration market forces' (that is, what other corporations were paying). Although the survey, commissioned by the then Department of Industrial Relations, is over a decade old, it is a crucial source of data as it provides a rare, frank insight into executive pay determination, an area that is normally shrouded in self-justification and rather secretive data. Figure 4 shows the main sources of information, advice or direction on executive pay levels in that survey.

It showed that advice and data from remuneration consultants was far more important than the views of shareholders, board members or industry associations in determining executive pay.

There is little reason to believe that the factors driving the relative size of executive pay have significantly changed since then. A very recent 'web poll' by Egan Associates, using quite different questions, indicated that the three factors 'with the most significant influence on executive pay' were 'company remuneration policies/ competitive positioning', 'market rates' and 'remuneration consultant data'. Although the results were presented graphically rather than numerically, it was clear that 'remuneration consultant data' was over twice as likely as 'shareholder views' to be rated significant, while 'shareholder views' were at least three times more likely than 'remuneration consultant data' to be rated the 'least significant influence' on executive pay (Egan 2009b).
Figure 4: How important is each of the following as a source of information, advice or direction on pay levels for senior executives, Australia, 1991.

The NLCED survey also asked respondents about the 'comparative remuneration market' for their senior executives. Results are shown in Figure 5. They indicate that seven tenths of companies benchmarked their senior executives pay by reference to the industry in which they operated. Smaller proportions referred to occupational labour markets, firms of similar size or the Australian private sector in general.
Figure 5: Taking into account where you typically attract senior executives from, and where they go to when they leave the company, how best would you describe their comparative remuneration market?

Source: Noble Lowndes Cullen Egan Dell 1992

Most relevant, however, was the question on how companies sought to pitch or 'position' their senior executives' pay. Results are shown in Figure 6. Nearly two thirds of companies had a policy of 'positioning' their executives' pay above the median and 92 per cent claimed to set them around or above the median. Only 2 per cent aimed to position their pay below the median. Of course, it is mathematically impossible for all companies to achieve the position they are seeking. By definition, 50 per cent of firms will be paying below the median, not 2 per cent. As virtually all firms attempt to position themselves at or above the median, senior executive remuneration will increase even in an environment of zero inflation and zero productivity gains. A similar pattern was seen in the USA at that time (Crystal 1991).
Figure 6: In relation to this comparative market, where do you generally aim to position your senior executives' pay?

Source: Noble Lowndes Cullen Egan Dell 1992

Respondents were also asked the time frame they used when estimating pay comparators for senior executives. Figure 7 indicates that some 31 per cent did not just rely on the current rates but attempted to anticipate where the median would be any time up to twelve months into the future.

Figure 7: At this policy position, what is the timing of the market?

Source: Noble Lowndes Cullen Egan Dell 1992
As a consequence of this inflationary bias in executive pay determination, a 2005 survey co-sponsored by the Australian Institute of Company Directors showed that even a majority of directors believe that CEOs are overpaid – notwithstanding the fact that, technically, it is the job of the board of directors to set CEO pay. Indeed, over two thirds of those considered that CEOs were overpaid by between 20 per cent and 50 per cent (Buffini & Pheasant 2005). A separate study found similar results. O’Neill (O’Neill 2007), undertaking in-depth, semi-structured interviews with non-executive directors of Australian public companies, found that ‘when the issue of “how much is too much?” arises, almost all express a level of concern’, evoking comments from directors such as that CEO pay 'needs to be capped so that it doesn't become obscene' and 'I don't think any individual is worth that much' (O’Neill 2007).

Such cynicism is not restricted to Australians. Two thirds of ethics, human resources and legal executives participating in the US corporate Conference Board's 2003 Ethics Conference said that compensation for senior executives was 'out of control' in their companies (Conference Board 2003). The problem in Australia was recognised at the top, when Paul Anderson, retiring CEO of BHP Billiton, remarked:

I think that CEO compensation is out of control, totally out of control. It’s reached a point now that there’s no way to justify the incredible compensation…there is just no value that can be created by a CEO that you can say that makes a lot of sense (Correy 2003).

Exemplifying the status element of the 'leapfrog' explanation, according to the director of the Australian Institute of Company Directors:

it's quite possible that a bank CEO would do a terrific job on quite a lot less pay, but no bank board is going to want to pay its CEO substantially less than the market norm.  (Ralph Evans quoted in Buffini & Pheasant 2005).

These findings suggest that public opinion, cited at the beginning of this paper, is well founded. They reinforce how the leap frog syndrome leads to overpayment in executive pay determination.

To express it crudely, the process is something like this. Private sector executive salaries are typically set by a body like a board remuneration committee. These may include outsiders (that is, senior executives and directors from other corporations) but in Australia they are rarely fully independent of executive influence (Schwab 2009b, Shields, et al. 2003). Particularly in large corporations, this committee typically looks at the results of executive salary surveys undertaken by remuneration consultants, and takes advice from such consultants. The committee members, who identify and network with the senior executives under scrutiny, are easily persuaded that the company needs to pay above the average in order to retain such high calibre executives. Otherwise the company may under-perform and be under threat of takeover. So a large number of firms raise their salaries so that they are paying above the median (the middle of the market), and others paying below the median raise theirs to match the median. Another survey is then published. Companies see that the market rate has risen, and they have to readjust their executives’ pay so that they are paying above (or at) the market median again.

While the Australian and US survey data are from the 1990s, there is strong evidence from several recent US studies in support of the view that this process continues. In particular, Faulkender & Yang (2007) found that, when selecting comparators for determining CEO pay,
firms forego lower paid potential peers in their same industry in favor of higher paid peers outside of their industry when constructing the peer groups.

This effect persisted when controlling for industry and size. Indeed comparative pay of peers was far more important in determining CEO pay than industry or size. They concluded that the selection of relatively highly paid (above median) peers to justify CEO compensation was more common where the CEO was chairman of the board, when the firm had greater market share, poorer governance and where a particular remuneration consultant was used by the firm (Faulkender & Yang 2007).

Notably, Ang, Nagle and Yang (2007) showed that CEO compensation includes a 'social circle premium', in excess of what could be justified by firm performance, and that channels of social interactions that shaped these social circle premiums included 'golfing in the same exclusive club, sharing directors who understand the local pay norm and displaying luxury mansions' (Ang, et al. 2007).

The role of remuneration consultants in the UK was recently described disparagingly by a leading fund manager:

Generally, I would say they are a thoroughly bad influence. They are seen by fund managers as having extreme conflicts of interest: they are effectively paid by the board and are only seen to be doing their jobs if remuneration rises. In theory, remuneration consultants bring a certain level of objectivity to the task, but their existence allows companies to say they have done due diligence on pay, therefore it's not their fault when benefits and performance do not match (quoted in Wachman 2009).

The House of Commons Treasury Committee, reporting earlier this month on the financial crisis, noted that

We have received a body of evidence linking remuneration consultants to the upward ratchet of pay of senior executives in the banking sector. We have also received evidence about potential conflicts of interest where the same consultancy is advising both the company management and the remuneration committee. We have received a body of evidence linking remuneration consultants to the upward ratchet of pay of senior executives in the banking sector. We have also received evidence about potential conflicts of interest where the same consultancy is advising both the company management and the remuneration committee. Both these charges are serious enough to warrant a closer and more detailed examination of the role of remuneration consultants in the remuneration process. We urge Sir David Walker [chair of a review of corporate governance in the banking industry] to examine these issues and, in particular, to consider whether remuneration consultants should be obliged to operate by a code of ethics, a proposition which we find attractive (House of Commons Treasury Committee 2009:33).

The Committee referred to evidence of remuneration consultants of having “contributed to the general ratchet in executive remuneration because they seem to have business models which require them to earn fees which require them, therefore, to modify packages every year which, therefore, requires the packages to go up” (House of Commons Treasury Committee 2009:32).

Another witness spoke of the ‘ratchet’ effect telling us that it was remarkable how many remuneration consultants “are given remits which refer to a benchmark of the upper quartile. If
endlessly, year after year after year, you are referred to the upper quartile, then that is
an endless ratcheting and an ever-increasing gap with the rest of the workforce”.
(House of Commons Treasury Committee 2009:32).

'Leapfrogging' – which might be given the term asymmetrical pay pegging – was a
significant problem for public sector pay amongst ordinary employees up until the early
1980s. Surveys would identify average 'market rates' which would lead to wage increases,
followed by further rounds of surveys and wage increases. Industrial tribunals abandoned
market surveys as the basis for setting public sector pay rates two decades ago. Now, in the
age of enterprise bargaining, employees are told to abandon notions of 'comparative wage
justice' as being old hat and dangerous. But an inflationary form of 'comparative wage
justice' lives on in the market for executive remuneration. Forced disclosure of executive
pay does nothing to relieve the pressure, though it probably does not worsen it much either,
because it is the remuneration surveys that really set the pace.

For ordinary workers, leapfrogging is prevented by the existence of countervailing forces at
the bargaining table. Management has a clear interest in resisting employee attempts to raise
wages through the device of asymmetrical pay pegging. In the past, tribunals also
effectively placed a break on asymmetrical pay pegging once its disutilities became
apparent in an environment of generalized wage restraint.

In the case of executive remuneration, however, there is no effective countervailing force at
the bargaining table. Rather than having opposing interests to executives, the board
members or others who set their pay are from the same social milieu with broadly
comparable interests, and often they see status or reputation costs and benefits associated
with executive remuneration. In other words, the market is distorted by the absence of
genuine opposition of interests that exists elsewhere in the labour market and the high degree
of power possessed by CEOs, arising from the resources and information that they have
access to within the corporation, their connections or networks with other CEOs and
directors, the norms or attitudes that permeate the executive 'market' and their collective
social identity as a class, things that all promote asymmetric pay pegging in executive pay.
It is not 'arms length bargaining' (Bebchuk & Fried 2004, Yablon 2008).

The mechanism is also described in a recent study by DiPrete, Eirich & Pittinsky (2008),
who modelled executive remuneration based on Standard and Poor's ExecuComp data on
executive compensation and concluded that

a small and shifting fraction of CEOs have regularly been able to “leapfrog” their
compensation benchmarks by moving to the right tail of the benchmark distribution
and get larger than normative compensation increases, even after taking job mobility
and executive performance into account. These events produce subsequent
“legitimate” pay increases for others, and potentially explain an important fraction of
the overall upward movement of executive compensation over the past 15 years.

Why then the breakdown of CEO/AWE relativities in the 1980s? First, 'today's universal
practice of setting CEO pay relative to peers was not common in the 1970s… the 1970s were
marked by relatively little compensation consultant activity and scarce objective pay
information' (Nagel 2007). Second, in part as a result of changing economic policies, the
1980s marked a shift in power between labour and capital. The share of national income
going to profits relative to that going to labour increased, and continued to rise through the
1990s and 2000s (Australian Bureau of Statistics 5204.0). Income inequality – particularly
between very high income earners and the rest of the population – also began to increase at
this time (Atkinson & Leigh 2007). Rents (surplus) that previously were shared between
labour and capital have increasingly been appropriated by capital. Although at law CEOs are employees, and their income counts towards labour's share of national product (thereby understating the shift in income from labour to capital), in substance their income, like their social context, has much more in common with that of capital than of labour. As their relative power has grown, they have increasingly captured rents or surplus value through asymmetric pay pegging. The high rate of CEO remuneration in the US mentioned earlier reflects not the greater size of US companies, but the greater power in the US of capital in general, and CEOs in particular, by comparison with labour. The US has one of the lowest rates of union density in the OECD; Sweden has one of the highest (Visser 2006).

How inflationary can asymmetric pay pegging be? A simple simulation can give us an indication of the orders of magnitude involved. The NLCED (1992) survey mentioned earlier contained a distribution of executive remuneration with a 92 per cent response rate. We can undertake a simulation based on the following assumptions: (1) the distribution of executive remuneration by income band reflects that in the NLCED report; (2) within income bands, remuneration is evenly distributed, while in the highest and lowest income bands the gap between percentiles matches that in the adjoining bands; (3) the lowest 8 per cent of firms pitch their pay between the 1st and 45th percentiles, the next 27 per cent pitch between the 45th and 55th percentiles; and the next 15 per cent pitch between the 55th and 75th percentiles, with pitches evenly distributed within those ranges; (4) above-median firms aim to maintain their prior percentage differential with the median. On these assumptions, the simulation suggests that within one remuneration cycle (one year), average executive remuneration would rise by 16.4 per cent. In some respects, the assumptions of this model are quite cautious. The model makes no allowance for the disturbance to relativities caused by firms successfully changing their rank (it assumes they attempt to change their ranking, but fail to do so), perhaps due to above-average growth in productivity or profits or just above-average generosity by the board, and downplays leapfrogging by firms already above the median. However, its assumptions may be unduly harsh in one major respect, because the reference groups for executive pay are more commonly industry than national, and so would occupy a smaller income range than the national range. We can adjust for this in our model by dividing this simulated economy into three industries, one occupying the highest third of the income range, one the middle, and one the lowest. (While there are obviously more than three industries in a real economy, the idea that the range of executive pay in each industry would encompass no less than a third of the total income range is probably conservative.) Under these assumptions, our simulation produces a more realistic increase in average remuneration of 5.1 per cent in a year. This is in an environment with zero growth in productivity and zero inflation in prices or wages. It is, in other words, an indication, albeit simple, of the order of magnitude of the pure inflationary impact of the institutions of setting executive remuneration. Interestingly, over the quarter century since 1983, growth in our index of real CEO pay has exceeded growth in national productivity by just under 5 per cent per annum. Thus while it is not possible to precisely estimate the inflationary impact of the asymmetric pay pegging effect, it is certainly plausible for it to explain the inflation in executive remuneration over the past quarter century.

Conclusions and policy implications

Although growth in executive remuneration maintained parity with average earnings until the mid 1980s, thereafter it has grown at a rate far exceeding that of average earnings or national productivity. The inflation of executive remuneration is fundamentally a phenomenon of class. It reflects the asymmetries of power between labour and the agents of capital. While labour negotiates with capital over the determination of wages, capital actively resisting labour's efforts to raise real wages, there is no such 'arms length' symmetry
in the determination of executive remuneration. Agents of capital negotiate with agents of capital, perhaps members of the same golf club or occupants of neighbouring mansions, over what percentile in the executive pay distribution they should occupy. Executive pay is characterised by 'asymmetric pay pegging', whereby firms seek to benchmark their CEO pay to higher-paying firms, and grant CEOs, with whom corporate decision makers share a social milieu, increasing benefits which also confer status benefits on the firm – in sharp contrast to the distributional pay negotiations which occur with workers. Thus 'asymmetrical' refers not just to the targeting of percentile bands in the executive pay process, but the comparison between the pay setting procedures for CEOs and for workers. As a result of asymmetrical pay pegging, CEOs obtain gains in remuneration well above any growth in productivity they engender, absorbing an ever increasing share of the 'rents' or surpluses that are available for distribution, at the expense of workers. As a consequence, that CEOs are overpaid is something, as Leonard Cohen would say, 'everybody knows', including the directors who decide what they should be paid. Yet firms are unwilling to do anything about it, because to do so would damage internal class relations and firm status. The different methods of pay setting for workers and CEOs reflect core differences in class power and changes in that balance of power during a period of neoliberalism.

Policy proposals to curb excessive CEO and senior executive pay have largely centred around giving shareholders greater say over it. Such proposals are to be welcomed, both in relation to pay packages and to termination payments. The interests of shareholders presently feature well behind the urgings of remuneration consultants in shaping excessive executive pay. The danger is that the new ceiling on termination payments, of one year's salary before shareholders' approval must be sought, may also become a floor. Consideration should be given to a lower limit. The legal minimum for termination payments set out in the Fair Work Act 2009 is a useful benchmark. It is unclear why CEOs, whose early termination is often brought about by poor performance in the job, should receive extraordinarily generous payouts on terms vastly superior to those available to ordinary employees dismissed for the similar reasons.

However, such policies will have only a very limited effect. This is partly because CEOs retain a strong position of power even when shareholder approval is required. Moreover, as DiPrete, et al. (2008) note, the finding of a leap frog effect:

implies that the concept of firm-level governance of corporate compensation is inherently flawed; the linkages among firms produced by the benchmarking process guarantee that firm-level governance failure becomes a factor in the environment of other firms. In other words, rent extraction takes place even when CEOs are paid their “market wage” as established by competitive benchmarks. This argument supports the recent attention in the stratification literature to rent extraction as a manifestation of occupational power rather than an outcome of the bargaining power of individual workers.

Policies aimed at improving corporate governance will not address the core problem with senior executive pay: it is not just an issue of a misallocation of resources within an organisation, between CEOs and shareholders. It is also, and indeed more significantly, an issue of misallocation of resources within society as a whole. The very substantial relative growth in CEO remuneration has not been matched by equally substantial growth in national welfare as indicated by productivity growth. The distortion in CEO pay determination – creating an imbalance in pay setting procedures between, on the one hand, ordinary wage and salary earners and, on the other hand, CEOs – means that the former are in effect cross-subsidising the latter. In the end, the widening gap between CEOs and ordinary wage and
salary earners is both a cause of, and symptomatic of, widening inequality between the wealthy and the rest. Remuneration comparisons through consultants are the means by which this fraction of ruling class increases its relative surplus.

Consideration needs to be given to the role of remuneration consultants. The recommendation of the UK House of Commons Treasury Committee for a code of conduct for the use of remuneration consultants is worthy of consideration, particularly with a view to removing discernible conflicts of interest. But short of banning their use altogether – an option which has been proposed (eg Peston 2002) – it is difficult to see how the upward bias imparted through remuneration surveys can be avoided altogether.

The tax-transfer system is a mechanism that is conventionally used to deal with adverse distributional outcomes. One option that lends itself to consideration is an increase in the top marginal tax rate. This measure would appear warranted by the increasing inequality in personal income, particularly between very high income earners and the rest, that has been witnessed in recent years (even before allowance is made for the reductions in top marginal tax rates that have occurred over that period). Another option is to introduce wealth taxation (or estate taxation) on very high income individuals (for example, those with over $20 million in accumulated wealth, including through trusts). Australia is one of a minority of OECD countries that does not have at least one of wealth or estate/inheritance/gift taxes (Warburton & Hendy 2006).

That said, policy makers may prefer options that exclusively relate to senior executives. Another approach (not mutually exclusive with those above) would be to abolish tax deductibility against company income for senior executive remuneration packages above a certain value (indexed against growth in AWE) (eg Gittins 2009). This would act as a partial disincentive to firms to agree to excessive executive remuneration packages, and also return to the community a fraction of the losses associated with excessive growth in executive remuneration. A Bill introduced into the US Congress by Rep. Barbara Lee (the Income Equity Act, HR 1594) would deny tax deductibility for any executive pay above $500,000 or 25 times the pay of a company’s lowest-wage worker.

A more active measure would be to impose tax penalties (surcharges) for firms that exceed certain benchmarks in executive remuneration. Similarly, tax penalties could be applied to termination payouts above a certain amount. In the Netherlands a 30 per cent tax penalty is to be applied on payouts above around $850,000 (Horin 2008).

The choice of benchmarks would be highly subjective, but attention could be given to the estimate by Shields, et al. (2003) of the 'performance-optimal range for executive remuneration of between 17 and 24 times average wage and salary earnings, beyond which the performance of a company begins to deteriorate'. It is also a range broadly consistent with the opinion of the late management academic Peter Drucker, that CEO pay should be no more than 20 times that of the rank and file worker in the company (interviewed in Schlender 2003), with the Lee Bill mentioned above, and with the recommendation of the Institute of Policy Studies that bail-outs should be only available to firms with CEO pay restricted to no more than 25 times that of the lowest paid employee (Anderson, et al. 2008). It is, however, considerably higher than Plato's recommendation that no one should accumulate more than five times the income of the lowest paid (Morrow 1993:131).

Perhaps the dynamics of executive pay determination would change, however, if a more direct nexus was created between CEO pay and the pay of ordinary workers. That is, if increases in CEO pay led directly to increases in workers wages – through, for example, provisions in enterprise agreements providing pay supplement to workers that were tied
formulaically to total CEO remuneration – then increases in CEO pay need not be reinforce the growing transfer of income from labour to capital. Of equal significance, a major change in board behaviour with respect to CEO pay could be expected. To the extent that CEO pay is linked to firm performance, there is a strong logic in linking a component of workers' pay to it as well. Many firms have had employee share ownership schemes in place, ostensibly for the purpose of aligning worker interests to those of the firm and giving them incentives to act in the collective interests of the corporation. The recent political uproar over changes in the 2009-10 budget to the tax treatment of such schemes speaks to the importance firms attach to such schemes. Other firms have profit sharing schemes for employees. Although the evidence on the productivity benefits of such schemes is controversial (General Accounting Office 1987, Marsh & McAllister 1981; Mitchell & Broderick 1988), the tying of a component of workers' pay to CEO remuneration would simply be a particular configuration of such incentive schemes. As workers have much lower incomes and lack the 'golden parachutes' available to failed CEOs, and are therefore more risk averse, such benefits would need to be designed to keep downside risk at manageable levels for workers (hence a form of bonus payment, rather than a substitute for existing pay, would be appropriate). Still, if the theories linking CEO variable pay to superior performance have validity, and boards' main concern is with organisational performance and not maintaining good relations with fellow members of their social milieu, then corporations should welcome the application of a CEO pay bonus to employees. CEOs, on the other hand, could be expected to resist such moves to the death.

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In this survey 22 per cent of firms had remuneration below $100,000 per year (in 1991 terms), 45 per cent between $100,000 and $149,999, 20 per cent between $150,000 and $199,999, and 9 per cent at $200,000 or above, while 5 per cent did not respond (NLCED 1992).
New Directions in Class Analysis:
Explorations in the Working Class

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Abstract

Growth in 'immaterial' or 'intellectual' production, work which creates immaterial products – knowledge, information, communication, human relationships, emotional affect - is certain to continue, and to accelerate. As well as paying attention to these ‘new’ types of wage labour, class analysts are also bringing into focus the large quantities of paid labour performed outside the ‘formal’ or ‘measured’ economy, and the even vaster quantities of unpaid labour performed in what is sometimes called ‘the gift economy’. Both are often performed within the ambit of the family-household. This broader and yet more precise characterization of the working class more accurately reflects its power and better represents its revolutionary potential.
New Directions in Class Analysis: Explorations in the Working Class

Introduction
Michelle Obama (2008) claimed that her husband’s family ‘was like mine. He was raised by grandparents who were working class just like my parents’ and in her speech at the Democrat Convention in Denver she spoke about ‘ordinary folks getting by from pay cheque to pay cheque’ and about ‘people who work the day shift, the night shift, people who work long hours’. Shortly thereafter, Barack used the ‘c’ word in public himself. Prior to this, the discussion of class in the U.S.A. had already reignited. The Wall Street Journal in 2005 and the L.A. Times late in 2004 both ran a multi-part series on the concentration of wealth and income. In May 2005, The New York Times commenced a series of eleven articles, 'Class Matters', based on the work of a team of reporters who had spent more than twelve months 'exploring ways that class influences destiny'. The journalists found that inequalities between classes were accelerating and that class had come to play a greater role in the life of ordinary people over the last three decades (Scott 2005; Scott and Leonhardt 2005).

Sociologists, never slow to miss an opportunity once other people have opened it up, have begun to reengage with the concept of class and in particular, are studying the construction and reproduction of class relations outside of the wage relation (e.g. Donaldson and Poynting 2007; Masterman-Smith 2005), pushing into that very large part of our lives that exists beyond (or perhaps around and underneath) the realm of the production and expropriation of surplus value, and it is these new directions that I want to focus on here. But before we can go there, we need to return briefly to the very beginning to set our bearings, so that in the end, we can return to them again to see where we’ve got to.

Class in Marx and Engels
The Communist Manifesto was a mobilising pamphlet, a call to join the revolutionary momentum building in Paris, Prague, Vienna, Berlin, Frankfurt and Milan. In it Marx and Engels define the working class as 'those who live only so long as they find work, and who find work only so long as their labour increases capital'. A few pages earlier, they conjure with the composition of the working class, saying that the bourgeoisie 'has converted the physician, the lawyer, the priest, the poet, the researcher into its paid wage labourers' (Marx and Engels, 1848/2004: 64, 68).

Two earlier drafts of The Manifesto, Draft of a Communist Confession of Faith (June 1847) which was produced at the first congress of the Communist League and its redraft by Engels, the Principles of Communism (October 1847) both contain very clear definitions of the working class.

The proletariat is that class of society which lives exclusively by the sale of its labour and not on the profit from any kind of capital (Engels, 1847/2004a: 137).

The class of the completely propertyless, who are compelled therefore to sell their labour to the bourgeoisie in order to obtain the necessary means of subsistence in exchange. This class is called the class of the proletarians or the proletariat (Engels, 1847/2004b: 139)

In these drafts, Engels differentiates the working class from other classes existing contemporaneously in other modes of production in different parts of the world. He writes of the almost 4 million people in the south of the United States still enslaved; of serfs who still
existed in Hungary, Austria, Poland and Russia; and of handicraftsmen and manufactory workers who, like serfs, and in distinction to the working class, have some access to and some control over limited productive resources, and who still exist in large numbers today (Engels 1847a/2004: 108; Engels 1847b/2004: 141-142).

The Manifesto's optimism about the capacities of the recent working class was based on the emergence of four new conditions. Firstly, large-scale factory production had lead to an increase in the size and density of the working class. Secondly, competition, crises and unceasing technological change threatened workers' livelihoods, and 'collisions between individual workers and individual bourgeois take more and more the character of collisions between two classes' (Marx and Engels, 1848/2004: 70). Thirdly, at the same time, 'enhanced means of communication created by big industry place the workers of different localities in contact with one another.' (Marx and Engels, 1848/2004: 70-71). Edited by Charles Dickens, the first cheap English newspaper the Daily News, had appeared in 1846, at a time when railways, which The Manifesto specifically mentions, had more than 2,500 miles of track. With these new means of communication, workers were better able to organise. And finally, the bourgeoisie were compelled to seek support outside their class against feudal elements, against recalcitrant members of its own class and against the bourgeoisie of other countries, 'propelling the proletariat into the political arena', and thus they must supply workers 'with a significant amount of educational elements' such as the ability to read (Marx and Engels, 1848/2004: 71). With organisation, motivation, communication and education all in place, the proletariat was ready to make history (So and Suwarsono, 1991:41).

But the revolutions of 1848 were defeated in that same year, and in 1852 Marx reflected on this turn of events in The Eighteenth Brumaire of Louis Bonaparte. Marx broadened his class analysis beyond the two fundamental classes to include the peasantry, the petty-bourgeoisie and the lumpen-proletariat. Class fractions within the bourgeoisie are identified. Economic conditions remain a necessary but no longer are a sufficient condition of working class organisation and militancy. The state appears within the social formation as an actor with some degree of autonomy from the ruling class. Ways of living, culture and political organisation are discussed as factors shaping class struggle, as are tradition, nationalism, ideology, class mobility and leadership. Classes are made and remade. Alliances between classes and class fractions shift, are unstable. The revolution is not inevitable; history is contingent, made by those who live it in ways they don't always choose (So and Suwarsono, 1991:48-49).

The general principles of Marx's class theory sketched in The Manifesto and refined in The Eighteenth Brumaire are further elaborated in Capital, which appeared 15 years later. It becomes clearer that class happens when, in order to live, large numbers of people are systematically forced by their lack of access to productive resources to give a large part of their life's activity, more than what they need to keep themselves alive, to others purely because these people do control this access (Wood, 1995: 108). As a necessary condition of survival, people must give up part of their lives simply in order to live. The nature of the compulsion to 'give away' years of one's life, and how this arrangement is organised and sustained, is what class is all about. And as Marx noted, the only way to understand this, why and how 'surplus labour is pumped out of direct producers', is to have a good, close look at 'the empirically given circumstances' that systematically require most people to give to others a substantial part of their time and effort or the results of them.
In capitalism, workers acquire the means to live only by entering into a relationship with capitalists in which they are obliged to produce more than they will consume and give up the difference. A necessary condition of a worker's existence is a relationship to another who appropriates part of his or her labour or product. Class is not the only form of oppression, or necessarily the most frequent, violent or constant form of social conflict. But it is the only constantly recurring conflictual social relationship which creates the very conditions of human life and emerges from the social organisation of production itself (Wood, 1995: 103, 109).

Production Relations
Gerald Cohen (1978) argued in Karl Marx's Theory of History that class may be defined 'structurally', 'with more or less (if not, perhaps, 'mathematical') precision by reference to production relations'. It is quite possible, and necessary for the purposes of profitability, for capitalist managers to calculate with great accuracy, the number and type of workers required for the operation of particular types of machinery and equipment in specific industries and businesses in particular times and places. A businesswoman establishing a hairdressing salon will calculate with precision the space required, the number and type of hairdryers, basins and so on to install, and the number and type of workers needed to operate them, and will adjust these in relation to the customer base she establishes. In this way, then, it is quite reasonable and sensible to see the working class as formed by the creation of jobs fashioned by the forces of production, as a set of existing places filled by people. Real people choose through the mechanisms of formal and informal education, through training and the operation of the labour market, through ambition, desperation, skill and luck, to 'fill' these already existing places, and thus the working classes is constantly forming and is never static or 'completed'.

It would be rather foolish to suggest (as some try to do) that technology and its changes do not effect the constitution of the working class itself, and recent work on class (e.g. Huws 2003) is concerned with the changing shape of the working class brought about by technological innovation. The past three decades have seen great changes in the composition of the working class. Technological change has swept the banking, building, farming, health, maritime, manufacturing, mining, media, education, retail and steel industries. Already by the late eighties in New South Wales, more clerks were employed than tradespeople, and there were more salespeople than plant and machine operators and drivers together. More people laboured in community services than in construction and transport and storage combined, and more were found in wholesale and retail than in manufacturing. The typical union member thirty years ago was a male employed in a factory, port or mine. Now he or she is more likely to work in an office, hospital, store or educational institution (Donaldson, 1991: 4).

It is also clear that immediate profitability is only one of several key drivers of technological change. The introduction of new technology became and remains as much part of the day-to-day tactics in the conflict between labour and capital as it was and is part of the overall strategy of capital accumulation. Former media magnate, Conrad Black, made no secret of the fact that the 'introduction of the most modern newspaper technology in our new plants' in Britain and his decision to import production personnel from Canada with the enthusiastic support of Prime Minister Margaret Thatcher was about crushing the unions (Black, 1993: 345). As Scottish academic Andrew Ure noted in 1835 in his Philosophy of Manufactures, 'when capital enlists science in her service, the refractory hand of labour will always be taught docility' (in Dickson, 1974: 79), a point echoed later by Marx (Capital 1, 1, 14: 464), who knew Ure’s work well: machinery 'is utilised as the most powerful weapon in the capitalist arsenal, as the best means for overcoming the revolts against capital'.
In the *Prison Notebooks*, Gramsci argued that the tendency of the rate of profit to fall is the obverse of the law of relative surplus value. 'Americanism' and 'Fordism' are attempts to ameliorate the tendency of the rate of profit to fall by increasing relative surplus value (Boothman, 1995/1999 FSPN, pp. 61-62, 72). The significance of this to class formation is obvious: the decisions by capitalists about when, where and in what technologies to invest, shape the proletariat, and workers' combativity in turn spurs on investment in labour-displacing technologies. In this process a ‘forced selection will ineluctably take place: a part of the old working class will be pitilessly eliminated from the world of labour, and perhaps from the world *tout court*’ (Gramsci, *The Study of Philosophy*, SPN, p. 598). Class is a relation within which classes shape each other, and it is within this relation that technologies are formed, adopted, discarded.

These changes in the paid work undertaken by the proletariat will gather speed. The 'service sector' and in particular, the 'culture industry' will continue to expand both in terms of those within them and in their influence on all spheres of life. News Corporation magnate Rupert Murdoch enthused of the digital future that 'It is difficult, indeed dangerous, to underestimate the huge changes this revolution will bring or the power of the developing technologies to build and to destroy not just companies but whole countries' (Gibson, 2006: 5). We are still only beginning to sense where microchip, robotic and microbiological technologies will take us, but growth in 'immaterial' or 'intellectual' production, work which creates immaterial products – knowledge, information, communication, human relationships, emotional affect - is certain to continue, and to accelerate (Hardt and Negri, 2004: 108).

Those who work in these areas use symbolic tools and techniques in organised bodies of knowledge (Connell and Crawford, 2005: 3). Like other workers (e.g. Donaldson 1987), immaterial workers value and try to attain and maintain workplace relations involving collegiality, individual autonomy and human dignity against mounting insecurity and workplace pressure. Many think they have been successful in doing so, though less so in the universities and in the public service than in the private sector (Connell, 2005: 22). There may be an 'underlying tension between the capitalist class and the higher-education-based intelligentsia' (Connell and Crawford, 2005: 12) but the extent to which paid time to think, reflect, share is a necessary part of immaterial labour, as essential, say, as money and credit cards are to the work of a checkout operator, is still unclear. So is the degree to which employers can more effectively and efficiently control and direct (and hence erode) mutuality and freedom without killing the geese that lay the golden eggs. Some are seeing this sense that profit-making in immaterial production may require reasonably unfettered critical thinking, as a useful strategic development. But Marx's contemporary, Charles Babbage (in Cooley n.d.: 36) did warn in 1830:

> We may have already mentioned what may perhaps appear paradoxical to our readers, that the division of labour can be applied with equal success to mental as well as to mechanical operations, and that it ensures in both the same economy of time.

The extensive application to clerical work of this 'same economy of time' has already shown 'that capital could control mental work processes as easily as manual ones' (So, 1980/81: 50). Ursula Huws (2003, 167) in *The Making of the Cybertariat*, provides some evidence that in terms of the numbers of workers involved, ‘the trend towards routinisation’ substantially outweighs the ‘tendency for work to become more creative’

Indeed it seems that workers performing this sort of labour are experiencing an increasing assertion of external control, as well as working conditions that are simultaneously increas-
ingly technologically sophisticated, labour intensive and hierarchically structured. The factory system is paradigmatic yet for all forms of paid work, including immaterial labour itself. Immaterial workers, ‘intellectual workers’ Gramsci (8/11/1919, SPW 1910-1920, p.178) called them, the great majority of whom are employed in large corporations, government agencies, large partnerships, universities and community organisations, mostly work in hierarchies where they are supervised by and supervise others (Connell, 2005: 21). Whether or not, or to what extent, intellectual work can defy fragmentation and intensification, the fate of other forms of paid work under capitalism, remains to be seen, but what immaterial labour is not, is the harbinger of a 'new class', as Gramsci well understood.

**Family-households, the ‘Grey’ and the ‘Gift’ Economies**

As well as paying attention to ‘new’ types of wage labour, class analysts are also bringing into focus the large quantities of paid labour performed outside the ‘formal’ or ‘measured’ economy, and the even vaster quantities of unpaid labour performed in what is sometimes called ‘the gift economy’. Both are often performed within the ambit of the family-household.

The physical separation of the family-household from social production is a central feature of capitalism, but while differentiated from capitalist social relations, nonetheless the work of the family-household remains vital within the capitalist social formation. Family-households can constitute their own mode of production, simple commodity production, which pre-existed capitalism and will doubtless outlast it.

In any social formation more than one mode of production will subsist, as Engels well understood when he differentiated slavery, serfdom and simple commodity production from capitalist social relations (above). Within a capitalist social formation, a plurality of modes of production exist in articulation with each other. Their ways of connecting and interpenetrating shift depending on a whole host of things, the most crucial being their relation to the dominant mode of production, capitalism, which confers fundamental unity on the social formation (Donaldson and Good, 1988; Wolpe 1980).

In all forms of society (or social formations) there is a specific kind of production which predominates over the rest, whose relations thus assign rank and influence to the others. It is a general illumination which bathes all other colours and modifies their particularity. It is particular ether which determines the specific gravity of every being which has materialised within it (Marx 1858, *Grundrisse*: 106-7).

Outwork is one of the several ways in which the domestic mode of production articulates with the capitalist mode of production. Its 'invisible threads' bind an army of home workers to the commands of capital (*Capital* 1, 15, 8: 591). It is as old as capitalism itself and is one of the ways the family-household is integrated into the capitalist economy. Frequently members of the outworker's family are involved in the production of commodities at home, including about 35,000 Australian children in 2006 (Australian Bureau of Statistics 2007). There are at least 330,000 identified outworkers in Australia, a number set to increase with the growth of outsourcing and cyber-work (Greig, 2002: 9). About eight per cent of workers in New South Wales labour at home at least one day each week using telephones and the internet, about two-thirds of them using facilities supplied by their employer (Australian Bureau of Statistics 2006).

Another form of articulation is the imbrication of family-households in what is sometimes called the ‘Grey Economy’. The family-household and family businesses are the main drivers of a vast underground economy. Across 145 countries it accounts for from 8% to 68% and
averages 35% of the ‘total economy’. In Australia, the Grey Economy is worth about 15% of the Gross Domestic Product and has grown by 20% since 1967, despite the introduction of a Goods and Services Tax which has curtailed it not all (Bajada, 2005). It costs the Government about $15 billion per year in lost taxes.

But more important even than outwork and the ‘grey economy’ combined, is the labour of social reproduction, the production of social relations, human life, social assets and values, which is as essential to the survival of most Australians as wage labour. When Marx wrote in *Capital* (1, 7, 23: 716, 724) that 'capital presupposes wage labour; wage labour presupposes capital. They reciprocally condition each other's existence; they reciprocally bring forth each other', and that 'incessant reproduction is the absolutely necessary condition for capitalist production', he knew what he as talking about. Only 45% of the 706.3 million hours that Australians worked in 1997 involved paid work; 55% was unpaid activity involving housework, childcare, shopping and volunteering (Ironmonger, 2000: 61, 62; Bittman 2000: 111). Calculations based on various wage rates and time use data, put the value of total unpaid production in Australia at between 50% and 69% of the recorded Gross Domestic Product or about 40% of the total economy (Donaldson, 1996: 47; Ogle, 2000). This unpaid work is necessary for the existence of the working class, to 'reproduce the muscles, nerves, bones and brains of existing workers, and to bring new workers into existence', to develop, accumulate and transmit skills from one generation to the next and to care for those preparing for or unable to engage in work (*Capital* 1, 7, 23: 717, 719).

Domestic labour is unlike other forms of work in that it appears very difficult to lessen the time spent in it. It cannot be reduced in the way that paid work can, even when domestic labour time is reallocated. It can be made less intense, can be re-divided and differently dispersed, and yet, it seems, not lessened in its totality (Donaldson, 1996: 45). While technology, especially electricity, gas, sewerage, piped water and contraception, has drastically changed patterns of household productive activity, especially the effort required for much of it, the total time spent on housework seems to change little. The aggregate time that the family-household spends in housework has remained largely constant since the 1920s, but the type of work the time is spent on, has not. While cooking, washing and ironing times have declined, time spent shopping and travelling-to-shop and with children, have all risen (Bittman, 1995).

The production and consumption of use values by the family-household, and also the free exchange of these use values through kin and neighbourhood networks are a constant feature of daily life for working class people in capitalism. This is a particularly common form of work and livelihood, even in well-established capitalist nations, and it is one that is seldom considered. Close to one in five Australians had a disability in 1998, and about nine out of ten of these live at home. About three quarters of the care that enables disabled and elderly people to remain in their homes is provided outside the market, and unpaid caring work is worth double the expenditure on welfare services in Australia by all levels of government (Bittman and Thomson, 2000: 101, 102, 103; Fisher et al, 2004: 25).

Relatives, friends and neighbours provide for no payment almost half of all childcare in Australia. Grandparents (particularly grandmothers) provide 25% of all the care for children under five years-old, contributing $74.5 billion worth of childcare per year (Bittman, 2000: 113; Bone, 2005:84). Australians owed family and friends an estimated $12 billion in 2005 (Croucher, 2005)
The work of kinship, the maintenance of intra-familial ties and the organisation of cross-household gatherings, is largely undertaken by women. Kin networks are sources of practical and emotional support and sociability. Family and friendship networks tend to be found within a neighbourhood and working-class women also take on the work of 'neighbouring' and 'play pivotal roles in defining and nurturing community networks'. Particularly those women who are at home during the day, shape, define and police the boundaries of their neighbourhoods, especially those who have lived for some time and who have friends in their neighbourhood (Warr 2005: 292, 293; Stevenson, 1994: 224; Hughes and Black, 2002: 68).

The emotional and psychological support provided by this ongoing system of exchanges, this gift economy, is vital for social reproduction (Ginsborg, 2005: 98; Rapp 1976: 288; Rubin 1985: 134, 135). Such kin-centred networks which characteristically involve the provision of emotional support and the sharing of work, money and goods, are sometimes the only means of survival. Conduits of emotional and practical support, they can be the difference between continued family existence and ruin (Masterman-Smith, 2005: 227; di Leonardo, 1987: 448).

Surprisingly, perhaps, a recent review (Boase and Wellman, 2006; see also Robinson et al, 2002; Wellman et al, 2002) of the now quite substantial sociological literature on internet use, reveals that it is 'integrated into the rhythms of daily life' and strengthens existing friendships and relations with neighbours, leading to a denser social life, particularly amongst immaterial workers who have ready access to and skills in using the new communications technology.

For Yanagisako (1977: 222, 219) 'access to economic resources . . . and political alliances that translate into power are significantly affected' by these inter-household supportive networks. But the relationships between networks, paid and unpaid work, class formation and action do not stop there. Lois Bryson (1992: 238), for instance, has suggested that 'the home itself can be seen as a site of anti-capitalist struggle' and di Leonardo (1987: 441, 451) sees family-households as places of political struggle, vehicles for political resistance, indivisible from society and economy.

The politics of social reproduction, then, are not limited or limiting. These networks are part of 'community control' (Rapp 1978: 289), for working-class women are drawn into politics in many ways, one of which is through issues that threaten their networks' stability and survival. Politics can develop with awareness that the well being of the family-household is connected to the welfare of the community. The family-household is often the first moment of civil society. A discussion around the kitchen table, a meeting in the sitting room, may grow beyond family and friends, to alliances and social bonds that underpin and shape new organisations that advance and protect the interests of working family-households and their networks (Warr, 2005: 302; Ginsborg, 2005: 99; Wilkinson and Bittman 2002: 43). These organisations and associations and the family-household itself, have at their disposal communications technology far more powerful and immediate than the mass-circulation newspaper and the railways that so impressed Marx and Engels in The Manifesto and no longer are a 'significant amount of educational elements' the sole prerogative of the bourgeoisie to gift to illiterate workers.

Civil Society and Community
Marx's and Hegel's usage of the term 'civil society' is far different from it's meaning today (Nielsen, 1995: 42). For Marx, it included the market, the economic order, and contrasted with political society, and it disappeared from his writings, for reasons he explains in the preface to A Contribution to the Critique of Political Economy (Green, 2002: 6). But
perplexed by the power of the Catholic Church and by fascism's ability to rule by assent, Antonio Gramsci reintroduced the concept and made it central to his thinking. For him, civil society is a complex, sturdy and powerful structure like the system of fortresses and earthworks on the battlefields of World War 1 (Gramsci, 1998: 207, 208, 235, 239) and includes 'the ensemble of organisations commonly called 'private'' particularly organisations that shape consciousness, such as families, cultural institutions, publishing houses, the media, universities, churches, workers' clubs and trade unions (Gramsci, 1998: 245; Bates, 1975: 353; Green, 2002: 6). With the addition of social movements, 'third-sector' (non-government, community, voluntary) organisations and professional associations, and excluding the media oligopolies, a definition of civil society as 'not the market, not the state', is quite common currently, although, as Joseph Buttigieg (2005: 39, 43) very cogently explains, for Gramsci the distinction between the state, civil society and the economy is 'merely methodological' for there is no 'thick line' between them, and they are separable for heuristic purposes only.

The time spent in unpaid voluntary and community work in Australia in 1992 was greater than that spent in finance and business services and almost equalled that spent in the manufacturing sector. Volunteers donated about $37 billion worth of time and services to other households in 1997, directly or through organisations and groups (Ironmonger, 1998: 20; 2000: 69, 70). Estimates vary, but probably about two out of three adult Australians are involved in formal and/or informal voluntary activities. Just over half contribute unpaid time to a group or organisation, and about a quarter are active in two or more (Hughes and Black, 2002: 62).

Immaterial workers, particularly university graduates and professionals, especially those out of work or working part-time, are more likely to give their time to non-profit organisations; and low-income households in poorer areas are more likely to provide informal assistance to neighbours and to their communities. People in high-income households and living in posh suburbs are less likely to contribute to the organisations of civil society or to provide informal support, meeting their needs instead through the market (Fisher et al, 2004: 28, 29, 31, 34).

Some years ago, a sociologist worked out that there were more than 70 different ways of using the term 'community', and so it seemed that the word didn’t really mean very much (Donaldson 2009). But seven facts are germane to a consideration of community today. Each week, about three quarters of employed Australians spend five hours or less travelling to work and the vast majority of them shop, recreate, educate their children and attend medical facilities within an hour traveling time of their homes (Labi: 2008). Along with superannuation, these homes, which for the most part are their own, are the only substantial assets that most Australians will ever have. What happens to them, then, and to their local environment, matters. Nearly half of Australians have lived in their suburb for eleven years or more and just over a quarter for more than twenty years. Most know their neighbours’ names, are on good terms with them and feel safe in their neighbourhood (Labi 2008). A substantial number of Australian families remain matrilocal, that is, many married daughters choose to live within an hour’s travel of their mothers. If communities are anything, they are agglomerations of family and friends. Families form the basis of the networks of reciprocal obligation that make up community, and their interlacing binds the community together (Hagan and Lee 1999).

Not surprisingly then, for decades with remarkable consistency, opinion polling has revealed that Australians place ‘family and friends’ substantially ahead of ‘money’ and even ‘work’ as what is most important in their lives. And finally communities are not only about relations
between people, social networks, but are also about ‘economic and social infrastructure’, ‘common resources and facilities’, the roads, parks, sports grounds, beaches, schools, universities, libraries, churches, shops, cafes, clubs, theatres, pubs and workplaces that exist in a particular geographic area (Eklund 2000; Patmore 1997). When we have something to fight for, Antonio Gramsci (1975: 79-81) pointed out about eighty years ago, we are inclined to act in defence of those ‘within the circle of our humanity’, ‘close to us’, ‘familiar to us’.

Working people have developed a plethora of movements and organisations that in various ways carry on the war of position in civil society. As Gramsci saw it, the ruling class uses the organisations of civil society to impede the crystallisation of an oppositional political culture, to mobilise popular consent for the status quo, to maintain its hegemony. The working class contests this project within civil society itself, influencing the existing institutions and establishing its own (Parekh, 2004: 18; Pearce, 2004: 63; Wainwright, 2004: 103; Nielsen 1995: 56; Adamson 1987/88: 331). Civic battles are often waged around schooling and its related activities, around hospital waiting lists, public health services, public transport, and bus shelters. Campaigns against the privatisation of health, transport, education, water and energy are the ‘new focus of an increasingly global civil society’ (Wainwright, 2004: 105).

Following the earlier producers' and consumers' co-operatives have come cultural workers' associations, research institutions, working women's centres, workers' health centres, migrant resource centres, organisations of housewives, the aged and the unemployed which confront the challenges of daily life and, within clear and obvious constraints, demonstrate how aspects of social life can and should be lived (Glasius et al, 2004: 10).

**Conclusion**

So, where does this leave class analysis, and more particularly, the working class itself? That the working class lives ‘not on the profit from any kind of capital’ (Engels, 1847/2004a: 137) is true enough. But it is not so true that ‘the proletariat lives exclusively by the sale of its labour’; it lives on its wages primarily, extensively, but not ‘exclusively’. It is true that workers are ‘compelled to sell their labour to the bourgeoisie’ (Engels, 1847/2004b: 139) but it is also true that some of their ‘necessary means of subsistence’ are obtained in relations of exchange outside of capitalist relations, from within the working class itself. But far from diminishing the significance of class, this broader and yet more precise definition of the working class more accurately reflects its power and better represents its revolutionary potential, for workers produce themselves and the world they live in ways that prepare them for a new and better world.

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Capitalist Value, Violence and Crisis

Utilising Michael Hardt and Antonio Negri’s (1994; 2000; 2004) understandings of how capitalism bases itself on a direct relation of force can assist an exploration of capitalist value and crisis in relation to violence and class struggle, connecting the current economic crisis to the failing strategy of U.S. led global war. While trying to keep to a minimum terms that Hardt and Negri deploy that may be unfamiliar to some, it is important to begin by explaining how the terms capital, communism and the proletariat are deployed in this paper. Hardt and Negri (2000) describe the contemporary global proletariat as the multitude. This class is not an identity or a category, but a mode of political composition, a process of intervention in social relations that resists and challenges capital. The proletariat is neither unified nor stable, no more static than its activity, and the complex nature of the class means that proletarian struggle is diverse, complex and fluid, based on a multiplicity of needs and desires, a variety of theories and practices. Hardt and Negri reject traditional Marxism, viewing communism not as a state form, but as praxis that develops through cooperation and communication, through social relationships of struggle against the social relations of capital. Therefore communism is conceived as it was by Marx as both the ‘real movement which abolishes the present state of things’ and ‘freely associated labour’. Hardt and Negri describe the contemporary global capitalist form as Empire, where power is organised in a global network based on a complex web of socio-political forces.

Building on Marx’s understanding of the centrality of class struggle to social progress, Hardt and Negri (2000) seek to explain how capital does not direct the development of the capitalist system but rather it is the political situation of the proletariat that both necessitates and directs the forms of capital. As capital reacts to proletarian struggle it attempts to decompose the class and recompose labour power on a new technical basis. As struggles develop around this capitalist strategy the proletariat recomposes, constantly remaking itself through communist praxis. Marx saw capitalist crisis both as a product of capital’s failure to resolve internal contradictions and a product and process of class struggle. His later work explains how capitalist crises are moments not of breakdown but of breakthrough, evidence of capital's loss of control over the proletariat, the eruption of proletarian subjectivity (Bell & Cleaver: 2002).
Much of the analysis of capitalism negates or denies that class struggle produces capitalist crisis, or that crisis involves an intensification of class struggle. Marxist theory on capitalist crisis tends to see crisis as a result of the power of capital, the logical outcome of the capitalist system, of the economic ‘laws’ of accumulation. Yet the best of Marx’s and Hardt and Negri’s class analysis asserts the importance of struggle, countering the over emphasis of capital’s power and the tendency to consider autonomous proletarian power, the agency of labour, as subsumed by capital.

Violence and war are at the core of global capital for Hardt and Negri. This is a ‘war without end’ elemental in management and discipline, a constant element in the process of capital accumulation both “in the foundation and the maintenance of the alienation of the worker” (Negri: 1999: 252-256). Hardt (2007) has situated the link between capitalism and violence as corresponding to and extending Marxist notions of primitive accumulation during which “the birth of capital required extraordinary violence both in conquest, genocide and enslavement of foreign populations” and “in the expropriation of common lands, the clearing of peasants from feudal estates and the creation of new laws that effectively herded the poor into the cities and provided available labour-power”. For Marx (1954: 714-715) primitive accumulation is the process that “clears the way for the capitalist system . . . which takes away from the labourer the possession of the means of production”. According to Marx (1954: 737) the “organisation of the capitalist process of production, once fully developed, breaks down all resistance” and direct force, outside economic conditions, is used only exceptionally. Hardt and Negri (2000: 258) disagree with Marx, arguing that primitive accumulation is continuous because “capitalist relations of production and social classes have to be reproduced continually”. Building on the work of Rosa Luxemburg, who explained that violence was inherent to the accumulation of capital, Hardt (2007: 159) argues that “primitive accumulation never comes to an end but continues as a constant complement and support to the functioning of capital”. As Negri (1999) further explains, as capitalism develops, its violence intensifies and is transformed into an organised structure that orders and changes society.

In the twentieth century armed conflicts killed at least 110 million people and possibly 200 million, most of whom were civilians. Yet these are only some of the victims of a system which causes continual destruction, death and social misery through the organised violence of the state and capital. Vinay Lal (2002: 9 & 49) highlights the “true ‘unknown soldier’ of the
twentieth century” as the victim of development. Similarly for Peter Linebaugh (2003: 445) the workplace must be seen as ‘producing death’ and the “punishment of capital must include not only the mutilations, homicides, injuries, stress of the office, mine, and mill, it must also include the migrations, the uprootings, the forced confinements, the slavery of the sex industries that have become planetary phenomena”. Silvia Federici (2000) points to the increased number of people who suffer from illness and death due to cuts to public health, medical care, occupational and environmental safety, because of rising war budgets, as casualties of war. And how the violence of continued mass starvation, while there is abundant food for everyone’s needs and price rises putting basic requirements beyond the means of many, are also examples of capital’s global war.

Hardt (2007) argues that primitive accumulation involves continual violence in order to enclose people, land, property and social relations in the capitalist machine by attempting to break human solidarity, divide people and pit them against each other. He and Negri (1994: 242) point out that the neo-liberal project has involved “a substantial increase of the State in terms both of size and powers of intervention” to deal with capitalist crisis. While advocating less state intervention, neo-liberal states have boosted the prison population and introduced more repressive laws governing such things as protest, strikes, behaviour, movement, use of public space, censorship and other civil rights. While regularly cutting back spending on the ‘social security’ of welfare, spending on state security forces has been increased and these forces are called on to intervene wherever capital is threatened or challenged. The pinnacle of this neo-liberal violence has been what I like to call the global war of terror.

At the centre of the Global Financial Crisis (GFC) is a crisis of debt and value. As the financial system went into meltdown the experts of capitalist finance and economics were at a loss to explain or calculate the value of shares, debts, money and assets. They repeatedly exclaimed that the crisis was ‘too complex’, that they ‘lacked reliable data’, and that they didn’t know what had happened or was happening. This is a huge problem for the system, as it requires measuring processes and values that result in common activity for capitalism. Capitalism utilises measuring methods (such as wages, prices and interest rates) to maintain and reproduce capital through discipline, enclosure, capture and the commodification of labour. Importantly, as part of the GFC, debt could not be accurately valued. This is partially because debt is value that will be realised in the future and when future profits, to be realised through future exploitation, are thrown into question, debt bubbles burst.
According to Marx the value of commodities is determined by the socially necessary labour time required to produce them. But as he explained, when labour in the direct form ceases “to be the great well-spring of wealth, labour time ceases and must cease to be its measure” (Marx: 1973: 705). For Hardt and Negri (in Negri: 2008b: 181 & 2008a: 39) while “labour still remains the fundamental and sole element of value creation” and ‘labour time’ and money are still deployed as disciplinary tools, their effectiveness as measures of value is continually eroded by the activities of the proletariat. Marx (1973: 706) argued that the drive to dominate living labour through machinery would mean that “the creation of real wealth comes to depend less on labour time and on the amount of labour employed” than on “the general state of science and on the progress of technology”. The key factor in production would then become “general intellect” or social knowledge. Hardt and Negri (in Negri: 2008a: 103) have reinterpreted Marx’s concept of the general intellect to include the development of knowledge within the proletariat where the social relations, communication and affective networks of the class are a source of its power and capital continually seeks to subsume this power, while preventing any attempt to extend its communist potentials. According to Hardt and Negri (2000: 401) ‘labour time’ now reflects a ‘dualism of power’, where capitalist labour time is imposed as a mechanism of social control, but labour time also “comes back entirely under collective existence and thus resides within the cooperation of the proletariat”.

For Hardt and Negri the capitalist form is intertwined with the communist form, with class struggle over value occurring throughout society. As capital seeks to subsume more of society, ‘non-work time’ and ‘work time’ become intertwined in evermore complex ways, all time is tendentially labour time and therefore work cannot be measured by the time employed in production. Examining the growing capitalist subsumption of society, Hardt and Negri (2000: 402) argue that: “The production of capital converges ever more with the production and reproduction of social life itself; it thus becomes ever more difficult to maintain distinctions among productive, reproductive, and unproductive labour”. In Empire all social activity is exploited by capital while “class struggle does not disappear, but it is transformed into all the moments of everyday life” (Negri: 1991: xvi). The inability of capital to capture all living labour and “its tendency to be common and shared, undermine all the traditional mechanisms of accounting” (Hardt and Negri: 2004: 148) and value is beyond measure because “the world is labour” (Hardt and Negri: 1994: 11).
Labour remains central to capitalism as both a transformative and constraining power, a means by which people are incorporated into capital through exploitation and alienation and a means by which people struggle against capital. According to Marx, the capitalist labour process alienates workers from nature, from themselves, from their own activity, from their human essence and from other workers. Marx’s (1954: 613-648) theory of capitalist valorisation explains that under capitalism, the imposition of labour is independent of the production of any particular use values and that the primary role of labour is to ensure continuing capitalist command rather than to produce wealth. Whereas David Graeber (2005) and Massimo De Angelis (2005) point out that the politics of alternatives to capitalist society lie not in the struggle to appropriate value but in the struggle to establish what value is. “Similarly, the ultimate freedom is not the freedom to create or accumulate value, but the freedom to decide (collectively or individually) what it is that makes life worth living” (Graeber: 2005: 58). Various types of value are produced, realised, defended or challenged in “intense social struggle" over “the ability to define what’s important in life” (Graeber: 2005:15). The ability to give non-capitalist value to labour involves the use of proletarian power to counter a lack of control people have over what they do, how they do it, why they do it and when they do it. In the struggles between conflicting values and value practices capitalist subsumption is continually contested by the proletariat as it counters the capitalist organisation of labour and collectively organises communist activity. The proletariat’s ability to establish and satisfy its own needs and desires through relations of cooperation and solidarity, creates a crisis of capitalist value. In order to counter the growing antagonism of communist forms of value, capitalist value is imposed by force. But, class relations are relations of struggle, not just of domination and command; this is why the contemporary crisis of capitalist value is not a crisis of value in general, but a crisis of value as domination and violence.

From a proletarian perspective the current crisis can be seen as a both a product of intensifying class struggle and a form of violence which seeks to re-impose and re-order exploitation, social division and capitalist reproduction. The scope and intensity of the imposition of commodified labour always depends on coercion and violence because the proletariat continually resists, avoids and challenges capitalist labour, struggling to create and extend non-capitalist alternatives. So where is the resistance to capital today? With the limited space available I can only point to some areas which indicate the current level of
global class struggle. This struggle is occurring at many levels of everyday life involving a multitude of tactics, strategies and organising projects and a wide variety of individual and collective refusals and rejections of capitalist labour, production, distribution, exchange and consumption. Significantly the proletariat’s response to the intensification of capitalist violence, through the global war of terror, was the largest peace movement in history. In the last few years we have also seen the emergence of powerful global anti-poverty and environmental movements, the alter-globalisation movement and the so-called pink tide that is sweeping across Latin America. In the United States the level of class struggle has been indicated by the biggest May Day mobilisations in their history, a widespread rebellion against war and a groundswell of rage and desire for radical change.

Importantly, in the world’s most productive factories, in China, (which is now the main driver of the world economy accounting for one third of the world’s economic growth) there has been a decline in the average rate of profit as strike waves have swept across the country resulting in dramatically increased wages and improved working conditions (Ryan: 2008: 18). Meanwhile, as industries have fled proletarian power to places such as India, Indonesia and Bangladesh, these countries have seen growing workers’ unrest and pressure on wages from below. Where global capital has opened new plants in the supposedly tamed former socialist states, major strikes have erupted in places such as Vietnam, Russia and Romania. Tens of thousands of immigrant workers have also recently protested, gone on strike and won wage rises in the Gulf Countries, despite often being confined to enclosed labour camps and being deported or jailed for taking part in struggle (Walt: 2008: 45). While in the more impoverished parts of the world, recent food riots show that capital and the state have to face a desperate, hungry and angry, but also highly organised urban proletariat.

Already in response to the GFC there have been significant protests in Bulgaria, Italy, Iceland, England, Ireland, Latvia, Lithuania, Russia and Spain. While millions of people have struck and taken to the streets of France. We have also seen a popular uprising in Greece by tens of thousands over a host of grievances, including government corruption, low wages, poor working conditions and rising unemployment. The burning of Greek banks quickly sparked a “fear of Europe in flames” (Campbell: 2008) with French President Nicolas Sarkozy pointing to the situation in Greece to justify his rejection of budget proposals to cushion the wealthy from losses. And in the past few months strikes and workplace occupations against retrenchments and wage cuts have occurred from Canada to Turkey,
from Argentina to South Korea (Hattingh: 2009). Given the level of struggle that I have only just touched on, it is not surprising that today debates have again erupted about the failure of capitalism and the spectres of Marx, socialism and even communism, haunt the world once again.

Hardt and Negri are not alone in their understanding that capitalist value is dependent on violence. As the *New York Times* foreign affairs columnist Thomas Friedman (1999: 73) has explained: “The hidden hand of the market will never work without a hidden fist. McDonalds cannot flourish without McDonald Douglas, the designer of the bombers that attacked Iraq, and the hidden fist that keeps the world safe for Silicon Valley is called the United States Army, Air Force, Navy and Marine Corps”. But today this fist is unable to secure Pakistan, Iraq and Afghanistan, as violent and non-violent resistance to intervention and occupation intensifies. At the same time much of the US armed forces and broad sections of US society are rejecting both the current wars and war in general. The United States is clearly incapable of imposing a unilateral command over capitalist globalisation. As neo-liberalism advocates and recognises, it is the market not the nation state that is hegemonic and global capital is a supranational power that tends to dominate markets and states alike. As the U.S. state is weakened, its ability to unleash violence diminished, the value of U.S. connected capital falls, as it is no longer backed up by effective force. Global wars and global markets cannot rely on the power of the United States. Rather it is the power of global capital and the practices, policies and processes that serve it, that increasingly constitute and defend the global order.

The unilateralism of the Bush administration has not only been a failure for the U.S. but has also destabilised the Empire of capital. The conflicting interests of capitalists means that while some have benefited from the U.S. led global war of terror it has also had “strongly detrimental effects on the global circuits of production and trade” and hindered capital’s economic, political and military networks (Hardt and Negri: 2004: 319). In response to these detrimental effects there has been a significant increase in financial, economic, political and military challenges to the U.S.. Post 911 US ‘unilateralism’ has had an upside for U.S. based capital and capital closely tied to the U.S. state, especially for capital aligned with the Bush administration. But the downside has included increasing hostility by other sections of capital, which are tending to cooperate with each other to the detriment of the U.S.. The GFC to a certain extent reflects the impact of a capitalist strike against the praxis of the Bush administration and the U.S. state by various sectors of global capital including important
states such as India, Russia, Brazil, Iran and China. As China and Russia made clear at this year’s World Economic Forum (WEF) meeting in Davos (Dougherty & Bennhold: 2009), they blame the U.S. for the crisis. The Presidents of Brazil, China, Russia and India have already agreed that a solution to the financial crisis should be to create global reserves based on a basket of the strongest currencies, putting an end to the reign of the U.S. dollar. Yet they also have no doubts about the ‘mutual interests’ and ‘mutual dependencies’ of the capitalist Empire. While they have attempted in some ways to de-link from the U.S., any strike by supposed ‘national’ sections of capital or sectors opposed to the Washington consensus, cannot and does not, affect only U.S. based capital. As well, inter-capitalist conflict is not divorced from the proletarian struggles which are putting pressure on capital and the state, aggravating inter-capitalist competition. These are important reasons why there is now a global scramble to recast Empire, to re-develop global mechanisms to regulate, manage and co-ordinate capital, to defend the system and decompose the proletariat.

Hardt and Negri (2000: 268) explain that, “capitalism undergoes systemic transformation only when it is forced to and when its current regime is no longer tenable”. They understand that capitalist planning is counter-revolutionary and that capital seeks to capture and utilise proletarian desires, demands and struggles to counter communism and strengthen capitalism. We can see how capital will use the current crisis to prop up corporate criminals. But the outcome of the coming class struggles cannot be foreseen. The failure of the global war of terror and the impact of the GFC has thrown neo-liberalism into question and intensified class struggle around state responses to crisis. As capital attempts to deal with global proletarian power and systemic failure the emergence of neo-social democracy involves more state intervention and increased regulation of the financial sector, along with the continuing capitalist violence of state authoritarianism, austerity, job losses and unemployment. While capital and the state attempts to develop forms of legitimisation, violence, coercion and repression continue to be relied upon to defend the system. To deal with crisis, capital and the state are now seeking new configurations of class forces including new reformist social contracts built around scarcity and austerity that aim to develop cooperation as well as confrontation. Immanuel Wallerstein (2008) argues that we are “moving into populist government-led redistribution, which can take left-of-centre social-democratic forms or far right authoritarian forms”. While Negri (2003: 228) points out that the project of both fascism and new dealism is “the destruction of the multitude” through corporatism. As the ruling class struggles to find the best organisational forms to further its collective interests, social
democracy, state capitalism and national socialism are all on the table, in order to subdue and incorporate the multitude and its movements.

As the state shifts towards ‘saving capital from itself’ and increasing its legitimation function in the face of growing social unrest, it is important to remember that social democracy has always attempted to protect capital by recognising class struggle and seeking to harness it for capital. Progressive state expenditure or regulation of capital is not only a means to legitimate the state and defend capital. It is also a response to the struggles of labour, attempting to dampen these struggles, by delivering some benefit for the class while helping to co-opt progressive movements. But whatever concessions are conceded will not negate capital’s attempts to utilise crisis to affirm its dominance. In Iran and Honduras we have recently clearly seen how the capitalist state relies on force. Capital utilises the violence of state authoritarianism, mass unemployment and austerity to force down wages, erode working conditions and attack proletarian power. In this crisis capital will be as vicious, violent and destructive as required to protect and impose itself, willing to sacrifice development to wars and continuing crisis. As Negri (1988: 192) explains, the more that capital attempts to constrain proletarian power, as the progressive force that drives capitalist development, “the more it finds itself bereft of any positive logic, and is forced simply to arm itself with violence and brutality” to exercise domination.

Hardt and Negri’s view that value is beyond measure only makes sense when looking outside capitalist value to see value from the perspective of the proletariat and its struggle against capital and capitalist value. Cleaver (1979: 76) points out that during periods of primitive accumulation “the struggle between the emerging classes was about whether capital would be able to impose the commodity-form of class relations” (emphasis in the original). Yet, if primitive accumulation is seen as a continual process aimed at destroying the proletariat’s ability to create communism, the class struggle is still about whether capital is able to impose the commodity form, whether it has the power to destroy the proletariats ability to create communism. The struggle between capital’s imposition of labour and the proletariat’s struggle to free labour is continuous, as Cleaver also acknowledges, and Marx saw “that it would be increasingly difficult for capital to find ways of imposing work” (Cleaver: 1979: 83). Definitions of what is socially necessary labour time depends on class struggle, the power that capital and the proletariat are able to mobilise and deploy, and struggles over capitalist labour time are still important because the proletariat’s autonomy
requires social time free from the temporality of capitalism. Hardt and Negri’s challenge to orthodox Marxist value theory hinges on their recognition and emphasis of immanent communism, on the claim that proletarian power has undermined and disrupted capitalist value, that proletarian decommodification, self valorisation and the wide production of proletarian use values has created a crisis of capitalist value. They are most interested in the immaterial production of ideas, information, communication and cooperative social relations, the exchange of creative activities, the production and circulation of commonwealths rather than commodities. Only within communist social relations are these commonwealths genuinely valued, as qualities of life, where the social networks, sharing, solidarity, democracy, peace and love of the multitude is produced by resisting, refusing and exceeding the imposition of capitalism.

The purpose of this paper has not been to deny the power of capital or the contradictions and complexities of class struggle. Instead it has emphasised the importance of recognising that the economic crisis and its use by capital is a result of intensified class struggle. This recognition can help to counter capitalist strategies and assist the development of proletarian power to challenge imposed scarcity and austerity, exposing, rejecting and dismantling a sick and vicious system. There is a depth of anger rising across the globe and a diverse alternative globalisation movement of movements much of which can already see beyond reforming mass violence, brutalisation and plunder; which sees no point in stabilising a social relation that promises little more than repetitive crisis and the mass slaughter of life on this planet. We are likely to see intensified struggles over the hierarchy of the global order and a range of strategies to re-launch capitalist accumulation. At the same time, proletarian movements will counter the intensified capitalist violence of austerity, unemployment, environmental destruction, nationalism, racism, terror, fascism and war. Proletarian power is manifested in capitalist crisis and this forces capital to face the fact that the initiative and effectiveness of proletarian struggle cannot be ignored, or effectively dealt with by capital in its present form. Capital uses crisis to try to discipline, capture and gain control over the labour that is escaping it, reorganising the global network of capitalist power relations. But as capital recomposes its Empire the multitude recomposes the proletariat. As a global class the proletariat composes itself through a whole series of movements, becoming more diverse and complex, utilising a wide variety of old and new strategies to expand its class power. As capitalist crisis and class struggle intensifies, it is important to recognise that the proletariat
has the ability to force capital into reformism and the power to develop alternatives to the violence of capitalist value.

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Childcare, Social Reproduction & the Theory of Affective Labour

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Childcare, Social Reproduction & the Theory of Affective Labour

Abstract

Numerous authors have written upon the importance of recognising the economic role of care work, its political and structural formation, and the conditions characterising this sphere of work. Nevertheless, care, and reproductive labour generally, continues to pose problems for analyses of (re)production and capital. The concept of affective labour has been utilised by some to engage with these questions and the blurring and alleged dissolution of divisions between productive and reproductive labour. However, care work remains a low paid, highly gendered, and often fragmented industry. This paper draws a relationship between the work of childcare and affective labour, as a preliminary step towards an analysis of the class composition and labour process of childcare. This is made through a critical engagement with the theory of affective labour, and some preliminary speculations on the labour process of childcare.

Introduction
The structures and relations of social reproduction have been undergoing a series of reconfigurations in recent decades. A condition of 'invisibility' defines much of the labour of social reproduction, yet aspects and moments of it have become increasingly 'visible' in some areas. Caring labour has always been central to the social reproduction of capitalism, however in the last few decades the direct commodification of care throughout much of the world has been increasing. Childcare in Australia has undergone significant restructuring in the past twenty-five years. The restructuring of childcare in Australia has resulted in the growth in the amount of paid care workers in childcare, the increased role of private capital in this service provision and its study offers an insight into the class condition of care workers during the period of capital's neo-liberal offensive. The processes of the direct commodification of care work, evident in Australian childcare, poses the problem of how to understand the spaces and roles of care for contemporary production, reproduction, and class composition. The point of this paper is not to engage with the question of whether publicly or privately funded care embodies a better ethics, but to understand both, and other, forms of the provision of care within the overall framework of the reproduction of capitalism.

These developments demonstrate the need to engage with the contemporary figures of social reproduction, and where and how they work. The concept of 'affective economies' has been utilised by some to map these emerging terrains of work and their relationship to capital. An affective economy here signals the real subsumption of labour to capital that Marx identifies (1990, 1023–1038), technological and media innovations deployed for the circulation and amplification of affect (Clough, 2005), an increasingly direct relationship between the sphere of social reproduction and productive capital, the growth in service sector work, and the shift to a consumer society (Wissinger, 2007). Care fits in here as an example of social reproduction. Feminist political economists and theorists have been investigating the material conditions of affective labour for many years now, despite the much more recent development of this term. Reproductive labour, care and domestic work have been the focus of many politically charged analyses of these types of work, and the forms of struggle that arise from, and in turn shape, the condition of this work. This paper will use the specific example of childcare in Australia to engage with the theoretical understanding of care workers and class composition developed under the rubric of affective labour. I will argue that the category of affective labour identifies some of the novel features of contemporary capitalism and the class composition of care workers. However more research is needed in this area, focused more directly upon the political and structural conditions of care workers, in order to develop the theory of affective labour and its relationship to the work of care.

Theories of Affective Labour

The theory of affective labour represents an attempt to understand the specific forms of the integration and entanglement of bodies and minds with production and the contemporary political economy. Whilst bodies and minds have always been entangled with the forms of production, discipline and control of capitalism, theorists of affective labour have attempted to point to the novelities of these relations for contemporary capitalist production. Clough's (2007) *The Affective Turn: Theorising the Social* provides an overview of the scope of perspective embodied in the concept of affect. This collection of essays takes the concept of affect well beyond the limits of typical political economy, in an attempt to pick apart a broader understanding of economies of the body. However, the concept of affective labour also points towards features of the labour process of various types of work. Hardt locates two key aspects in the development of the concept of affect in the focus on both the body and emotions. The conception of affective labour operates as a theoretical mechanism with which to link the research of gendered forms of labour with the 'increasingly intellectual character of productive practices and the labour market' (Hardt, 2007, p
Here, intellectual, emotional and physical aspects of production are brought together under the concept of affective labour.

One of the key difficulties in understanding affective labour, as well as the inclusion of care within the concept, lies in the fact that it covers forms of labour both very old, and new. Affective labour, understood as a form of 'biopolitical production' that 'directly produces social relationships and forms of life', or 'relationships, and forms of communication and co-operation among children, in the family and in the community' (Hardt & Negri, 2004, p110), embodies forms of work that are not in themselves novel to contemporary capitalism. However, the approach to affective labour taken by Prada attempts to demonstrate how the production of affect, and the role of affect in many forms of work, has been intensified in recent years (Prada, 2005; See also Dowling, 2007). Prada argues that in contemporary production, 'affectivity is for once and for all liberated from its former, restrictive enclosure in the contexts of intimacy and the family and is gradually becoming the real object of production in new industries'. Prada continues that, 'in today’s context, the concept of production (historically linked to that of goods) is being continuously extended' (Prada, 2007). In this instance, the importance of being able to produce an affect through one's labour, whether that be, for example, a sense of comfort, excitement or an ongoing relationship, is increasingly central to the labour process of affective economies. Care as work, in itself, may not be new, but the question remains as to whether its condition today can be understood more clearly through the lens of affective labour.

In order to deepen the understanding of the recent theoretical development of affective labour, it is necessary to situate it within the framework of immaterial production and the real subsumption of labour to capital. In Value and Affect Negri argues that the real subsumption of labour to capital, the globalising of exploitation, results in the 'absorption of all social life within capitalist production' (Negri, 1999, p83). That is, labour-power's 'productive force is exploited within the processes of social reproduction. Production becomes coextensive with reproduction, in the biopolitical context.' Negri argues that in the condition of immaterial production, life itself invests production, or rather immaterial production creates social life itself. In Empire Hardt and Negri state that 'life is no longer produced in the cycles of reproduction that are subordinated to the working day; on the contrary, life is what infuses and dominates all production' (2000, p365). Such arguments tend to sound triumphalist, and thus whilst attempting to engage with the political and economic importance of reproductive labour, they in effect mystify some of the concrete conditions faced by contemporary immaterial or affective labourers. Immaterial production and the real subsumption of labour to capital may speak of some of the conditions of care workers as affective labour, but fails to articulate the specific material forms of this work.

One of the key problems with the above formulation lies in the conflation of forms of work which have always been central to the reproduction of capitalism, with what is constructed as an essentially new epoch of capitalist accumulation. Weeks, who utilises much of Hardt and Negri's work, engages with the literature of Second Wave Socialist Feminism and of Arlie Hochschild to illustrate that whilst affective labour and immaterial production have always been of central importance to capital and reproduction, in the contemporary context, such work assumes new characteristics and a different role (Weeks, 2007). A central plank to her argument is that previous analyses of immaterial and affective labour relied upon an understanding of capitalist production that drew a distinction between a space of capitalist production proper, and an almost untouched space of reproduction that was outside of that of production (Weeks, 2007; Hochschild, 2003). Whilst Weeks demonstrates how the perspectives of Second Wave Socialist Feminism, and the work of Hochschild, engage with the increasing effects of capital penetrating the realm of reproduction, the theorisation of separate spaces limits their contemporary utility for the critique of capital (Weeks, 2007). Rather, what is novel in the contemporary situation is how such spaces have broken down and overlapped. Weeks is posing the problem from an explicit attempt to rethink the construction and production of subjectivity in contemporary capitalism, and the impact this on forms of work.
A further complexity within the theorisation of affective labour is expressed in the relationship between production and reproduction, waged and un-waged work, and the forms of exploitation specific to reproduction. Here the work of Marxist feminists has been important, uncovering the relationship between the mass of unpaid labour and the accumulation of capital (Dalla Costa & James, 1973; Federici, 2008; Fortunati, 1995; Mies, 1998). Fortunati, in her book *The Arcane of Reproduction*, aimed to uncover the mystery of reproductive labour and its relationship to the accumulation of capital. Here she states that, 'the real difference between production and reproduction is not that of value/non-value, but that while production both is and appears as the creation of value, reproduction is the creation of value but appears otherwise' (Fortunati, 1995, p8). Federici (2008) argues that whilst the theories of immaterial production and affective labour capture some central developments in the organisation of work, 'they also bring us back to a male-centric conception of work and social struggle'. According to Federici, the conception of affective labour ignores the role of the wage as a divisive force, and thus that the theory lacks the tools to deal with problems of racial and gender hierarchies throughout production and social reproduction. Federici further identifies how the periodisation of immaterial production is problematic, in that the idea that immaterial production now produces social life itself, mystifies to a certain degree the role of reproductive labour throughout the development of capitalism. In this case, Federici argues that work in the home, for example, did not just produce life, but commodities for capital – and that this condition essentially still holds (2008). As such, the construction of immaterial production flattens this aspect of the work of social reproduction, and fails to take up the implications of the changing forms of the commodification of this work.

The theory of affective labour, particularly when applied to care work, is forced to confront its own historical and political construction, perhaps an aporia underlying its articulation. That is, affective labour as a contemporary theory, arises for some from the real subsumption of labour to capital, whereby all forms of social labour occur within the orbit of capitalist production – take on the form of productive labour. This is the argument made by theorists such as Hardt and Negri, where one cannot feasibly separate the processes of production and reproduction, in the contemporary biopolitical context. However, the inclusion of care and reproduction within the forms of work that produce an affect, poses the problem of what was this work producing before, and what, if anything, is new about it now? Does not its inclusion under the rubric of affect, dehistoricise the material condition of care and social reproduction, and its relationship to capital accumulation? A theoretical knot is clearly visible here, which has been identified by theorists such as Federici and Fortunati, in their attempts to demystify the historical and economic role of unpaid reproductive and care work, whilst continuing to engage with the condition of this work in the contemporary context. This is the same project taken up by Weeks and Prada. What seems necessary to contribute to this debate, is an analysis of some of the concrete political economic, and politico-structural developments occurring within the sphere of reproduction and care. This paper now looks to some of these developments in Australian childcare as a means to make some preliminary remarks concerning the relationship between care, affective labour and contemporary capitalism.

**Care as Work: who, what, where, when and how?**

Analyses of the conditions of the labour-process of care work are not a prominent feature within the discourses of productive labour and formal economies. In the analyses of childcare, care as a form of labour with a specific relationship to capitalist production, is similarly hard to find (See for example Freedman and Vicary, 2006; Davidoff, 2005; Currie 1999). To a significant extent care work, and specifically childcare work, has been constructed and understood as either reproductive or unproductive labour. This placement of care work outside of the formal economy, that is outside of what is understood as productive labour, has been created historically as a result of a lack of
engagement with its concrete relationship to capital, and also systematically entrenched politically and ideologically (Abel, 2000). Childcare has been viewed as both a place of feminised labour outside of production, or otherwise as a low-skilled and low-value adding form of labour within the formal economy. Moreover, when questions of its relationship to the economy have been raised, this has most often occurred in relation to women’s access to waged productive labour, that is, as a question framed through the lens of a mother's access to waged employment outside of their home (Folbre). As such, childcare is located as a site outside of production, existing in order to provide access to the formal economy for a specific layer of potential workers – mothers. At best, such analyses have always been very limited, and generally unable to engage with the relationship between care work and capitalist production.

A growing literature identifies the increasing amount of people involved in paid care work, as well as the continued importance of unpaid care work to the reproduction of capitalism, and the composition of these workers (Folbre, 2005; Dalla Costa & James, 1973; Caffentzis, 1999; Meagher, 1999; Misra et al, 2008). The Organisation for Economic Co-Operation and Development's (OECD) report A Caring World identifies a number of causal forces impacting upon the growth in demand for care. This report sites changing family structures, increased women's participation in the labour market, and ageing populations as key forces upon the growing care work force (Organisation for Economic Co-Operation and Development, 1999). This report indicates the need for more workers to enter the paid care work force. In Australia, in the 2001 census 1 in 42 people claimed that they worked a main job in a caring role (Meagher and Healy, 2005). An Australian Bureau of Statistics (ABS) survey identifies a 24% increase in the amount of formal care workers in Australia between 1996-2001 (2001). These figures point to the growth in the amount of paid care work being performed, however it remains the case that a significant majority of care work is performed outside of the paid, formal sphere of work.

The concept of care work is one which is still evolving, and is often used in different ways. Care work generally refers to both paid and unpaid forms of labour. The problem of the 'visibility' and 'invisibility' of labour involved in social reproduction characterises much of the content of investigations into care work. On the most fundamental level, invisibility defines the condition of labour that exists outside of the formal economy, and which is generally unpaid. The visible, then, is the public, and those forms of work in the explicitly formal economy are those that are generally visible: the directly waged, monetised labour of production. The invisible, then, can be generally defined as the un-waged, informal and private forms of work, broadly the labour of reproduction (De Angelis, 2007, pp56-65; Bittman et al, 2004). Thus it would appear that the growth in paid care work, as indicated in the OECD report, for example, translates directly into the making visible of this work. Whilst this is true to some extent, the processes of commodifying care work also reconfigure the relationship between the visibility and invisibility of social reproduction and care work within it. This is evident in the example of childcare in Australia.

Workers employed in paid childcare services in Australia have grown by nearly 50000, from 44000 in 1992, to just over 90000 in 2006 (Australian Government, 2008). The visibility of this particular form of labour appears to have increased, which in certain respects is true. Investigations into the conditions of paid care workers in long day care centres (LDCs) has grown, identifying, for example, the need to address pay rates, staff to child ratios, and more recently the question of education and care has become a focus (Brennan & Meagher, 2006). However, this is only part of the story. In terms of those workers employed in paid childcare work in Australia, only those who work in LDCs have really begun to emerge from invisibility. Those workers who work in family day care (FDC) remain largely hidden. These workers, whilst directly integrated into commodified relations of care, work from home, organised through a network. This form of childcare is also
setback by the distinction between education and care, which acts as an even stronger barrier to the recognition of the labour performed by these workers, as this work in the home is viewed as child minding or baby-sitting (Gurgansky et al, 1994; Fitzgibbon, 2003). Even at this level of paid care work, difficulties arise when confronting the political economy of care.

Gender divisions and concentration characterises the composition of the care work force, with an overwhelming representation of women performing both paid and unpaid care work. The increased participation of women in other forms of waged labour outside of care has had a significant impact upon the creation of a new layer of paid carers, which is particularly evident in childcare. As authors such as Brennan and Staples have argued, this movement of women outside of unpaid domestic labour has been in many ways a victory of struggle, however it also precipitated a reformation of the labour-capital relation (Brennan, 1998; Staples, 2007). In terms of moving out of the home, Staples has put the problem like this: 'women's revolt against patriarchal oppression in the home and in society created a shock for capital on one level...but an opening on another, with an extension of exploitation, supplemented by patriarchal controls, in the increasingly privatised and precarious workplace' (2007, p133). Thus, the gains of moving out of the home, were linked back to a restructuring of social reproduction, and new forms of imposing reproductive care work on women.

A study released by the Australian Council of Social Services (ACOSS) statistically demonstrates this process in Australia. This study, based on Australian census data from 1996-2001 shows that in all paid care services in Australia, 88.4% of the workers were women in 2001. In childcare specifically, 96.4% of paid workers in community services childcare were women (Meagher & Healy, 2005). These figures represent a reduction of around 1% in each instance from 1996. Whilst there has been a slight increase in the participation of men in paid care work, this form of work is clearly highly feminised. Studies by Ironmonger indicate that in the home women continue to perform the majority of care work, at a rate of 3-4 times the amount of hours that men do. Although there are important studies into the labour performed by men in this area of work, the sexual division of labour is clear (Ironmonger, 2004).

It is already evident that the care workforce is highly gendered, and that the types of labour performed can be difficult to see and grasp due to the problem of invisibility of so much of the work. Within this condition, the racialisation of labour and care adds further complexity to the political economy of care and social reproduction. The concept of 'global care chains' has been developed by some theorists to explain the links between global restructuring, migration and care economies (Hochschild, 2000; Yeates, 2004; Yeates, 2005). Links are here identified between women's increased labour force participation in advanced capitalist countries, the exportation of care from developing countries to the developed, and the creation of a poor, migrant layer of care workers (Hochschild, 2000; Hultz, 2008). The contemporary architecture of social reproduction is again linked to the global restructuring of capitalism. In Australia however, this process is not so clear. As Mears has sought to demonstrate, the notion of global care chains in Australia assumes a different form, as a result primarily of Australia's stringent immigration laws favouring only skilled, in demand labour (Mears, 2006). Meagher further shows that the growth in paid domestic labour in Australia has primarily taken the form of outsourcing domestic kitchen labour and childcare (Meagher, 1999). Thus, paid childcare in Australia has been identified as monocultural, heteronormative and dominated largely by white women workers (Luzia, 2008; Wright & Connoley, 2002). This is particularly evident in for-profit LDCs, with under 10% of workers in this section of the industry from non-English speaking backgrounds (NESB). In FDC, just under 20% of workers are from NESB (McNeice, Moyler & Meyer, 1995; Meagher & Healy, 2005). There is thus a higher concentration of NESB women in the less visible FDC, and the consequent indication
that the majority of care for people of NESB being performed in the invisible, unpaid realm.

There are clearly many contours to the sphere of reproduction, and that of care specifically. The concepts of visibility and invisibility provide a basic framework through which to begin understanding the shape of this sphere of work. However, it is necessary to look further in order to get a grasp on how labouring practices, spaces and times are made visible or invisible, and in order to determine who is working where. Whilst paid care work places a spotlight on some of aspects of care work, it fails to illuminate all that is going on. Certain sections of the paid care workforce remain less visible than others, whilst many continue to work beyond this limit.

**Some General Features of the Restructuring of Paid Childcare in Australia**

The political and economic impact of neoliberalism and economic rationalism became increasingly visible throughout the 1990s. This is evident in the political commitment to a dismantling of the welfare state and restructuring of production and reproduction which took hold. This emphasis on reducing government expenditure, and restructuring the provision of childcare intensified throughout the 1990s. The extension of the subsidisation of users of for-profit care was a part of the marketisation of childcare, and once instituted had few impediments. This move was framed in terms of attracting larger amounts of capital to the industry, which would address the need for more care positions in the centres and reduce the need for government subsidy, as private capital would operate more efficiently. However, whilst the number of positions did continue to grow, the actual rate of growth of childcare positions has slowed since 1996. Simultaneously, capital turnover and profit margins have increased. These conditions have had pronounced effects on the operation of the centres, the care provided in the sector, and also on the conditions of the workers. As Press (2007, p188) has argued, the ongoing restructuring of the funding provided to childcare centres, which increasingly tended towards demand stimulation over supply side provision, forced all centres to operate like businesses. Providers' ability to respond to the qualitative demands of service became limited, and assistance provided by government tended to be framed in terms of financial advice (Press, 2007). The growth in the private sector has meant an increase in government outlay of funding, from $555 million in 1995, to $1.8 billion in 2005, (Brennan, 2007, p62). What is of significance here, however, is not only that spending increased, or that the number of positions increased, but also that it occurred in such a way as to open the sector directly to the market.

In 2000 the government pushed further in the direction of opening up the market through replacing the government subsidies of child care positions, with the child care benefit (CCB), which is paid to parents. This decision rearranged the funding of the sector away from a directly government funded service (Cass, 2007, pp164-165). The National Childcare Accreditation Council (NCAC) was formed in 1993, to oversee the development of qualitative improvement in the provision of child care. To be eligible for CCB a child must be attending a NCAC approved centre. Previously, government policy had been aimed towards service provision directly on the supply side, the decision to focus on the demand side through funding child care through consumption was another step away from such an orientation. Rather, in this case funding was provided by the government, but through the purchasers of the services, the parents. This had an effect of increased demand for child care positions. Although the policies of spending on services by the Coalition government didn't reduce the amount spent by the government, in fact spending increased, it did fundamentally rearrange the avenues by which funding as made available (Pocock & Hill, 2007). The role that the CCB plays is essentially one of direct funding to the private sector through the parents who use the service. To this extent the CCB is an underwriting of the private sector's revenue and profits. A second policy measure deployed by the Coalition government in its approach to child care provision
was the Child Care Tax Rebate (CCTR). The CCTR is a tax offset that was introduced in the 2004 budget. The CCTR was designed to address the costs of child care that came out of pocket for users. It is a 30% tax rebate on the costs spent on child care after the CCB. Unlike the CCB, however, which is structurally designed to give more benefit to lower income earning parents, the CCTR provides most benefit to higher income earners (Cass). The CCB, at the upper and lower extremes, provides a maximum of $168.50 to low income families, and a maximum of $25 for high income families (Brennan, 2007). The CCTR functions differently to the CCB, in so far as it targets those with high child care costs, which is generally those with high incomes.

In Australia in 2004, 71.6% of Commonwealth supported long day care places were provided by the private for profit sector, or 269330 children. In 2005, ABC Learning controlled 20% of this section of the market (Rush & Downie, 2006). The rise of the private sector has been phenomenal since the first years of this decade, until late 2008 when ABC Learning, as the largest private provider, went into receivership. The rise of ABC Learning to dominance of the sector came largely as a result of its listing on the stock exchange in 2001. Numerous other providers also followed this approach. ABC Learning grew as a company rapidly as a result, and also took the approach of taking over other community, non-profit child care centres. In 1997 ABC Learning was Australia's largest single provider, operating 18 child care centres, by 2005 it was running 825 centres (Rush & Downie, 2006, pp14-15). In terms of profit, ABC Learning had seen a similarly high rate of growth, between 2001 and 2005 profit increased by approximately 100% per year, recording a $3.3 million dollar profit in 2001, and a $52.3 million profit in 2005 (Rush & Downie).

This is far from a exhaustive engagement with paid care in Australia, aspects of which can be found elsewhere (King & Meagher, 2009). However, it is clear that the structural conditions of childcare in Australia have demonstrated a shift in the articulation of the relationship between aspects of reproduction, capital accumulation and the formal economy. This has had direct impacts upon the spaces of the work of care, and the entanglement of care work with capital. The impact of actually existing neoliberalism upon social reproduction and the architecture of the welfare state and service provision in Australia is still being debated. These developments open up the space for the investigation into the conception of affective labour and capitalist production, care work within it, and the class composition that emerges from this work.

**Labour of Childcare: Care/Education, and Affect**

The discussion so far has focused upon some of the features of the theory of affective labour and the conditions of childcare in Australia. This section will make some very brief and preliminary comments on the work of childcare and its organisation, in order to draw a closer relationship between this work and the notion of affect. In the absence of further research to be undertaken, these comments will not be able to form a basis from which to draw clear conclusions. At present, this discussion will relate the concept of affect to speculations concerning the distinction between care and education within the early childhood sector. This particular issue is chosen because it embodies conceptions of the work that is performed within the sector, the composition of the workers, raises questions concerning the commodification of care and class formation, and poses the problem of what it is that is being produced in childcare.

The division between the labour of 'caring' and the labour of 'teaching' has significant implications for the composition of the working class working in child care, upon the strategies for organisation,
and for how a political recomposition of the class can develop in the child care industry. The teachers within the child care industry are university trained, and thus claim a knowledge of pedagogical skill that is unattainable at the TAFE level of training or through vocational experience. The hierarchisation of labour within the LDCs most often places those with university education in a position above that of the other carers (ABS, 2001; McNeice, Moyle & Meyer, 1994). In this case, the notion of professionalisation can potentially be seen as a divisive force within the industry. The struggle of childcare workers, who 'care' rather than 'educate', has the potential to chip away at the professional bases of the teachers, who need to distinguish their labour, as education, from that of the historically undervalued labour as care. Whilst commonality between these workers has been evident in the past, the ongoing division over the form of production between care and education remains a potential impediment to a common basis of organisation for these workers.

In terms of the question of the production of affect, despite the divisions between care and education, both forms of labour can be theorised as forms of affective labour important for the reproduction of contemporary capitalism, and for its process of accumulation. The form of affect in childcare can be seen as production and accumulation in the “domain of affect, socialising capacities for living” (Staples, 2007, p143). This notion of socialisation as production can be taken well beyond the conception of childcare, but is aptly applied to this form of work. It is possible to see here both care and education as forms of affective labour in the production of social relations which are crucial to the reproduction of subjectivities within the capitalist terrain. However, the forms of this labour are integrated and stratified by the hierarchies of production, visibility and invisibility, outlined earlier, along the axes of gender, class and race. Thus, a more complete interrogation of the relationship between the ordering of childcare work within the political economy, the impact of this upon the work performed in any given space of childcare, and the concept of affect requires a more thorough unpicking of the framework of reproduction and childcare's position within it.

**Conclusion: Childcare and/as Affective Labour?**

This paper has drawn out some of the key themes and claims within the theorisation of affective labour, and some of the contradictions that emerge from this debate. Secondly it has attempted to give a general insight into what might be termed the technical composition of the class as manifested in the areas of childcare, and care and reproduction generally, in order to illustrate some of the contours and difficulties in coming to grips with the care workforce and its places of work. thirdly, some of the general aspects of the restructuring of paid childcare in Australia have been highlighted. Finally an initial attempt was made to outline the relationship between childcare and affective labour, and the direction that further research could take to understand the position of childcare within contemporary (re)production and flesh out the notion of affective labour. It is difficult at this point to draw any clear, substantive conclusions on these questions. However, some of the problems are already clear, both for the theorisation of affective labour, and for how we understand the class composition and work of childcare.

To begin with the theorisation of affective labour. It is clear that the materiality of forms of work within the conception of affective labour in reality cut across the construction and historical periodisation of immaterial production. This is particularly evident in terms of care and other forms of reproduction. Acknowledging this particular feature of care work provides a firmer foundation from which to engage with the dynamics of this form of affective labour, throughout the broader shifts in the political economy. If one accepts the condition of the real subsumption of labour to capital, then the labour of care, through the subsumption of social reproduction, must embody the
linking of the intellectual, gendered and bodily forms of labour, in order to be understood as an aspect of this contemporary construction of affective labour. Or, at the very least, one would need to uncover whether the configuration of the relationship between reproductive labour and capital, and the form of the work undertaken, changes as a result of the process of subsumption. In the contemporary context, this problem could be posed as: what is it exactly that is produced by childcare workers? And does it assume the form of an affect? One could point to an answer of yes, the product of childcare does assume the form of an affect, and that this is circulated as education, care, and subjectivities to be integrated into the circuitry of capital. One key problem already shows its face here: the proposition that immaterial production assumes increased organisational importance for capital, due to the integration of reproductive labouring practices and their transformation into recognisable economic exchanges, neglects and mystifies the significance of reproductive, un-waged work throughout the existence of capitalism. This theoretical aporia is one key problem, hinging upon the question of social reproduction and care, which needs to be investigated further. The clarification of this problem would allow for greater insight to the contemporary architecture of capitalism, and how the act of care, the forms it takes, and the subjectivities it produces fit into this architecture.

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Hegemonic Blocs and Neo-liberalism 1992-2008

As we witness the unfolding of the global financial crisis it is increasingly evident that the political and economic environment which facilitated the longest boom in Australian history contained inherent faults. The role of neoliberalism in determining policy agendas and the actions of social classes is often assumed in this period but rarely examined critically. I am not convinced that contemporary Australian history is a mere by-product of the ascendancy of neoliberalism. Rather, I am inclined to believe that the recent state of Australian society has more to do with the construction of hegemony by the ruling class, for the ruling class. Whereby, the state, labour and the radical neoliberal movement have become integrated within the broader apparatus of hegemony.

Characteristics of the Boom

According to conventional economic indicators, the Australian economy has sustained constant growth from 1992 until 2008. This indicates that hegemony has been effective during this period. To ascertain the causes of this boom I will outline four separate accounts of the period which featured in the special issue of the Journal of Australian Political Economy entitled, ‘Australia’s Economic Boom 1992 - ?’. Ray Broomhill has observed that above average GDP growth compared to the OECD, increased productivity and a greater level of integration into the world economy have been features of the Australian economy during the boom. However, these claims to success are tempered by an apparent housing affordability crisis, escalating debt levels, substantial trade deficits and increasing social and economic inequality. Moreover, the structure of Australian trade is similar to that which existed in the 1960s in that Chinese demand for Australian primary exports has significantly fuelled the current boom. If for some reason this demand contracted, there would be important consequences for the Australian economy. This is highlighted by the fact that a $12.7 billion trade merchandise deficit in 2007/2008 would have blown out to
$51 billion without Western Australia’s huge trade surplus, which is largely derived from mineral exports to China and Japan. (Broomhill, 2008: 23)

According to Christopher Lloyd, there are six key characteristics of the boom, or ‘Millenial Phase’, as he calls it. These are: the resurgence of the minerals export sector and a corresponding change in Australian terms of trade; the shift from the old regulatory regime of labourist-protectionism to regulatory state capitalism facilitated by the Hawke and Keating reform programs; a sustained increase in labour productivity; a shift in the nature of work towards casualisation, intensification and inequality in the labour market; a change in geopolitical and economic relations away from multilateral engagements to a closer alignment with the US and bilateral trade; and lastly, an increase in aggregate and household debts. (Lloyd, 2008: 35-38) For Michael Howard and John King, there are three distinctively Australian features of the boom. First, there is the minerals boom which produced something close to full employment in Western Australia for the first time in 35 years. Second is the robust financial system which has successfully negotiated the real estate slump of the early 1990s, the East Asian Financial crisis of 1996-7 and the Wall Street ‘correction’ of 2000-1. Lastly, there is the collapse of Australian trade unionism which has led to rising profit share of income, the tightening of the labour market without corresponding wage rises and to confidence among capitalists. (Howard and King, 2008: 57-58) Finally, Stephen Bell and John Quiggin emphasise the significance of the policy responses to the expansion of the economy since 1992. In their view, the boom has been sustained because historical policy responses to phases of expansion which have previously generated recession have not been repeated. This stems from the confidence of the Reserve Bank that inflation is under control and the change in thinking about account imbalances which developed in response to the policy errors of the early 1990s recession. (Bell and Quiggin, 2008: 71)

It is evident from these accounts that the resources boom is a critical element of recent economic expansion, both in terms of its ability to produce wealth and its implications for Australia’s dependence upon the global system. In addition, it seems that labour productivity, the transformation of the labour market with regard to the nature of work and the implications of a weakened labour movement are also important. Furthermore, the changes in the regulatory environment have functioned to
accommodate growth and prolong the boom. In a more critical light though, these features may be perceived as weaknesses. Dependence on foreign demand for primary exports is not a sustainable mode of accumulation as historical trends will testify. The fact that labour productivity is increasing whilst wages remain static implies that greater exploitation is not only a feature of growth, but a necessary precondition. Does this mean that all future plans for economic expansion must entail such levels of exploitation? Then, with regard to the regulatory regime, it seems there is a thin line between accommodating growth and inviting excess production. This is aggravated by the increasing levels of household debt and the slow growth of wages. Viewed in this way, the precarious nature of Australia’s recent economic prosperity seems clearly evident. However, it is not sufficient to just identify the inherent instability of the boom. The strengths and weaknesses of the boom are simultaneously the basis of the hegemonic project constructed by the ruling class. It is to this hegemonic project that we now turn.

**Constructing Hegemony in Response to Crisis**

Neoliberal hegemony was initially constructed in response to the political and economic crisis in the 1970s. Fundamental changes in the nature of Australian industries had begun to take shape in the late 1960s as a result of the declining rate of profit and a subsequent drop in the re-investment of capital. Traditionally dominant agricultural exports continued to decline in the face of scarce demand and falling prices whilst domestic manufacturing suffered steady losses due to relatively high real wages and lagging rates of labour productivity. The result was worsening terms of trade and the onset of economic stagnation. The OPEC price rise and the international responses to the collapse of the Bretton Woods system served to aggravate emerging structural faults of the Australian economy. The crisis essentially highlighted the exigencies of the post-war mode of accumulation.

The 1970s served to identify critical faults of the post-war compromise with regard to ruling class interests, namely, the realisation of profit. Evident trends in the rate of profit, the ratio of profit to wages in percentage share of national income and redirections of foreign investment indicated that something was wrong with Australian capitalism. It wasn’t making money. This situation did not only affect the
ruling class or the economic sphere. When capitalists are not able to appropriate profits, the capitalist system tends to break down. The myriad of socio-political upheavals ranging from the dismissal of Whitlam to the anti-Vietnam War student protests bare testament to the impotence of hegemonic mechanisms of control during this period. In addition, the rates of unemployment throughout the decade illustrate one way the ruling class vented its frustration with the stagnant economy. After a brief spike in 1973 to just below 3 per cent, unemployment surged to over 4 per cent in 1976 and peaked in 1979 at just over 6 per cent. (Bramble, 2008: 79) These figures may seem nominal now but it must be remembered that unemployment had not exceeded 2 per cent since 1963 and had only risen over 3.5 per cent once since 1949. (Bramble, 2008: 79) In relative terms, the job losses sustained in the 1970s were dramatic. There are, of course, a variety of other factors which influenced these figures. The explanation of the unemployment trends alone could form the basis of another paper. However, the disruption of social, economic and political stability in the 1970s, whatever the causes, does imply that the apparatus of hegemony which operated during the post-war boom had been effectively undermined.

Another indication that the post-war compromise had become dated is evident in federal government policy and the policy recommendations lodged prior to 1983. The Whitlam Labor government, for example, initiated the dismantling of the tariff wall by slashing 25 per cent across the board in 1973. (Charlton, 2007: 173) Given the role that tariffs played in protecting domestic manufacturing, Whitlam’s policy may be interpreted as the formal end of an informal compromise between the state and a dominant fraction of capital. Indeed, it is from this period that Australian manufacturing steadily forfeits its share of GDP from 20 per cent in 1975 to 7 per cent in 2005. (Murray, 2006: 45) Following Whitlam, the conservative Fraser government commissioned the Australian Financial System Enquiry in 1979 to ascertain the exact nature of the persistent obstacles to capital accumulation. The Campbell Committee, as it became known, delivered its findings in 1981. The summary policy recommendations included removal of state regulation of interest rates; dismantling exchange controls, floating the dollar; and relaxing barriers for foreign banks to enter the market. (Goldfinch, 2000: 158) These recommendations were not the initial stages of a neoliberal revolution though. They were, rather, policies framed in response to recent experiences of political and economic crisis.
In accordance with its campaign policy platform and traditional endorsement of protectionism, the ALP opposed the recommendations of the Campbell report. Once in office though, Hawke commissioned the Martin Report which simply reinforced the Campbell Committee findings in a more acceptable context, that is, post-election. (Woodward, 2005: 48) By the end of 1983 Hawke had already acted on key recommendations including relaxing certain foreign exchange controls in October and floating the dollar in December. (Woodward, 2005: 48) These actions have spurred the claim that Hawke and his Treasurer Keating were among the first to convert to neoliberal ideals. However, considering Whitlam’s tariff reductions in 1973, Fraser’s Campbell Committee in 1979 and wage freeze in 1982, key policy reforms which accorded with neoliberal ideology were being enacted throughout the decade. This does not designate Whitlam, Fraser and Hawke as proponents of neoliberalism by default. Rather, these policies might be perceived as political responses to persistent economic and social crisis. Nevertheless, whether political actions were motivated by ideological zeal or material circumstance, the results remained the same. Each political response to crisis contributed to the formation of a social, economic and political environment designed to accommodate the realisation of profit.

The period of continuous ALP government from 1983 -1996 was crucial to the construction of neoliberal hegemony. It is during this period that a ruling class initiative to increase the rate of profit aligns itself with the radical neoliberal movement. This is a critical point in the process of constructing hegemony. I am inclined to agree with Damien Cahill in his definition of the radical neoliberal movement here. Cahill claims that ‘as a collective producer and disseminator of knowledge, the movement can be considered a movement of intellectuals’. (Cahill, 2004: 89) So it is from this point on that the ruling class forms an alliance with the radical neoliberals who effectively function as the intellectual/moral bloc. This is perhaps why from 1983 onwards the patterns of hegemonic construction take a comprehensible form in contrast to the reactionary mobilisations of power witnessed in the 1970s. In addition, this period entails the formation of a paradoxical alliance between visible sections of the ruling class and the ALP. Moreover, the advent of a formal Accord between the ALP and the ACTU effectively subjugates the labour movement to the interests of capital.
Whilst the ruling class did not present a completely united stand on the majority of issues, it did not need to. As the observers of capital history in Australia have found, the ruling class is an agglomeration of conflicting interests which rarely act in concert unless such action represents the interests of the class as a whole. The state of the ruling class by the 1980s was one of traditionally dominant fractions in decline, interspersed with rapidly ascending dormant fractions. Consider the fate of manufacturing and agriculture as declining industries from the post-war era whilst service, business and finance grew in their stead. Thus, the grievances of the declining manufacturing sector became less important than the demands of an ascendant finance industry. This partly explains why such an aggressive agenda of institutional reform is pursued by the ALP during this period despite the detrimental effects to the manufacturing sector. The Labor party is desperate to distance itself from the stigma of economic incompetency it inherited from the Whitlam government. Therefore, in pursuit of its own political goals the ALP consciously decides to make economic growth its primary concern. In other words, the Labor party resolved to politically facilitate the restoration of the average rate of profit. Thus, not only is the construction of hegemony well under way under Hawke and Keating, it is also increasingly shaped by the interests of certain leading fractions of capital.

The power structure within the ruling class directly affected the extent of ruling class support for the neoliberal movement. Initially, the financial support needed to fund neoliberal think tanks came from those sections of the ruling class which stood to benefit from the ideological propaganda of neoliberalism. According to Frank Stilwell there are four fundamental principles which underwrite neoliberal ideology:

These are individualism (the individual is the basic unit of society), hedonism (individuals are driven by self interest), rationality (the pursuit of self interest takes a deliberate form) and inertia (people are basically lazy unless motivated by the prospect of personal gain). (Stilwell, 2002: 71)

It is little wonder then that, according to Cahill, the firms that provide the majority of financial support for neoliberal think tanks are located in the finance, mining, agriculture and small business sectors. (Cahill, 2004: 93) Underpinned by values of
hedonistic individualism, neoliberal propaganda has served to vilify the financial regulations and industrial relations policy which directly obstructs the realisation of greater profit by those who fund the think tanks. Thus, a coalition of interests was forged through this relationship between the ruling class and its new found intellectual/moral bloc. Whereby, the corporation continues with its pursuit of profit whilst the radical neoliberals disseminate political recommendations to accommodate supply, and popular rhetoric to furnish demand, of whichever commodity their financier is in the business of making.

The formal Accord struck between the ACTU and the ALP in 1983 was probably the most critical aspect of the ruling class hegemonic project. Neoliberalism functioned as the intellectual/moral bloc of the ruling class and the ALP assumed the position of the party of capital. The significance of the Accord lay in its inclusion of the labour movement, and in turn, the working class into the hegemonic equation. The post-war compromise entailed the Menzies government mediating the interests of a strong labour movement and civically responsible ruling class. In 1983 though, Hawke served to subjugate both the ALP and the peak trade union body to the interests of a capitalist class which had recently acquired the means to legitimise its hegemonic aspirations through the neoliberal intellectual/moral bloc. Tom Bramble, who recently outlined the history of the trade union movement in Australia, has found that the first seven years of the Accord resulted in a sharp redistribution of wealth from the working class to the capitalist class. This was manifested by dramatic falls in award wages and a 20 year low in the wages share of income. (Bramble, 2008: 158) The restrictions imposed on wage rises and industrial action which facilitated this result continued on until the end of the Accord and the election of the Howard government. By the time Howard enacted the Workplace Relations Act in 1996 the ALP had already effectively dismantled the system of centralised arbitration which underpinned the strength of organised labour in the post-war period. The Accord functioned as the vehicle for this systematic disorganisation of the Australian working class.

_A Resilient House of Cards_
I have tried to suggest that the unprecedented economic boom from 1992 until 2008 may be perceived as the most recent manifestation of ruling class hegemony in Australian history. The construction of this hegemony has been guided primarily by the experiences of the political and economic crisis in the 1970s. The fact that the pursuit of profit without regard for cost has become a truism of contemporary society is a legacy of these experiences. It is with this claim that I acknowledge the presence of various other factors which contribute to the apparatus of hegemony in recent history. Gramsci’s theories are influential precisely because they provide a framework for examining those mechanisms of control which engender social consent within the civil sphere. The role of neoliberalism in this respect raises obvious questions about how the redistributive agendas which I have outlined were able to be carried out whilst the majority of Australians offered little resistance. These questions undoubtedly deserve further examination. What I have suggested however, is that there are material interests which underwrite the witchery of neoliberal ideology. In a discussion about the present crisis and its implications for labour and society, I believe that acknowledging these interests is a necessary task for those who seek to oppose them.
References


The Political Economy Challenge to Orthodoxy

Frank Stilwell

The political economy challenge to orthodoxy has three interrelated dimensions. First, there is the challenge in the universities – seeking to replace the orthodox economics curriculum with a political economy alternative within the broader context of the social sciences. Second, there is the challenge in the broader arena of economic ideas – confronting the ideology of neoliberalism and its influence in the public sphere. Third, there is the particular challenge in relation to the current economic crisis – exploring how the crisis of capital changes our possible political economic futures.

There is a long tradition in Australia of political economy conferences exploring themes like these. In 1973, a radical economics conference was held at the University of Sydney (organised by, among others, Steve Keen who was then an undergraduate student). In 1976, a much bigger conference was held at the University of Sydney, attracting some 1500 people. The following year, the Political Economy Conference in Melbourne attracted almost as many; and a big conference was held in Adelaide the year after. Further conferences were held in Canberra and Wollongong, as well as Sydney, Melbourne and Adelaide, but the PE conference tradition petered out in the 1980s. Other related annual conferences have flourished more recently, however, such as those put on by the Society of Heterodox Economists (SHE) at the University of New South Wales and by the Centre for Full Employment and Equity (CofFEE) at the University of Newcastle. This current PE conference at the University of Wollongong is a particularly pleasing development, bringing together contributors from many different parts of NSW and Queensland and coming at a pertinent time when economic conditions are crying out for critical attention and helpful responses.

Struggle in the Universities

My own experiences with political economy have been focused at the University of Sydney, where I have taught for more than three decades. That experience has been written up in a new book that tells the story of the struggle for political economy there.1 The story may be quite surprisingly dramatic for younger people accustomed to less turbulent, indeed quiescent, campuses. The political economy struggle at the University of Sydney lasted for decades as students, in conjunction with some supportive staff, developed a critique of the existing economic syllabus and fought to establish and develop an alternative political economy courses.

The actions began way back in the late 1960s when two newly appointed professors in the Economics Department restructured the courses to enforce a strictly orthodox economics education. Tutors David Hill and Bill Waters lost their jobs in 1969 for supporting students who were critical of this curriculum and how it was taught. Dissent simmered until 1973 when students organised a ‘day of protest’ to focus on their demands for course reform. The Faculty of Economics set up an official inquiry and eventually recommended the establishment of a political economy course that students could take as an alternative to the orthodox economics program. However,

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1 Gavan Butler, Evan Jones and Frank Stilwell, Political Economy Now!: The Struggle for Alternative Economics at the University of Sydney, Darlington Press, Sydney, 2009.
the professors of Economics would not agree to this reform, so the students held another ‘day of outrage’ a year later to highlight the continuing problem. The University’s Academic Board eventually agreed that the political economy course could be taught, in effect over-ruling the economics professors. The Vice-Chancellor declined to establish a separate department for staff wanting to teach the new course, however, despite this being the firm recommendation coming from the Faculty of Economics. The result was an unstable situation that persisted for decades – a situation whereby students could study political economy but without the administrative arrangements that would ensure permanency for the courses, adequate progression of studies to senior and honours level study, and adequate staffing. Discrimination against the lecturers involved in teaching political economy was also a recurrent concern.

Protest activities during the 1970s and 1980s included petitions, public meetings and occupations of the Vice-Chancellor’s office, the University clock tower and the Economics Faculty building. One student sit-in/sleep-in lasted ten days. A university-wide strike, supported by about 4000 students and staff, was of a similar duration. Nine student supporters of political economy were suspended and subjected to disciplinary proceedings, while one was arrested by the police after they had been called to evict students during one of the sit-ins at the Economics Faculty building. The legitimacy of ‘cops on campus’ was one particularly controversial point of the dispute. The direct action by political economy supporters also, predictably, led to the University authorities emphasising the ‘law and order’ issue rather than substantive concerns about the reform of economics education.

Bit-by-bit, however, the goals of the political economy activists were achieved. From 1975 onwards, the option of studying political economy as an alternative to orthodox economics at the University of Sydney continually existed. Some eight thousand students had undertaken political economy units of study by the end of the century. Yet new stresses emerged in the early 2000s. The transformation of the Faculty of Economics, in effect, into a faculty for business and management studies, meant that the Political Economy program did not comfortably ‘fit’. It seemed possible that the program would be decimated; and this led to a resurgence of student activism in 2006. The University’s decision to restructure the department’s concern with teaching and research in social sciences produced an acceptable outcome, whereby Political Economy was established in 2008 as an independent department in a new School of Social and Political Sciences within the Faculty of Arts. Student enrolments have grown dramatically in the years since then, with over 650 students beginning undergraduate studies in the PE department this year and a rapidly expanding Master of Political Economy program.

At other Australians universities, a political economy movement to challenge orthodox economics has been either less successful or non-existent. Embryonic political economy movements existed on many campuses in the 1970s but, lacking a critical mass of supportive staff and facing the inherently transitory character of the student body, few had lasting impact. More recently though, important initiatives have been taken at the University of New South Wales, where a political economy program has been developed in the School of Social Sciences and International Studies, and at other universities such as the University of Western Sydney where individual units of study have been introduced. Some academics at various other universities have sought
to introduce electives that have a PE character, interpreted either as heterodox (non-neoclassical) economics or broader interdisciplinary political economy. In the latter case, political economy units of study have usually grown out of cognate social science disciplines – political science, sociology, geography and history for example.

These developments matter. They challenge the hegemony of orthodox economics education and simultaneously provide opportunities for a more active, engaged approach to teaching and learning. There is significant evidence that what people study influences how they think and act. Of course, some orthodox economics students simply learn and reproduce whatever is required, like water off a duck’s back. For many though, what they study changes who they are. This is confirmed by American research looking at the personal values of students before and after studying economics and revealing predicable patterns – a shift from attitudes including cooperation and altruism to personal values that are more uniformly individualist, competitive and self-seeking. The implicit belief that ‘greed is good’ is a capitalist ideology that orthodox economic teaching effectively reproduces. *Homo economicus* is not just a pervasive theoretical assumption: s/he is created by the ‘educational’ process itself.

**Struggle over Economic Ideologies and Policies**

If the political economy challenge were just a matter of changing university curricula, it would be a modest endeavour. A second, and bigger challenge, is in the broader public arena of economic ideas, ideology and public policy. There is a link of course: the connection between the reproduction of orthodox economic theory and the straight-jacket on what is permissible in the broader realm of economic discourse. So the critique of orthodox economics in theory and practice is crucial in this connection.

The root problem is the centrality of neoclassical economics. As the chapter entitled “What’s Wrong with Economics” in *Political Economy Now!* argues, neoclassical economics is based upon unhelpfully restrictive assumptions. These include assumptions about the nature of individual choices, the decision-making economic environment, the stability and efficiency of markets and the inherently limited nature of the state. Neoclassical economists tend to select analytical problems according to what fits with their existing theoretical models rather than according to broader social needs. Underpinning the theory is an impoverished view of relations between individuals and society.

Although analytically sophisticated, even aesthetically elegant, neoclassical economic theory is based on a crude methodology and a selectively biased methodology. Some European critics, using a somewhat uncomfortable analogy, label it ‘autistic’ and have called for a ‘post-autistic economics’. On this reasoning, escaping from the tunnel vision of economic orthodoxy is a precondition for progress.

Although neoclassical economic orthodoxy is a highly restricted way of understanding the economy, it has enormous influence in the public realm. There are many channels of influence. The media is important, of course, notwithstanding the

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3 [www.paecon.net/PAEReview/](http://www.paecon.net/PAEReview/)
presence of a few critical journalists carrying out their important function within the ‘fourth estate’. The dominant tenor of economic journalism has implicitly accepted, subject to relatively minor ‘imperfections’, the self-regulating, even natural, behaviour of a capitalist market economy. Public policy is also directly influenced by public servants who, as Michael Pusey controversially demonstrated, are disproportionately imbued with ‘economic rationalist’ ideas.\(^4\) Looking at the Productivity Commission in the Australian case provides the extreme example: this central agency imposes, in effect, a neoclassical economic filter on possibilities for public policy.

To counter and challenge these restrictive tendencies, there must be a comprehensive critique of neoclassical economics in theory and practice. Political economy must also pose alternatives. Of these, there are many bases on which alternative, more progressive policy positions can be established. Classical Political Economy, for example, is a tradition of thought which focuses on how an economic surplus is generated, distributed and used. Coming historically from similar origins, Marxism (and various contemporary neo-Marxisms) offers an holistic social science with radical political economic implications. So too – albeit with a generally more evolutionary, reformist tenor – does the tradition of institutional economics. Post-Keynesian economics is another significant contributory current, building on the concerns expressed by J.M. Keynes, Michal Kalecki and Hyman Minsky about the uncertainties and inherent instability of the capitalist economy. Modern political economy is also significantly influenced by traditions of thought including feminism and ecological economics. How best to develop and synthesise these elements is a matter of healthy, ongoing debate among political economists.

In practice, the positions among academic political economists coalesce around two clusters – heterodox economics and interdisciplinary political economy. The former focuses on building better economic models with non-neoclassical assumptions. The latter involves more historical, institutional approaches to studying the relationship between economic, social and political phenomena. My own view is that this dualism is an unhelpful dichotomy in practice because it is the productive interaction between these two approaches that is the hallmark of progressive modern political economy and the impetus for its further development.

This last point underscores the importance of pluralism in economics education. This is one of the themes of the most recent book by Edward Fullbrook.\(^5\) Pluralism is the antidote to the hegemony of orthodox economics. It is pertinent to note, however, that some orthodox economists claim to be already pluralist. Dianne Coyle, for example, argues in a recent book that the development of behavioural economics, game theory, analysis of path-dependency and other innovations within mainstream economics blunts the critique coming from political economists.\(^6\) In practice, these are minor variations on the orthodoxy – ‘bells and whistles’ rather than genuine pluralism. If pluralism is conceived more broadly as comparison between neoclassical,


institutional, Marxian, Keynesian and other views on economic matters, it provides a much more wide-ranging agenda than mainstream economists can accommodate.

Our experience at the University of Sydney is that teaching within that pluralist agenda is possible and effective. It makes for more complexity than in conventional economics education but significantly more interest and engagement. It is also pertinent to emphasise that the case for pluralism does not depend only on the critique of neoclassical economics: pluralism is a broader educational and scientific principle. If Marxist political economy were the orthodoxy, we would be challenging that too. Looked at in this way, pluralism is not merely counter-hegemonic: it is the characteristic of an open society.

It is particularly important in providing the basis for responding to economic conditions in practice. There is a strong connection between neoclassical theory and neoliberal ideology. The policies that the latter has underpinned – privatisation, deregulation and the extension of market arrangements into a broader range of social and governmental processes – have produced highly problematic outcomes. These are highlighted by the re-emergence of economic crisis, nationally and internationally.

**Struggle in the Context of the Economic Current Crisis**

The changed economic conditions in the last year – as the global financial crisis has become generalised as an international economic recession – raise further questions about the political economy challenge. Do the difficult current economic conditions open up the possibility of alternative political economic ideas having more traction? Does the GFC disprove once and for all the ‘efficient markets hypothesis’ that is so central to neoclassical economic reasoning? Does it spell the end of neoliberalism and herald the start of an era in which political economic ideas could be used to foster and shape a more social democratic, even socialist, alternative?

An array of public commentators has been addressing these questions, albeit not typically from the perspective of progressive political economy. Political leaders, if one can judge from their rhetoric, are among those who see the need for significant economic and social change. Statements by Barack Obama, Gordon Brown, Nicholas Sarkozy and Kevin Rudd, among others, indicate rejection of what they variously describe as extreme capitalism, neoliberalism and the primacy of free markets. Their policies emphasise a pragmatic embrace of Keynesianism as the basis for a response to deepening recession. In the Australian case, for example, the Rudd Government has introduced stimulus packages that emphasise short-term household payments as well as long-term infrastructure spending, while also guaranteeing bank deposits and – in conjunction with the Reserve Bank of Australia – lowering interest rates. In some other countries, including the UK and USA, selective extensions of public ownership or control have been part of the response to ailing financial institutions. These policies differ from the principal government responses to the Great Crash of 1929. They may help to obviate a comparable ‘great depression’ and, as such, they are welcome, although falling short of a comprehensive political economy policy response.

Neoliberalism is far from passé, however. The general thrust of recent government policies is to prop up the existing economic system, rather than transform it. The bail-outs of existing financial institutions typically socialise losses while profits continue
to be privatised. Indeed, this is an all-too-familiar scenario in capitalist economies. Similarly, concern with the excessive remuneration of corporate executives is widely condemned but hard to redress. Capitalism is a system propelled by capitalists, not by governments. The latter set some of the key rules of the game though. So political leaders have to judge whether they can intervene without killing the ‘goose that lays the golden eggs’ (for some) or causing the goose to lay elsewhere.

Meanwhile, corporate think-tanks continue strong, while the political left remains weak, mostly lacking the confidence to advocate widespread socialisation and collective, democratic control of economic life. Strengthening the latter requires systematic attention to contemporary political economic analysis and strategies.

Superannuation policies are a case in point. Investment returns – and therefore pensions – have sharply fallen since the onset of the GFC. Can superannuation funds be reorganised or regulated so that they finance a national investment scheme that produces more stable returns and makes a more effective contribution to long-term social needs? Devising appropriate policies for this purpose deserves careful consideration.7

Similarly vexing is how to respond to the (re)growing problem of unemployment. Is it appropriate now to push for the introduction of the ‘jobs guarantee’ that Bill Mitchell and his CoffEE colleagues have been advocating?8 Neoliberals can be expected to resist policy initiatives that guarantee full employment – and to ‘interventionist’ industry and regional employment policies – because they fundamentally change state-market relationships. There are also up-front costs with public sector job creation but, in the absence of some such general program, unemployment relief tends to be piecemeal and stigmatising.

The need for significant progress on environmental economic policy looms large too. Business interests claim, predictably, that environmental issues are only of secondary concern now that the problem of recession has taken political primacy. The modest policies to tackle climate change that are being pursued in Australia and most other capitalist nations also reveal the continuing influence of neoliberalism. The creation of emissions trading schemes is a thoroughly market-based approach to the challenge of climate change. It extends privatising, market principles to our relationship with nature. Political economists need to focus on alternatives that are more likely to produce results both enhancing employment opportunities and driving change in energy use and ecological sustainability.9 These are among the political economic alternatives that would need to be considered and implemented in a post-neoliberal context.

Neoliberalism will not disappear of its own accord purely because of the (re)emergence of economic crisis. Policy makers are responding but within bounds set by ‘respectable’ economic opinion. That economic opinion remains centred on

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7 Possibilities for reforming superannuation policies were discussed in Journal of Australian Political Economy, No. 53, June, 2004.
orthodox economic theory. Neoclassical economics continues as the core of that theory. It certainly remains the core of the standard university economics curriculum. No doubt, the more socially aware lecturers will try to make it palatable by occasional references to the difficult conditions in the real-world since the GFC struck, but the core is unlikely to be reformed, let alone radically changed. The hegemony of neoclassical economics is embedded in the reproduction of the economics profession. The priesthood is unlikely to recant: for most, heresy is evidently not an option.

**Conclusion**

There are big challenges facing modern political economists. The current economic crisis opens up possibilities - ideologically and politically – and puts the neoliberals and neoclassical economists on the defensive. At least it *should* do so. Political economic analysis provides a basis for posing alternatives. So ultimately, the three elements emphasised in this paper come together – linking the continuing struggle for political economy in educational institutions with the critique of economic orthodoxy in the public arena and the development of a progressive, strategic response to the current economic crisis. This is a particularly appropriate time for considering this fusion.