Susan K. Schroeder
Lynne Chester *Editors*

Challenging the Orthodoxy

Reflections on Frank Stilwell's Contribution to Political Economy

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To heterodox economists
everywhere in unity and in spirit

Foreword

To write the Foreword to the volume that arose from the conference to mark Frank Stilwell's "retirement" from the Chair of Political Economy and to celebrate his outstanding, wide-ranging contributions over 40 years is a privilege and pleasure in equal measure.

Frank's work is usually on or ahead of the frontier but he is also an old-fashioned—this is a compliment—university academic and citizen with ideals and practices all too rare these days. He was/is an enthusiastic, devoted teacher who demands high standards but supports and befriends his students, regarding teaching as our first priority. His research is wide ranging and his books and papers are many. In addition, he has taken an active part in the great social issues of our society, presenting his views with passion and humanity, backing them up with carefully gathered evidence and direct action when the "usual" channels proved to be ineffective. The same traits characterise his leading role in the fight in the University to establish Political Economy, first, within the Economics Department as such and then as a fully fledged discipline within the Arts Faculty. Though regarded as a very sharp thorn in the flesh of the defenders of the status quo, he is widely respected for his good humour and manners while forcefully presenting his arguments.

Frank regards the *raison d'etre* of Political Economy to be the making of relevant, humane policies within the often hostile, unjust and inequitable environment that characterises modern capitalism. All his theoretical contributions are directed to establishing a persuasive rationale for policy. While his range is wide his contributions to regional theory and policy stand out in an area too often neglected in the aftermath of the Keynesian revolution with its undue concentration on broad macroeconomic concepts and policies and the consequent neglect of the impact of them on particular regions, industries and firms. Frank has put these contributions within the context of his deep understanding of the laws of motion of capitalism, including the interrelationships between oligopolistic entrepreneurs and political institutions, both national and international.

Also, like Maurice Dobb, Frank keenly supports placing our discipline within those boundaries more generously drawn by our classical pioneers and Marx. This admirable approach is reflected in the chapters of the volume where we have authors who come from anthropology, history, philosophy, political science, sociology as well as from political economy and even economics! The topics discussed range from package deals of policy based on Frank's detailed analysis and recommendations to detailed assessments of particular policies within the overall package. The teaching of political economy is carefully examined and assessed; also regional policy in the modern era, the absolute necessity to establish a "green" economy and how it might be done within the hostile constraints of modern society, and informed discussion of aspects of inequality in our society, taking in the disgraceful record with regard to the First Australians and the obscene amounts of income and wealth of the top 1 percent.

All our authors bring pleas for justice and fairness to dominate analysis and policy, reflecting what Frank has done all his life. The volume is a fitting tribute to a doughty warrior and good friend of just causes.

July 2013 G. C. Harcourt

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Part I
Introduction

Challenging the Orthodoxy: The Contributions of Frank Stilwell to Political Economy

Susan K. Schroeder and Lynne Chester

After more than 30 years of existence the neoliberal paradigm is being questioned as a viable approach to economic and social policies. A key question is, if it were to be replaced, what could it be replaced by? To date this is a question that has generated considerable debate without a definitive answer. However, what seems clear is that, broadly speaking, there are two possible paths—an even greater reliance on 'free' markets or a shift towards greater social cooperation.

This volume reviews Frank Stilwell's efforts as a progressive academic and political activist, during his tenure at the University of Sydney, to critique the introduction and implementation of market-orientated economic and social policies, to promote greater social cohesion in Australia, how his research has supported the efforts of like-minded individuals both in Australia and abroad, and in what ways these like-minded individuals are currently developing alternative approaches to understanding the various features of an economy and the policies to guide it.

Who is Frank Stilwell and in what ways are the contributions being made at the University of Sydney in Australia relevant to the global community?

Originally from Southampton, England, Stilwell arrived in Sydney in 1970 to make his way as a young academic in the Economics Department at the University of Sydney. At the time, the department was beginning its shift towards the dichotomous American-style macroeconomic-microeconomic approach to the discipline—under the guidance of another recent arrival, the New Zealander and then Head of Department the late Warren Hogan (1929–2009). Stilwell had been trained as a neoclassical microeconomist, specializing in regional and urban development. His training suggested that he was well-suited to the Americanization of the Economics department at Sydney. What Hogan did not count on was the

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radicalization of Stilwell and two of his colleagues who arrived shortly afterwards—Evan Jones and Gavan Butler—by the likes of the late Ted Wheelwright (1921–2007). Through the efforts of Wheelwright, Stilwell, Jones, Butler and Geelum Simpson-Lee, their students and like-minded staff, a movement was born to protect an academic space and freedom for students and staff to explore alternative frameworks for understanding the characteristics of social-economic systems, capitalist or not.

The movement culminated in the emergence of a separate department of political economy in 2007—over 30 years since the push began for its creation and with its transfer from the Faculty of Business and Economics to the Faculty of Arts and Social Sciences. Butler et al. (2009) contains a detailed account of the trials and tribulations of the department's creation. Today, the Department of Political Economy is a space that permits explorations of the interfaces between an economy's evolution, its political, social and legal structures, its geography and industrial composition, its culture and how those interfaces change over time. The explorations draw upon and synthesize the various academic disciplines found within the Faculty of Arts and Social Sciences, reflecting the various training and experiences of the department's staff. With this institutional configuration supporting the programs offered by the Department, it is our hope that the department will be placed alongside and support other progressive economics programs internationally, such as those offered at the New School for Social Research in New York, the University of Massachusetts at Amherst, the University of Missouri in Kansas City, the School of Oriental and African Studies (University of London), Cambridge University and the University of Leeds.

Stilwell, himself, developed a research agenda that encompassed six broad themes: the contest of economic ideas, economic policies, regions and cities, the environment and sustainable growth, economic inequality and the teaching of alternative economic paradigms. Highlights of his work include concerns with the creation and use of wealth, inequalities between rich and poor, the spatial implications of economic growth, the tensions between economic growth and the environment, and the development of alternative economic policies in response to the radical shift in Australian economic and social policies since the early 1980s.

That agenda evaluated the insights in the context of Australia yet there are lessons to be had for the global community about what works and what could work better. Each economy has its own unique social structure, geography and environmental features, the nuances of its politics and policies, culture and so on. The diversity of opinion and experiences is a key aspect in a society's strength. It is diversity which necessitates a space for exploration of the approaches enveloped by the term "Political Economy". As diversity widens in Australia with the arrival of new immigrants, the potential and need to protect this space can only increase. For it is in this space that we figure out how to get along and leave something better for future generations.

The definition of this space is largely defined by the history of thought and methodology. And, given the broad training that our staff hold, "history of thought" is not restricted to economics but for the social sciences more generally. Largely derided by mainstream economists as "archaic", the history of thought is no such thing. In fact, it is just the opposite. The history of thought is the tool by which we evaluate progress and robustness of new contributions. The openness of our political economic approach makes it stronger and adaptable for various problems, giving us an advantage over the mainstream's methodology which is limited by the desire for quantitative "superiority". They are more than welcome to have that straightjacket. The irony is that quantitative advances come with increasingly narrow and questionable assumptions about human behaviour in the context of a capitalist society. In other words, the more glorious the mathematical theorems become, the less applicable they are to reality. By not going that path, we may be labelled archaic, but we fully understand and question the mainstream's methodological approach and are ready to create progressive alternatives, as Stilwell and his colleagues have done for the last 40 years. To borrow a phrase from our New Zealand cousins, we are so far behind we are ahead! And, proud of it.

Moreover, this project is not just for young students but for anyone regardless of age, gender, socio-economic background who has an interest in how their world works and to explore ways to make life better. One of our challenges for the future is how to strengthen our connections with the local and international communities as technology changes the way we communicate over time. There are opportunities in these challenges. Another challenge that we face, as academics come under increasing pressure to maintain punishing publication programs while simultaneously excelling as teachers and at 24/7 social media commentary, is to maintain the space for the development of theoretically-informed empirical research to provide critical analyses of contemporary problems and policies, and construct alternatives to prevailing orthodoxies which contribute to wider political and community debate beyond the bounds of academe.

The research focus of the Department of Political economy is on issues that are fundamental to individual and collective well-being and is underpinned by the proposition that economic phenomena do not occur in isolation from social and political processes. Important focuses of our contemporary critical analysis have included: the global financial crisis; the relationship of country risk assessment to international financial crises, business cycles and financial fragility; struggles around employment and human rights, and international labour migration; the creation of gendered and racially-specific visions of economic progress; the hegemony of neoliberalism and its relationship to the social foundations of capitalism; the short-term consequences and longer-term implications of restructured energy markets; the operation and outcomes of markets for social provisioning previously provided direct by government; and the impact of financialisation.

We need to maintain and extend this research contribution as we engage with, and contribute to the development of heterodox economic traditions such as Post-Keynesian economics, institutional economics, Marxism, evolutionary and feminist economics. In this sense, we need to not only continue but extend the legacy of Frank Stilwell's contribution to the Department of Political Economy and Australian political economy more generally. A critic of orthodox economic analysis and an advocate of alternative economic strategies which prioritise social justice and economic sustainability, Stilwell taught for 40 years at the University of Sydney and twice was awarded the University's Award for Excellence in Teaching. In 2001 he was elected a Fellow of the Academy of the Social Sciences in Australia. In addition to his many published journal articles, book chapters and opinion pieces Stilwell has authored eleven books, including *Economic Inequality, The Accord and Beyond, Understanding Cities and Regions, Reshaping Australia, Changing Track: A new political economic direction for Australia; Political Economy: the Contest of Economic Ideas,* and *Who Gets What? Analysing Economic Inequality in Australia* (with Kirrly Jordan). He has also co-edited five other books, including *Economics as a Social Science, Beyond the Market: Alternatives to Economic Rationalism* and *Understanding Neoliberalism: Beyond the Free Market,* and is the co-ordinating editor of the *Journal of Australian Political Economy.*

In recognition of Stilwell's contribution to Australian political economy, the Department of Political Economy hosted a Festschrift in April 2013 to formally commemorate his career in the form of a conference, an exhibition and a dinner. This book draws from the contributions made to the Stilwell conference.

The structure of the book is as follows. Each part reflects a theme of Stilwell's research agenda. The papers contained in each part were originally presented at the conference held on 4 and 5 April 2013 at the University of Sydney. Unfortunately, due to space limitations, it has not been possible to include all the conference papers here. Each of the conference keynotes for each theme, however, are included at the beginning of each part. This collection of papers are made by not only well-known heterodox economists but also emerging scholars of political economy, political activists, not-for-profit researchers and alumni of Sydney's Political Economy program, a further reflection, we think, of the contemporary relevance of the discourse generated by the analytical frameworks which fall under the rubric of political economy.

The Part following on from this Introduction, 'Contesting economic ideas', opens with the contribution of the eminent Post-Keynesian scholar, John King. Stilwell's book *Changing Track: A New Political and Economic Direction for Australia,* published in 2000, is the object of King's discussion. He reviews the contemporary relevance of Stilwell's principal arguments in the context of the 'three big problems' of insecurity, inequality and alienation before suggesting that four additional important questions—monetary policy reform, financialisation consequences, international economic reform, and global warming—need to be addressed if we are to 'change track'. The second chapter in this Part, by Therese Jefferson, explores the importance of linking critiques of conventional economics to policy discussion and applied research through two examples of projects concerning the wages and employment conditions of care workers.

Stilwell's approach, and more broadly that of the Department of Political Economy both historically and currently, to teaching an alternative to conventional economics education has been to emphasise the different traditions within economic thought and their associated political philosophies. This approach encourages students to critically engage with contemporary and controversial issues rather than limit their curriculum to the more narrow, technical techniques of conventional analysis.

'Teaching Political Economy' is the focus of Part III. Andrew Mearman's opening chapter considers different definitions of political economy before exploring the relationship of these notions to the teaching approach. Principles for teaching political economy are identified after some discussion of educational goals. This chapter's discussion is important not only from a pedagogical perspective but also for drawing attention to an aspect that invariably conflates the teaching and research program of our Department with that of International Political Economy which is far more closely aligned to political science and international relations than economics and, as Mearman, notes has, in part, recently adopted 'neoclassical economic reasoning and liberal political philosophy'. This part also includes a contribution by O'Donnell—notably a Sydney Political Economy alumni—who grounds his chapter in a discussion of the valuable graduate attributes provided by the teaching of pluralist economics aka political economy which are not developed by conventional economics programs.

The following Part IV on 'Economic Inequality' is a stark reminder of the persistence, intractability and embeddedness of inequality, one of the defining characteristics of all forms of capitalism. Gabrielle Meagher's chapter picks up on Stilwell's research on the redistributive impact of public policies and presents a detailed examination of the evidence of persistent inequalities in the gendered distribution of care, time and money before turning to explanations of the observed patterns and a possible wage-fixing remedy. Macdonald and Spruyt tackle the embeddedness of indigenous inequality. They argue that indigenous Australians experience inequality in very culturally-specific ways both within the Aboriginal world and society more broadly and hence their call for the disciplines of political economy and anthropology to engage in a collaborative dialogue to initiate a new analytical framework which recognises the dynamic of cultural difference within a capitalist economy. Murray and Peetz round out this part with an insightful analysis of the changing fortunes of the elite top one per cent of the income tree and the links to financialisation.

Part V deals with 'Economic Policies'. Jane Kelsey commences the discussion with an in-depth comparison of Australia and New Zealand to probe the resilience of neoliberalism and the obstacles preventing a socially-just paradigm. A current Department of Political Economy PhD candidate, Elizabeth Humphrys, is the author of the next chapter which appraises Stilwell's work in relation to the Accord, an agreement between the peak organisation of Australian trade unions and the national government which effectively determined the trajectory for industrial relations over two decades. In particular, Humphrys questions Stilwell's argument for the state to lead the struggle for transforming society and contends that the state needs to be understood as the expression of a set of capitalist social relations. A different aspect of the state's role is considered by Richardson in his chapter which completes this part. This chapter systematically unfolds the empirical evidence to demolish the theoretical arguments and claims by capital for a lower company tax rate.

'Cities and regions', in Part VI, presents a powerful argument by Gleeson for political economic interrogation to challenge neo-liberal urbanism which, like the political philosophy of neo-liberalism, has survived despite continued censure and evidence of contradiction. Gleeson carefully establishes the commentaries of the new urbanism which seek to legitimise neoliberalism and the use of managerialism and technocratic governance to reinforce its hegemony. From this point, he then launches a masterful discussion of the imperatives for political economic inquiry 'in an urban age'.

This leads to the book's final substantive Part VII 'A Green Economy'. Diesendorf's chapter introduces a broad framework to analyse the economic-environment relation and the privileging of the economic over ecological sustainability before positing a set of policies and strategies to shift the current power structures of the global economic system to effect a transition to a more ecologically sustainable and socially equitable society. Bryant, another current Department of Political Economy PhD candidate, suggests a different approach in this part's final chapter. Drawing from the approach exemplified by the two textbooks Stilwell wrote and edited for the introductory Political Economy Unit of Study, Bryant's chapter examines the ecological, economic and political dimensions of the European Union's Emissions Trading Scheme to argue that 'social green perspective' shows this market-based prescription for a green economy has failed to address climate change and will continue to be undermined without addressing the outcomes of the 'neoliberalised green economy'.

Stilwell has graciously provided a "last word" which forms the concluding part of this book. Ever the optimist, Stilwell foreshadows the scope for further progress for political economic analysis.

This collection of papers provides both an account of how Stilwell's work relates to Australia's economic and social development and how it stands in relation to different phenomena as they emerge elsewhere. The authors have identified how their research relates to Stilwell's efforts and then provided their own account of how to promote progressive policies and strategies in today's political economic climate. The lessons learned here in Australia can be of interest and of use for those within the global community because this unique publication is more than an historical record. It provides an insight into the contribution of a leading figure to contemporary Australian political economy. It should, we hope, also foster a greater understanding of these themes which remain of crucial contemporary relevance.

Finally, we would like to thank the following people for their assistance with this project. For funding support, we thank the University of Sydney's Faculty of Arts and Social Science, the School of Social and Political Sciences and the Department of Political Economy. We thank the conference presenters and participants for their efforts in making the conference a memorable one. For her exemplary assistance with the online registration system and conference support, we would like to thank

Katarina Ferro. We also thank Geoff Harcourt for the contribution of a Foreword to this book. Last but not least, we thank Frank Stilwell for his generosity, patience and chutzpah which have made life so interesting for us all!

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Part II
Contesting Ideas

Changing Track: Frank Stilwell's 'Fourth Way' After Thirteen Years

John E. King

Abstract In this chapter I review the 'fourth way' proposed in 2000 by Frank Stilwell in his book *Changing Track*. I begin by summarising the main arguments, with particular reference to the three big problems that he identifies: insecurity, inequality and alienation. I discuss several, fairly minor, points of disagreement, including the precise nature of his proposed alternative political economic system (is it socialism, or reformed capitalism?), the role that he envisages for workers' cooperatives, and the case for an unconditional Citizens' Income or Basic Income. I then turn to four important questions that are not addressed in any detail in the book: the reform of monetary policy, the consequences of financialisation, the case for international economic reform, and the response to global warming. I conclude with some tentative reflections on the likelihood that Australia will indeed change track.

1 Introduction

Frank Stilwell's *Changing Track: A New Political Economic Direction for Australia* (2000) gave a comprehensive and provocative analysis of Australia's economic problems at the turn of the century and provided a systematic and detailed set of proposals for reform. It was well received at the time, confirming Stilwell's status as 'a fine public intellectual' (Hutchison 2001, p. 94). 'In *Changing Track*', another reviewer wrote, 'Stilwell sets an impeccable standard to which all social scientists can aspire. In his book there is much to be learned about the value of political economy done at its best—interdisciplinary, non-imperialist, with theory informed by empirical evidence' (Battin 2001, p. 182). A third

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reviewer concluded that the book 'should be compulsory reading for politicians of all parties' (Apps 2001, p. 405).

Now, on the occasion of his retirement, I thought that a critical review of the principal arguments of *Changing Track* might stimulate discussion on some of the important policy questions that we face, 13 years on. I begin by setting out those arguments, emphasising my agreement with Stilwell's treatment of the three crucial problems that he identifies: insecurity, inequality and alienation. I then turn to three points on which we disagree: whether the alternative that he proposes really is 'socialism', the potential role of workers' cooperatives, and the reform of the welfare system. Next I identify four important policy issues that are not discussed in any depth in the book: monetary policy, financialisation, the reform of the international economic system, and global warming. I conclude by urging Stilwell to consider a second edition of *Changing Track* as a small retirement project.

2 Frank Stilwell's 'Fourth Way'

I should probably begin by saying something about the 'Third Way' that Stilwell's 'Fourth Way' was designed to supplant. Today the term may not mean very much to anyone under thirty, but at the start of the century, with Bill Clinton still in office and Tony Blair well into his first term, it was a very hot issue. In 2000, as Stilwell reminds us, 'the dissident Australian Labor Party parliamentarian, Mark Latham, was advocating that the same approach be taken here (p. 121).

Stilwell quotes Boris Frankel's definition of the Third Way as 'economic rationalism with a human face' (p. 121), though both of them would probably agree that the economic rationalism was considerably more evident than the human face. Three years after the publication of *Changing Track*, in what was very close to an obituary for 'Thirdwayism', Egon Matzner described it as being 'characterized by three basic elements: (i) acceptance of monetary stabilization, deregulation and privatization as top priorities in economic and social policy; (ii) a changed role for the state, from caretaker to empowering agency; and (iii) acceptance of US dominance in technology and military fields'.

In consequence, Matzner continued, 'the supply side receives top priority in programmes promoting technology, innovation and research, as well as education at all levels, including forms of lifelong learning. Full-employment Keynesianism has thus been replaced by labour market policy. The emphasis is now put on flexibility, which is promoted by deregulation and training in certain skills, as well as a reduction of unemployment benefits. Responsibility for finding a job is individualized. Everyone becomes a manager of his or her human resources'. As a result, he concluded, '[i]nequality in income and wealth, even if growing dramatically, is accepted as a way of promoting economic growth, following the assumption that such growth will eventually "trickle down" to benefit all' (Matzner 2003, p. 338).

This is all reminiscent of the Gillard 'Labor' government in Australia between 2010 and 2013. No-one uses the term 'Third Way' any more, but the political practice is just as Matzner, and Stilwell, described it. Against it, Stilwell asserts the virtues of his own 'Fourth Way', in which:

> *Five elements are central. There is the appeal to equity—a classless society in place of a system based on unequal ownership of the means of production; the appeal to rationality—the planned use of economic resources to serve social objectives; the appeal to liberty—the extension of democratic principles from the political sphere into our day-to-day lives as workers, students, consumers and citizens; the appeal to solidarity—the recognition of common interests and the development of processes of mutual support and cooperation; and the appeal to harmony—living in balance with the natural environment*. (p. 126)

Equity, rationality, liberty, solidarity and harmony are the five virtues, Stilwell argues, that must be at the heart of any acceptable political economy for Australia.

3 Points of Agreement

Although I shall dissent on many important points of detail, I must begin by expressing my support for these, the core principles of *Changing Track*. I also concur with Stilwell's identification of insecurity, inequality and alienation as the three great defects of neoliberal capitalism, and with many of the specific policy measures that he proposes to remedy them. I shall consider them in turn.

First among the defects is insecurity, which is the subject of "Persistent Inequalities: The Distribution of Money, Time and Care". Here Stilwell notes, and regrets, the abandonment of full employment as a policy goal by all Australian governments in the neoliberal era. 'Unemployment', he writes, 'has not been below 5 % of workforce for over two and a half decades now' (p. 69). Except very briefly at the fragile peak of the great Australian boom in 2007 this has continued to be the case, so that 'two and a half decades' can now be replaced by the sad recognition that it is now *four* decades since Australia last enjoyed full employment.

Unlike the former federal Treasurer, Wayne Swan, and the head of the Reserve Bank of Australia, Glenn Stephens, Stilwell does not regard 5 % as the full employment rate of unemployment for Australia. He also points to the growth of under-employment as further evidence of the continuing weakness of the labour market, and notes the emergence of various forms of precarious employment, including the growth of casual and fixed-term jobs and the increasing use of bogus self-employment by employers keen to evade their obligations under what is left of labour market regulation in Australia.

Stilwell rightly attacks three widely-supported economic fallacies: 'wage flexibility creates more jobs'; 'balanced budgets are desirable: surpluses are better'; and 'increased savings are the key to improved economic outcomes' (pp. 74–7). Against these shibboleths he argues that investment drives savings; the government's fiscal stance should be dictated by the need to restore full employment without causing demand inflation; and the number of jobs is determined in the goods market rather than the labour market, and depends essentially on the level of effective demand. Stilwell's macroeconomics is thus avowedly Keynesian (perhaps Post Keynesian would be a better term), and in all essentials he is absolutely right.

The second defect of neoliberal capitalism, which Stilwell dissects in "Chap.7", is the very high and continually rising level of inequality. This can be seen in every indicator of the distribution of income and wealth, and reveals 'the hollowness of claims about Australia being an egalitarian society' (p. 84). I do not need to say very much about this, as it is not disputed even by supporters of neoliberalism, and in 2013 we no longer hear such hollow claims. There has recently been a spate of books on the economic, political and social costs of inequality in other English-speaking countries, echoing both Stilwell's analysis and many of his policy proposals (Lansley 2012; Sachs 2012; Stiglitz 2012).

The third problem with neoliberal capitalism, discussed in the brief but incisive "Plutonomy and the One Percent" of *Changing Track*, is alienation. Here Stilwell identifies four dimensions, economic, social, environmental and political:

> *Economic alienation arises from the character of working life, and increasingly from the failure of higher levels of consumption to provide adequate compensation. Social alienation, partly consequential on this hollowness of a materialistic culture, is manifest in diverse individualistic responses which are the antithesis of a cohesive society. Environmental alienation derives from the inherently doomed project of prioritising economy over ecology. Political alienation is evident in the widespread disillusionment about the capacity of existing political institutions to provide effective solutions to these problems*. (p. 92)

Once again Stilwell has anticipated much of the literature that has grown up since 2000 on such questions as whether rising levels of consumption lead to increased happiness and why hours of work no longer fall when real incomes grow, as they did for a century or more down to the mid-1970s. 'How much is enough?', to quote the title of a recent book by Robert Skidelsky and Edward Skidelsky (2012) that echoes Stilwell's arguments at much greater length.

On the policy proposals that Stilwell advances, there is also much to agree with. With respect to insecurity, some of the issues that he deals with in *Changing Track* seem less relevant in 2013: the worries about the current account deficit and the inflation rate ("Chap.14") and the supposed 'fiscal crisis of the state' (Chap. 16), for example. But his analysis of industrial policy in "Chap.15" still reads very well, and points to the continuing need for neo-Schumpeterians and Post Keynesians to keep talking to each other (pp. 198–203). Stilwell rightly insists on the need to encourage 'industries geared towards environmental objectives' and the creation of 'a new institution for public control of the investment process to steer funds towards those developments' (p. 204).

There is a macroeconomic dimension to this, which he might have paid a little more attention to. Already in 1936 Keynes was calling for 'a somewhat comprehensive socialisation of investment' (Keynes 1936, p. 378), on the grounds that cheap money, although both desirable and necessary, was unlikely to be sufficient to ensure the maintenance of full employment. Since 2000 a literature on environmental macroeconomics has begun to emerge. Though still in its infancy, this has involved writers like Peter Victor (2008), Peter Soderbaum (2008), Giuseppe Fontana and Malcolm Sawyer (2013), and the contributors to the volume edited by Jonathan Harris and Neva Goodwin (2009) in attempts to model the transition from a high-growth to a low-or zero-growth economy and the ways in which both the process of transition and the end state might be made consistent with full employment. It is, I think, entirely consistent with the position that Stilwell takes in *Changing Track*.

His proposals for dealing with the growth of inequality would also command broad support. He begins with the case for tighter regulation of the labour market, noting in Chap. 16 that the introduction of enterprise bargaining in the 1990s had increased the dispersion of incomes from employment and created the danger of a dramatic growth in the ranks of the working poor. Stilwell maintains that 'the concept of a "living wage" should resume 'a central place in the overall system of wage determination' (p. 208). One way of achieving this might be for Fair Work Australia to tie the minimum wage to a creature called AWOTE (Average Weekly Ordinary Time Earnings), as I suggested a few years ago (King 2010b, p. 164).

In terms of welfare expenditure and taxation, Stilwell calls for the introduction of a guaranteed minimum income, in effect a negative income tax (pp. 211–212). He does not attempt to cost this proposal, but he does have some very sensible things to say in Chaps. 17–18 about the reform of the Australian taxation system. Here he calls for the elimination of some of the more blatant loopholes and exemptions that benefit the rich; for the introduction of taxes on wealth and inheritance; and (in the spirit of Henry George) for much greater taxation of land. Stilwell also endorses a Tobin tax on international financial transactions, in part because of its revenue-raising potential (pp. 225–228).

Of the three fundamental problems of neoliberal capitalism, alienation is the most elusive and the most difficult to attack. Stilwell has a great deal of sensible things to say about economic alienation, advocating industrial democracy to improve the possibilities of self-realisation at work (pp. 129–130) and urging the replacement of GDP by GPI (a Genuine Progress Indicator) as the accepted measure of aggregate output (Chap. 22). Together with restrictions on life-time hours of paid employment (pp. 186–187), these reforms would undermine the 'commodification of social life' (p. 97).

In Chap. 21 Stilwell considers the three essential aspects of environmental sustainability—biodiversity, ecological integrity and inter-generational equity—and makes a series of suggestions for improving energy use, public transport, land use planning, housing and infrastructure in order to achieve them. To my mind his analysis of these issues is as pertinent today as it was 13 years ago.

4 Points of Disagreement

So there is a great deal to agree with in *Changing* Track. Inevitably, I must also take issue with Stilwell on some important questions. My first criticism may be simply a matter of terminology, but I am inclined to think that it goes somewhat deeper. Figure 6 (p. 124) illustrates four 'Political Economic Systems', arranged in terms of two antinomies: Authoritarian-Libertarian and Egalitarian-Inegalitarian. The four systems are State Communism (Authoritarian-Egalitarian), Corporate Capitalism (Authoritarian-Inegalitarian), Liberal Capitalism (Libertarian-Inegalitarian) and Liberal Socialism (Libertarian-Egalitarian).

But there is no room in this conceptual scheme for a reformed, social democratic capitalism in which the authoritarian and inegalitarian tendencies of the capitalist mode of production have been tamed, while the underlying ownership structures and market relationships largely remain. What Kalecki and Kowalik (1971) once described as 'the crucial reform' has no place in Stilwell's diagram or in the accompanying exposition.

Now a society in which 'the "commanding heights" of industry' remain in private hands but are 'regulated by "planning agreements" to ensure the commitment to community service obligations', while 'private enterprise operates in small businesses', surely *is* a capitalist economy. This is so even if 'the use of "planning agreements" can be an alternative' to nationalisation as a 'means of regulating private sector corporations; performance in accord with government industry policy objectives' (p. 129). Later in the book Stilwell describes his overall approach as constituting 'a radical reformist perspective' (p. 203). This is reformed *capitalism*, not socialism. Why not come clean and say so?

This is linked to my second criticism, which concerns the role that Stilwell envisages for workers' cooperatives. They are an essential part of his system, in which 'medium-sized firms are typically organised' in this way (p. 129). The implication is that they will replace capitalist enterprises as the typical form of enterprise in very large parts of the economy. But he does not go into the historical experience of workers' cooperatives overseas, most notably in the former Yugoslavia and in the Mondragon complex in the Basque country. Neither does he consider the extensive theoretical literature on self-management from the 1960s and 1970s, or attempt to explain why there are so few workers' cooperatives in Australia—or for that matter anywhere else in the world—today.

Like Stilwell, I belong to the generation of 1960s radicals who developed a deep distaste for both capitalism and Stalinism and were strongly attracted to what he describes as 'liberal socialism'. Incidentally, we would not have taken kindly to the use of 'liberal' in this context: it is high time that the term 'libertarian' is reclaimed from the free-market right, as Stilwell attempts to do (p. 125). Our 'Third Way' was Yugoslavia, not the mildly reformed neo-Stalinism of Ota Šik and Alexander Dubček, precisely because it seemed to offer a genuinely liberal, democratic and unalienating alternative to both capitalism and Communism.

In the process we ducked some very awkward questions, including the role of markets, and hence of insecurity, inequality and alienation, under the Yugoslav system. We also ignored the macroeconomic problems of debt, dependency and default that later contributed significantly to the downfall of the system and the bloody implosion of the Yugoslav state. We further tended to neglect the theoretical literature that I have mentioned, including the work of the two Vaneks, Jan and Jaroslav, and the great neoclassical socialist James Meade, and the real problems of sectionalism, selfishness and inefficiency in an economy dominated by self-managed workers' cooperatives that this literature pointed to (Vanek 1972, 1975; Meade 1989).

The brutal truth is that almost nothing of the Yugoslav system of workers' cooperatives survived the civil war of the early 1990s and the disintegration of the federal Yugoslav state. I do not know whether the Mondragon cooperatives are still operating, or whether (if so) they will be able to survive the current Spanish economic disaster. I do know that there are very few successful worker-managed enterprises of any size anywhere else in the world. The Twin Oaks community in Virginia is still thriving after almost half a century, but it has always been very small—'forty members or more' (Kinkade 2011, p. 176). The sad lesson seems to be that, in general, workers' cooperatives are unable to compete with any capitalist firms other than the very smallest.

Workers' ownership and self-management should certainly be encouraged by all means, including favourable tax treatment, but not too much should be expected of it—much less, I fear, than is proposed in *Changing Track*. This entails that pretty well all medium and large enterprises will continue to be privately-owned, for-profit, capitalist corporations. This reinforces my point about terminology. What I and (I think) Stilwell would both like to see is a reformed, social democratic *capitalism* as the closest that we are likely to get to the five goals of equity, rationality, liberty, solidarity and harmony.

This brings me to my third criticism: Stilwell does not go far enough in at least one of the reforms that he suggests. Specifically, the negative income tax that he proposes should be replaced by an unconditional Citizens' Income or Basic Income, which is not income- or asset-tested and would guarantee 'real freedom for all' (Van Parijs 1995). It would offer people who were prepared to live very modestly the opportunity to withdraw altogether from the capitalist labour market for as long as they chose, and to engage exclusively in non-market activities, whether noble (voluntary work; political activism; artistic creation) or banal ('wages for surfing'). There is an international Basic Income Earth Network (BIEN) that promotes this radical alternative to a negative income tax (www.basicincome.org).

Stilwell's endorsement of André Gorz's '20,000 hours of work in a lifetime' (p. 212) is inconsistent with the idea of Basic Income and implicitly denies the old socialist assertion of 'the right to be lazy'. This probably *was* utopian when it was proclaimed by Marx's son-in-law Paul Lafargue in the late nineteenth century, but this is no longer the case, and by replacing consumption with added leisure it would also bring significant environmental benefits. In the same vein, I would complement Basic Income with much stricter regulation of the working hours of those who choose to remain in paid employment (Lajeunesse 2009), a topic that Stilwell briefly alludes to in his discussion of 'redistributing work' (pp. 186–187) but does not develop in any great detail.

5 What's Missing?

I want to turn now to four significant policy issues which are not extensively discussed in *Changing Track*. The first is monetary policy. Stilwell's treatment of fiscal policy is substantial and convincing (pp. 75–76). But he has little to say about monetary policy, either in the narrow context of decision-making by the Reserve Bank of Australia or the much broader questions of financial stability and the regulation of the financial sector as a whole. Yet these issues are of fundamental importance if macroeconomic insecurity is to be overcome.

When the book was published the RBA had only recently been granted its 'independence' by the Howard government—independence from democratic accountability to the Parliament, that is, not from the influence of 'the financial markets', or rather from the wealthy individuals and powerful corporations that this cowardly euphemism conceals. Since then it has operated on the 'one target, one instrument' principle, with output price inflation as the only target and interest rates as the only policy instrument (even though the 1959 Reserve Bank Act requires it to pay attention also to employment and growth).

As the late Kurt Rothschild once reminded me, 'if you only have one target, you can always meet it' (Rothschild and King 2009, p. 145), and output price inflation has indeed been well under control since the turn of the century. This has not been the case with asset price inflation, or the exchange rate, or the unemployment rate, none of which is considered by the RBA to be an appropriate target of monetary policy (but see Rogers 2006 for an alternative, much less critical, interpretation).

Australia escaped from the Global Financial Crisis with its financial system largely unscathed, though it remains unclear whether this was the result of good governance, accomplished private sector management, the residual memories of the near-disasters of 1991–1992, or simply good luck. But the underlying issues remain: the restoration of democratic control over monetary policy; extending the target variables to include those previously mentioned; a broader concern with financial stability and the prevention of future asset price bubbles; and increasing the number of policy instruments by restoring at least some of the direct controls and regulations used by the RBA in its earlier incarnation.

This leads directly to the second important policy question that is not discussed in *Changing Track*: financialisation. This is an issue (or rather a set of issues) that is connected to all three of Stilwell's fundamental defects of neoliberal capitalism: insecurity, inequality and alienation. There are a handful of references in the book to financial markets and (as already noted) a very welcome endorsement of the Tobin tax. Since 2000, however, a substantial and very impressive Post Keynesian literature has emerged on the broader issues raised by the growing power of finance (see Hein 2012 and, for an excellent brief summary, Hein 2013). The triumph of neoliberalism has been closely associated with financialisation, both as cause and as effect. This has been reflected in a very substantial increase in the financial sector's share of GDP and (especially) of corporate profits, and a corresponding rise in its economic and political influence.

Even mainstream economists have begun to worry about these developments. Here, for example, is Robert Solow, speaking at a conference in 2010:

> *In all of our discussions of the financial sector and the financial crisis, we tend to ignore—I won't say necessarily lose sight of—the fact that God made a financial sector to improve the efficiency of the real economy, not for the enjoyment of hedge fund managers.*

> *If you look at the evolution not only of compensation but of the use of resources, particularly human resources, in the financial sector, it is impossible to believe that it contributes anything to the efficiency of the real economy. It essentially promotes speculation and inflates compensation*. (Solow 2012, p. 222)

It also has serious implications for the non-financial sector—to the extent that there still is a recognisable, distinct non-financial sector—through imposing 'shareholder value' as the maximand for all public companies and thereby establishing short-term profitability as the only feasible objective, undermining the ability of managers to undertake long-term investment using internal finance.

As I have already noted, the adverse consequences extend to all three problems emphasised by Stilwell in *Changing Track*. First, as Solow notes, financialisation has contributed very substantially to the growth of inequality. Second, and partly as a result of the failure of low and medium incomes to keep pace with those of the rich, it has encouraged the expansion of debt-financed consumption, reinforcing the financial instability that culminated in the Global Financial Crisis of 2007–2008 and the Great Recession that has continued (in Europe and to a lesser extent in North America) ever since. Third, financialisation has led to what I have termed 'a sort of second-order alienation and fetishism, which is difficult to recognize and even more difficult to overcome', since people are now dominated not by their own products but rather by increasingly complex bundles of financial claims to those products (King 2010a, p. 155; cf. Li Puma and Lee 2004).

All this is, of course, closely related to a third policy issue that Stilwell neglects: the case for international financial reform. Financialisation has gone hand in hand with globalisation, in a seemingly irresistible process of mutually reinforcing cumulative causation that has greatly increased both insecurity and inequality (Glyn 2006). Even before the Global Financial Crisis, the age of neoliberalism had not been characterised by a particularly impressive record in terms of the economic performance of the advanced capitalist countries by comparison with the 'Golden Age' of social democracy that preceded it (Rothschild 2009). To some extent, at least, the relative successes of the 30 years after 1945 can be attributed to the Bretton Woods system, and the question then arises—or, rather, it definitely should arise—as to whether some of the features of that system need to be restored.

To take just one example: Paul Davidson has argued for many years that the introduction of the International Clearing Union that was proposed by Keynes in 1944 would reduce financial instability, both nationally and globally, and thereby greatly reduce the insecurity that he and Stilwell so rightly object to. This would entail a return to fixed (but adjustable) exchange rates and, more fundamentally, a massive contraction in the volume of international financial transactions, since clearing arrangements would be removed from the market and centralised in the hands of a newly-established international agency (see, for example, Davidson 2002). In the absence of such far-reaching reform, Davidson maintains, another Global Financial Crisis on at least the scale of that of 2007–2008 is inevitable. The details of the scheme that he advocates are contentious, but the case for putting international finance back in its box seems to me to be unanswerable. And it can only be achieved through international agreement.

Fourth, and in the very long run almost certainly the most important of all, is the question of global warming, which many would consider as constituting a major defect—possibly the major defect—of neoliberal capitalism. I was rather surprised not to find a single index reference to this topic (or to 'climate change') in *Changing Track*, a book that places such a strong and entirely welcome emphasis on environmental issues. Even the case for a carbon tax is made on rather different grounds (pp. 188, 225, 228–229). I suppose that in a way we can derive some comfort from the knowledge that, only 13 years ago, what now appears to be the potentially catastrophic warming of Planet Earth could be ignored, even by someone like Frank Stilwell. We have all woken up since then.

As I was writing this chapter I came across a newspaper interview given in January 2013 at the World Economic Forum in Davos by Nicholas Stern, author of the very influential Stern Report to the British government. It is highly self-critical: 'Looking back, I underestimated the risks' Stern acknowledged. 'The planet and the atmosphere seem to be absorbing less carbon than we expected, and emissions are rising pretty strongly. Some of the effects are coming through more quickly than we thought then'. In 2006 he had estimated a 75 % probability that global temperatures would rise by 2–3 degrees; 7 years later, he reckons that we 'are on track for something like four' (Stewart and Elliott 2013).

This raises another big issue that Stilwell did touch on in *Changing Track*, which concerns the role (if any) of the market in combating environmental dangers. There is a case, with which I have some sympathy, that 'commodifying nature' is objectionable in principle and unlikely to work in practice. Certainly the intricate financial engineering represented by the EU's carbon trading scheme, which the former Australian government committed itself to join, has proved to be a disaster.

Perhaps, ironically, then federal Opposition's (now the Government) slogan of 'direct intervention' offers a preferable alternative. The massive public investment in wind and solar energy that has been proposed by the Beyond Zero Emissions collective might be Australia's best bet (www.beyondzeroemissions.org). Again, though, this is very obviously a global problem; only so much can be expected from any 'new political economic direction for Australia'. In an ideal world the Australian government would use its hard-won temporary membership of the United Nations Security Council to advocate fundamental international financial reform and serious action on global warming. Sadly, big finance and big coal are so powerful that this is a very remote possibility.

6 Conclusion

There is very much more that could be said about Stilwell's absorbing and thought-provoking book. For reasons of space I have entirely neglected the political dimension, including the potential of the Australian Greens to constitute the agency that implements far-reaching social democratic reform, and the very real danger that they will lurch to the Right and become a neoliberal party with a pale green tinge, as in Germany.

Personally, I cannot see any real grounds for optimism. Fundamental changes in both the forces and the social relations of production have been implicated in the triumph of neoliberalism, and it is difficult to see them being reversed in the near future (Howard and King 2008). To take just one example: there are now more self-employed people in Australia than there are private sector trade union members, something that would have been inconceivable when Bob Hawke became Prime Minister just 30 years ago. The social agent for radical political economic change is by no means as obvious in the 2010s as it was (or at least appeared to be) then.

But I should end on a positive note. I cannot imagine that Frank Stilwell is contemplating three decades of carpet bowls at his local senior citizens' club upon his retirement, and suspect that he already has a number of projects under way. However, I do hope that he will seriously consider a second edition of *Changing Track*, to deal with some of the questions that I have raised and many of those that I have not.

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Constructing Policy Contributions from Critiques: Two Examples from Research into Australian Care Work

Therese Jefferson

Abstract In common usage, a critique is often understood as fault finding and can be associated with negative judgements. It is also undeniably the case that heterodoxy in economics has been closely associated with extensive and ongoing critiquing of mainstream economics for several decades. Frank Stilwell's body of work demonstrates the importance of linking critiques with contributions to policy discussion and applied research. The purpose of this chapter is to argue that critiques of mainstream economic theories can also provide a valuable resource for achieving outcomes such as impact and grant funding that are increasingly important to economists working in the higher education sector. This is argued with reference to two recent projects relevant to the wages and employment conditions of care workers in Australia. In both of these cases, the contributions of academic economists were centred on analyses of the inappropriate nature of mainstream economic assumptions for understanding key aspects of care work. Critiques of mainstream analysis provided a basis for identifying a need for different forms of data collection, analysis and policy development which could most usefully be undertaken by those who do not have an a priori commitment to the assumptions underpinning mainstream analyses. The conclusion is that targeted critiques can be a basis for positive contributions to the development of research agendas and policies relevant to key issues of economic equity in the Australian economy.

1 Introduction

The term *critique* can be considered as a synonym for evaluation: "A critique is a critical analysis or evaluation of a subject, situation, literary work, or other type of evaluand. It is critical in the sense of being characterized by careful analysis and

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judgment and analytic in the sense of a separating or breaking up of a whole into its parts, especially for examination of these parts to find their nature, proportion, function, interrelationship, and so on" (Mathison 2005, 95). However, as Mathison continues: "A common fallacy is equating *critique* with *critical* or *negative*, neither of which is implied". The fallacy is implicit in phrases such as "critique without alternative" (Rankin 2010, 95) and the use of the term "constructive critique" used by some authors to describe their analysis (Samuels 1993).

If we accept that critiques should be properly viewed as critical analyses or evaluations then it is difficult to deny that they should play an important role in the development of economic theory and applied research. It can be argued that this is particularly important for those who define themselves as working in areas of political economy or heterodox economics and who, almost by definition, are critiquing mainstream economics in their theoretical and empirical contributions.

Frank Stilwell's body of work demonstrates an approach to actively engaging with political and policy debates that spans several decades. In doing so, he personifies the role of academic as developing constructive contributions from critiques of mainstream economics that give explicit attention to the unequal distribution of social and economic power and resources. His critiques and the alternatives that he proposes focus not only on theoretical issues but also on the historical and political context in which he is writing and, therefore, on the likely success of alternative policy proposals. Using this approach he has successfully employed his critiques to contest prevailing ideas in many important policy arenas, including but not restricted to unemployment (Stilwell 1997), education (Stilwell 1998), income and wealth distribution (Stilwell 2002, 2007, 2008) and market based approaches to regulating environmental damage (Stilwell 2011 and Spies-Butcher and Stilwell 2009), all of which are considered in this volume. As an academic he has been particularly successful in developing links between economic theory, policy and activism in Australia.

The current economic and policy climate in higher education makes the role of critiques both increasing challenging and important. In this chapter I consider some of the purposes of developing critiques and the potential that critiques have for making contributions to economic theory and research. In doing so, I draw on two major, well known critiques of mainstream economics from well-known theorists from the United Kingdom and United States and consider their success, so far, in contributing to a significant shift in the theories, research and teaching in our discipline. One conclusion from this investigation is that important critiques, based on key methodological arguments, have had little discernible effect on mainstream economic theory and applied research.

There are two implications that I would like to consider that arise from this conclusion. Firstly, much of the debate and discussion about important issues of methodology and method in economics is inwardly focused and contains some element of 'preaching to the converted'. Arguably this runs the risk that developing critiques devotes extensive time and energy to acknowledging mainstream theories and therefore, to a research agenda that has been defined and pursued by mainstream economists and interests.

The second part to my argument is more positive. Increasingly fewer mainstream economists appear to be exposed to or knowledgeable about some of the key critiques of their discipline. In this context, it can be political economists who have a comparative advantage when articulating the strengths and weaknesses of specific forms of economic theory for understanding particular economic phenomenon. This is particularly the case if criticisms of mainstream economics, together with alternate forms of analysis are contributed to the public realm, where the so called 'common sense' of mainstream economics is not particularly apparent.

Frank Stilwell's body of work, both within and outside of academia provides an outstanding example of appealing to a 'public realm' outside the confines of mainstream economics. For many of us, particularly those in earlier stages of our career, his approach may be daunting and/or made all the more challenging by current university requirements. I therefore draw on some personal experiences where relatively modest engagements in the 'public realm' have yielded some success.

This second part of my argument draws on recent experiences where important critiques undertaken by feminist economists have contributed to the development of a successful large funding application to investigate work in aged care and to expert witness statements submitted to Fair Work Australia. In both cases, the capacity to draw on established critiques enhanced the capacity of researchers to contribute non-mainstream assessments and research programs suited to investigating specific issues in Australia's labour markets.

Beyond discussing the role of critiques in economics, this chapter has been developed with a broader objective. It has been written to acknowledge the hard work and legacy of Frank Stilwell and others who have actively evaluated and criticised economic theory and argued for alternative approaches that are relevant to the policy challenges we find in our society. For example, Stilwell's approach to defining political economy with only a one paragraph reference to 'orthodox economic reasoning' and focusing on the strengths of alternative approaches that address the real world provides avoids dedicating scarce space and effort to orthodox theories that are comprehensively discussed elsewhere. The challenge remains for others to actively engage with these critiques and to build further insights into our understanding of economic events and contribute to policy discussions.

2 Critiques and Political Economy

It seems likely that most of us who identify ourselves as either political and/or heterodox economists believe that there is a 'mainstream' approach to economics and that at least part of our research program differs from the mainstream in important ways. As a result, the term 'mainstream economics' is a key part of the lexicon for this chapter and a definition should be included. For this purpose I am going to use the same succinct definition contained in John King's 2012 Hancock lecture: "formal modelling of the behaviour of maximising individuals with unbounded rationality, operating in markets that have strong tendencies towards equilibrium. In Robert Solow's three-word summary: 'greed, rationality, and equilibrium" (Solow 2008; King 2013).

A second point of clarification is required with respect to my use of the term 'political economy'. In the following discussion political economy is used as an overarching term to include a wide variety of heterodox schools of economic thought that give particular emphasis to issues such as power, institutions, historical specificity and questions of methodology. The common thread among these schools might be described as their inclusion of 'historical and social context as part of the fundamental factors which shape and create economic activity' (Clark 1999, 868). Feminist economics, which I will also refer to in this chapter, might be thought of as one specific area of political economy with a particular focus on the construction and implications of gender as a social institution or practice.

A relatively common approach among political economists is to define their research agenda in terms of what they are not (mainstream) as well as what they are. For example, the entry for 'political economy' in the *Encyclopaedia of Political Economy* contains considerable explanation of the tenets of mainstream economics that are rejected in addition to the key features of political economy and its research programs (Pressman and Neill 1999). Thus critiques of mainstream analysis are often implicit in discussions about political economy. Varieties of political economy are often associated with a careful analysis and rejection of key tenets of mainstream economics and to some extent this seems unavoidable in a context where a particular approach to economics is dominant. The purpose and use of critiques within economics is therefore an important issue for political economists.

The first purpose of critique which I would like to consider is that of informing a shift in the theory or research or teaching of economics. With this in mind I consider two prominent but contrasting critiques of mainstream economics that have been developed by Deirdre McCloskey and Tony Lawson. Space does not allow an adequate overview of these critiques and those who are not already familiar with McCloskey's and Lawson's works are referred to some of their key texts (McCloskey 1985, 1994; Lawson 1997, 2003). The more important aspect of their work for this discussion is the extent to which their important and broad ranging critiques have discernibly affected mainstream economics.

Deirdre McCloskey provides an interesting case study in this regard. She taught economics for 12 years at the University of Chicago and to some extent may qualify as having greater 'insider' status than might normally be associated with those who have undertaken comprehensive critiques of mainstream economics. This is particularly the case because as a strong supporter of free markets, her critiques are not as closely aligned with specific forms radical political economy that are relevant to many other critiques of mainstream economics. As many would be aware, McCloskey is critical of economics' appeal to mathematical modelling and a (mismatched) and sometimes imprecise use of statistical techniques to claim a level of authority and certainty that the subject does not necessarily warrant. McCloskey's entire body of work, however, is more comprehensive and spans areas of economic history, philosophy and ethics. It could reasonably be expected that her critiques of mainstream economics would be influential, particularly in the areas of method and applied research. Such influence is however difficult to identify in the key mainstream journals within our discipline. The methods that McCloskey criticises appear to remain firmly entrenched. An admittedly imprecise search of articles that cite McCloskey and are contained in the full text database ABI inform suggests that of 2124 citation, just 117 of these are the current top twenty most influential journals within the discipline (as defined by the ISI Web of Science journal impact factors). Not only imprecise, this approach also has the disadvantage of relying on journal rankings that are strongly biased towards the "economies of scale effect", whereby quantitative citation measures trigger "a tendency towards reinforcement and collective monopolisation of the dominant orientation of neoclassical economics" (Lee and Elsner 2008, 176). The use of citations and journal rankings can only be indicative of influence in the discipline but is far from conclusive.

As might be expected, Tony Lawson's extensive critique, based on ontological theory, gets little acknowledgment in the discipline's top mainstream journals. A similar search to that undertaken for McCloskey suggests that he has approximately 12 citations in the top 20 journals. There is little evidence that his critique of the misuse of econometric methods has had any discernible effect on the research programs of mainstream economists. As a point of comparison, the same method identified 266 citations in these journals for Gary Becker, an economist who has purposefully focussed on extending mainstream economic techniques to issues outside of the traditional concerns of economics.

These numbers are very approximate and can only be taken as a broad indication that while both McCloskey and Lawson have produced extensive, widely read critiques, their influence appears to be much greater outside of the theory and research published in the most influential mainstream journals. Despite severe limits on the numbers that can be gained by quick database searches, it is apparent that neither critic has successfully shifted the methods or empirical questions that inform the theoretical or research focus of mainstream economics.

Quick database searches do not provide even vague indications of the influence that McCloskey's and Lawson's critiques may have on the teaching of economics in the longer term. However, it appears highly unlikely that if their critiques are poorly acknowledged in the discipline's leading journals that they will be having an important effect on teaching syllabi.

In short, I am proposing that many important critiques have failed to shift mainstream economics from an emphasis on methods and assumptions consistent with optimising, rational individuals and equilibrium. I include in this literature those approaches in which departures from these assumptions are treated as anomalies or puzzles that might be solved when such departures could also been seen as key reasons for rejecting particular mainstream models altogether.

Perhaps a more important purpose of critique lies in the contribution it makes to discussions outside of the core areas of mainstream economics. Without resorting to further very rough numbers, citation reports for McCloskey and Lawson demonstrate a very strong contribution to and engagement with discussions in economic journals that have an interest in heterodox economics, interdisciplinary research, history of economic thought, methodological issues and social and institutional aspects of economic events. These include contributions to and wide ranging discussions in journals, such as the *Cambridge Journal of Economics, Journal of Post Keynesian Economics, Feminist Economics* and *Journal of Socio-Economics*, to name just four, which play important publishing roles for political economists.

The ongoing critiques and discussions within such journals are important for the discipline and for the publishing and careers of political economists. However, it is apparent that in the current context of research assessment exercises, there are some risks attached to engaging with critical discussions in heterodox journals to the exclusion of other contributions and outputs. Writing and publishing in journals is time and energy intensive. Heterodox journals with the kudos required for research assessment exercises such as 'Excellence in Research Australia' (ERA) are thin on the ground and, ultimately, are having a limited effect on the discipline or success in generating careers for large numbers of new entrants to the discipline. Further, as Dobusch and Kapeller note, a preoccupation with mainstream research agendas and theories can lead to heterodox journals contributing significantly to the citations and status of mainstream journals and this a process of what they label "paradigmatic self marginalization" (Dobusch and Kapeller 2012, 469). Recent events at the University of Western Sydney suggest that a high profile, successful career in heterodox areas of economics can count for little as Australian universities restructure to meet real or perceived challenges connected with financial viability and student demand.

Despite these disadvantages the lack of engagement of mainstream engagement with critical literature suggests that many political and heterodox economists have an important comparative advantage over their mainstream counterparts: they are relatively well versed in the strengths and weaknesses of mainstream approaches to specific research agendas. This is clearly apparent in forums such as the annual Society for Heterodox Economics conference organised annually by Peter Kriesler and in which Frank Stilwell has been a regular participant (SHE 2013). Heterodox economists' familiarity with critiques of the mainstream is an advantage that can, and I think should, be put to work by focusing on a potentially different and additional role for critical evaluations of mainstream economics.

3 Putting Critiques to Work: A Different Purpose and a Different Audience

One of the key purposes of political economy is to engage with specific economic problems and policies. This is one of the key tenets to be found in Stilwell's text which defines political economy in terms of the analysis of those problems (Stilwell 2006). This definition is consistent with critiques such as Lawson's which emphasise the distance between mainstream theory and analysis and key features of the real world. One logical conclusion to draw from the focus of political economy on the real world is that political economists should be in a favourable position to make a contribution to 'real world' analysis and policy. Frank Stilwell demonstrated a successful, activist approach to applying critiques to his teaching and policy engagements. The current context of higher education suggests, however, that following cohorts of academics may be following a risky strategy if they pursue Frank's strategies without also attending to growing pressure for achieving the publication and grant outcomes.

This is easier said than done in a context where much peer review and assessment is undertaken by those aligned with mainstream methods. However, there are important and high profile opportunities for analysis outside the constrained academic environment and I will draw on two examples to illustrate my argument. Both of these examples draw on projects in which I have been personally involved and where I am familiar with the valuable role played by drawing on the robust critical literature available to those 'outsiders' who choose to engage with it.

A first avenue is that of contributing to public forums where the 'common sense' of mainstream economics is not immediately apparent. The equal remuneration case brought before Fair Work Australia which concluded in 2012 is one such example. In this case, a range of both mainstream and heterodox analyses of the links between gender, care and low wages were submitted to Fair Work Australia as expert witness statements or submissions. In an article with my colleagues Siobhan Austen and Alison Preston, we outline what we consider to be key differences between our heterodox analysis and the mainstream analysis developed by economists from the Melbourne Institute for Applied Economic and Social Research (Austen et al. 2013). At this stage however, I would like to draw attention to the complete lack of acknowledgement from one of the mainstream economists that there could be any other way of proceeding with economic analysis other than following the tenets of mainstream theory and method, shown through statements such as the following: "From an economist's perspective, wages should be equal to the value of what you are producing" (Cobb-Clark 2010). It would be true to say that, while my colleagues and I were not surprised to find ourselves in disagreement with the mainstream analysis, we were astonished to find that the mainstream analyst had so little apparent familiarity with the literature and critiques upon which we were drawing in our analysis.

In this type of situation there is an opportunity for drawing on the insights from well-established critiques and contributing them to public discourse. In the equal remuneration case, my colleague, Siobhan Austen, was able to carefully explain many of the assumptions and limitations of the mainstream analysis in the particular context of low paid care work in Australia. This included issues associated with the assumptions underlying the decomposition analysis traditionally used to identify discrimination in labour markets, the proportion of the wage differences between men and women *not* explained by the analysis and the wide range of labour market characteristics assumed to be productivity characteristics (such as size of employing organisation) (Austen et al. 2010).

An important factor in this discussion is that it occurred in a context where most of the audience were informed and familiar with the situation of care workers but were not economists. Siobhan's capacity to carefully explain standard economic modelling and techniques to a literate, informed audience of non-economists was a lesson to us in the potential power of contributing insights from economic critiques to key policy and decision-making forums. This is a lesson we are keen to build on and we are currently considering the importance of Hannah Arendt's arguments about the public realm to further understand the potential role that might be played in this regard (Arendt 1958).

A second, contrasting experience was that of submitting a relatively large research proposal to the Australian Research Council that was based on feminist critiques of mainstream economics lack of success in providing insights on the labour force participation patterns of mature age women workers. We applied these critiques specifically to a proposal to explore the employment decisions of aged care workers, a predominantly feminised workforce with a median age over 45 years (Austen et al. 2010). In this process we also pursued the option of taking our proposal outside the realm of mainstream economics by using Field of Research codes that would help ensure that the proposal was assessed by literate, informed researchers familiar with, what we like to think of as, appropriate research methods applied to important questions of policy.[1]

The key role played by critical literature in this proposal was to provide a ready explanation of the shortcomings of mainstream economics in understanding the real world problem of women's labour supply. Feminist critiques provide a ready resource for explaining why models of socially disembodied workers with stable preferences are unlikely to provide helpful insights into understanding the work decisions of women who often have unpaid caring roles for both younger and older relatives and are negotiating their decisions with other household members who may or may not be utility maximisers in their own right. In developing our argument we were able to draw on established, well known critiques developed by feminist scholars (England 1993; Nelson 1993, 2006; Folbre 1995; Himmelweit 1999; Barker and Feiner 2004).

In both cases the use of the clearly articulated critiques provided by a wide range of colleagues provided a basis for demonstrating gaps in our understanding of important economic phenomena and an opportunity to propose something different. Importantly, these opportunities largely existed outside of the confines of academic economic forums, even though academic arguments were an important input to each process. Importantly for me and my colleagues, the ARC funding example also assisted in achieving an 'output' recognised within the realms of research performance indicators that are currently driving much university activity and has helped ensure a continued role for us as heterodox economists within the rapidly shifting context of the Australian tertiary education sector. We would welcome a similar outcome for many more of our heterodox colleagues.

[1] It would be nice to think that some of those assessors are in this forum and if they are, I'll take the opportunity to say 'thank you'.

4 Some Conclusions

The current institutional context in which academic political economists live and work is competitive and hostile on occasion. By taking the insights from important critiques and using them in arguments in the public realm there appears to be scope to use both the skills we have developed as academics and to practice what we preach as political economists. This strategy has the advantage that it can be implemented in the short to medium term. It does not require the development of a "comprehensive alternative to mainstream economics, which is a necessary precondition for… paradigmatic change" (Dobusch and Kapeller 2012, 470). It only requires that we apply our particular skills and methodological insights in an appropriate way to current questions of policy. It has some similarities with the approach previously suggested by Peter Earl and Ti-Ching Peng who argue that "the big chance for real-world economics lies in applied work where theories meet facts rather than simply being 'proved' mathematically for a stylised content" (Earl and Peng 2012). However, there is also a difference in this strategy. It does not rely on academic publication as its key outcome and so, to some extent, can avoid the requirement for "genuflection in the direction of" mainstream models (King 2012, 310). In addition, there is an important role for acknowledging the substantial critiques of mainstream economics undertaken by our colleagues and demonstrating that they provide a valuable resource which can be utilised by political economists.

In individual career terms this may not always be successful and in the current climate we can probably all think of colleagues who have been treated less than fairly even though they have contributed significantly to public debates. It may, however, be a path with relatively higher scope for success than trying to convince the mainstream of its errors or focussing almost exclusively on conversations with likeminded economists. It is also consistent with the arguments that Frank Stilwell has long drawn on to justify the need for political economics as both an academic institution and a vital contribution to public discourse and policy.

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Part III
Teaching Political Economy

Teaching Political Economy

Andrew Mearman

Abstract This chapter considers the teaching of political economy, paying particular attention to the unique approach to that challenge taken by Frank Stilwell and colleagues in the Department of Political Economy at the University of Sydney. The chapter considers a range of definitions of political economy. It then explores the relationship between notions of political economy and teaching approach, mainly via the case of International Political Economy. This relationship is complex and over-determined; however a central factor influencing teaching approach is the educational goals of the instructor. The chapter considers liberal, instrumental and critical goals. All three of these are evident in the Sydney approach. The chapter offers some principles for the teaching of political economy, and claims that most of these are present in the Sydney paradigm.

1 Introduction

Currently pressing issues, such as growing inequality and poverty, government budget cuts, an existential crisis in the Eurozone, and climate crisis, are poorly explained or elaborated by conventional economics. That programme has rejected morality and ethics, downplayed the importance of (different forms of) power, and largely ignored the financial sector. It has sacrificed realisticness for technical elegance, and in so doing has disengaged from the real world. In so doing, its students become disengaged with it. The student movements or protests against conventional economics in *inter alia* Paris, Cambridge (UK), Cambridge (USA), and Kansas City (see Fullbrook 2002) have demanded a move away from what the Paris students called 'autistic' economics. Instead they demand more realism,

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and at bottom, more engagement with the goings on of the real world. Many of the same concerns marked the campaign by students for political economy at the University of Sydney in the early 1970s, in which Frank Stilwell played a key part.

In short, the door is now open to teaching *political economy*. This chapter investigates of how this might be done. One option is to mimic some aspects of the framework laid out in Mearman (2007), which outlined strategies for teaching heterodox economics. Significantly, one of the options explored there was to deliver 'parallel perspectives' on economics: this of course is one of the main manifestations of political economy, and that favoured by Stilwell (2011). However, the chapter spends relatively little time talking about how political economy should be taught. That is partly because this is a well-trodden path, not least by Stilwell (2005, 2006, 2011).

Instead the chapter considers the pedagogy of political economy. It first notes that there is a variety of definitions of political economy, and then explores the pedagogical implications of these different treatments. The chapter considers liberal, instrumental and critical pedagogies. Using the vehicle of International Political Economy (IPE), the chapter argues that there is no *necessary* relationship between one's approach to political economy and one's attitude to teaching it. Rather, the chapter argues that all teachers must specify their goals in order to arrive at an approach to curriculum and delivery, and explores how different goals will affect the way political economy is taught. Lastly it will consider how the Sydney model for teaching political economy pioneered by Frank Stilwell and colleagues reflects many of the issues raised. In short, Political Economy at Sydney is a unique approach to political economy, rooted in classical economics, a contest of ideas, and reflects all three pedagogies discussed.

2 Political Economy

It is worth exploring what is meant by 'political economy'. It is usually important to be clear on terminology; and even more so in this case when there is a range of meanings of the term. However, rather than engage in debates on the meaning of political economy, or try to create a definitive or exhaustive taxonomy of political economy, I intend merely to note briefly some different definitions and then explore implications for teaching.

Defining political economy is not trivial. One starting point is classical political economy, as constructed by Smith, Ricardo, Mill, Marx, et al. These economists were concerned with the dynamics of the new capitalist system, and examined it through a lens that emphasised power and class, and their consequences for distribution. This group examined important questions of the day, often to do with policy—and not only economic policy. They were concerned also with justice, and ethics: classical economics is moral economy as well as political economy. Arguably, collectively, the subsequent manifestations of political economy display the traits and themes of classical political economy.

Thus, political economy usually concerns itself with power, and with the organisation of the economy, and its relation to the State. This may be manifest in a number of ways. The variant of political economy which arguably follows most directly from classical political economy is that present in the closely-related discipline of American radical political economics, which attempts to further the legacy of radical perspectives on the economy, derived principally from Marx, but influenced heavily by contributions from Veblen, Sraffa, postmodernism, feminist economics, Post Keynesian (including Kalecki), and other heterodox approaches.

Space constrains us from considering these literatures in depth. However, two points are useful. First, there is ongoing debate on the meaning of radical, as exemplified by recent opinion pieces in the *Review of Radical Political Economics* (for instance, see Baker 2012). A similar challenge arises when considering 'heterodox economics' (see Mearman 2011, 2012). Second, we should note that several of the strands of literature have had strong implications for teaching. Feminism (see Nelson and Goodwin 2009) and postmodern Marxism (see Resnick and Wolff 2011) are two advocates of critical pluralism in teaching. In addition, Dickinson College (see Barone 2011) and Sydney University (see below) are two places in which that approach is practised.

Another modern strand of political economy (called *modern political economy* here) attempts to re-imagine it as aping the mainstream: thus neo-classical and Austrian analytical tools are applied to issues of political interest, for instance public sector organisation; solving policy puzzles; examining interaction of markets and the state (see for example, Cowley and Smith 2013).

A somewhat different variant of political economy, which might be called *International Political Economy*, emerged around the 1970s, as a bridge between international politics and international economics.[1] Typically IPE lies outside what is conventionally called 'economics' and tends to align more closely with political science or international relations. Certainly its institutional location tends to be in those areas. Its journals—for instance the *Review of International Political Economy*—tend to be homes for specialist IPE scholars, and not typically for economists, even those of a heterodox persuasion. International Political Economy may be defined thus: "IPE, Robert Gilpin once famously suggested, may be defined as 'the reciprocal and dynamic interaction in international relations of the pursuit of wealth and the pursuit of power' (Gilpin 1975, p. 43). In other words, IPE is about the complex linkages between economic and political activity at the level of international affairs" Cohen (2007, p. 197).

However, in recent years there may have been a move—particularly in an American school of IPE (see Wade 2009)—away from big questions and towards micro-based treatments, typically employing neoclassical economic reasoning and liberal political philosophy, at the expense of other types of economic and political

[1] A strand of this, *Comparative Political Economy*, tends to be dominated by the Varieties of Capitalism (Hall and Soskice 2001) literature, which specifically highlights the political underpinnings of market processes and competitiveness.

thought (Wade 2009; Phillips 2009; Cohen 2007; McNamara 2009). In this way, American IPE resembles quite closely the modern political economy approach outlined above. In contrast, a British school of IPE (Cohen), associated particularly with Susan Strange and Robert Cox, stresses modes of production rather than focusing on the State only, and takes a historical institutional approach.

Two further varieties of political economy are noteworthy. The New Political Economy approach associated with *inter alia* Phillips, Gamble et al. (1996), and Higgott and Payne (2000), sees economic ideologies as objects to be explained. Higgott and Watson (2008) also reject Cohen's distinction within IPE and argue that New Political Economy can transcend it. Finally, there is an emergent, constructivist political economy (see Blyth 2002; Abdelal et al. 2010). This approach, like many species of political economy, acknowledges material aspects of economies; however it stresses strongly *ideational* drivers of economic (particularly institutional) change. While this may be thought of as a separate approach to political economy, it overlaps strongly with elements of New Political Economy, and the 'older' versions of IPE.

This brief and impressionistic survey of current approaches to political economy is useful for two reasons: it clarifies to which bodies of literature we are referring; and it clears the ground and provides a vehicle for the more important (in this context) discussion of the teaching implications of the different definitions of political economy.

3 Political Economy and Teaching Philosophy

An important question is whether there is a specific teaching philosophy of political economy. It is not clear to me that there *necessarily* is; however, it seems reasonable to suggest that a political economy approach to teaching would have specific (albeit not necessarily unique) characteristics as well as specific advantages. First it is useful to consider the educational implications of the (set of) political economy approach(es). We start by considering two foundational issues: power, and pluralism. Then we move on to consider the case of IPE, which illustrates both power and pluralism and reveals other pedagogic considerations to be explored later.

3.1 Power

An issue of special concern for teaching political economy is that of power. Two aspects of power are worthy of discussion here. First, all of the variants of *political* economy outlined above teach *about* power. Modern political economy and American IPE are only concerned with state power and market power; however the other approaches have wider notions of power. Collectively the political economy approaches ask questions about where power lies, its different forms and how it is exercised. The eminent and innovative economist Kenneth Boulding, who wrote extensively on teaching, expressed this concern about teaching about power:

> *…thinking about power and its complex manifestations may not simply lead to a better understanding of the abstract complexities of society, but may have an effect on one's own image and identity. Perhaps a warning label should be placed on the cover [of this book]….* (1989, p. 259).

Of course, in a political economy programme, discussion of power is unavoidable. Further, critical pedagogy (discussed below) rests on the trust teachers must have in their students to engage with their material. That trust also implies that curricula should be student-centred and student-driven. However, Boulding makes a useful pedagogical point. His argument is similar to the one raised by Earl (2000) and others about teaching multiple perspectives: that the teacher must guard against student disillusionment and disengagement; otherwise their learning objectives will not be met. Similarly, then, students must be taken carefully through their engagement with power.

That argument also highlights the second dimension of power with which teachers of political economy must deal: their own power as educators and the necessarily hierarchical relationship present in educational contexts. Student-centred learning only limitedly inverts the power relations typically present in education. Educators must be aware of their own power and must question their own deployment of that power. This is acutely relevant when considering what to teach, how to teach it, and above all, what the educator's goals are for the educational process. The political economist as researcher may have one set of objectives; the activist another; but the educator must remember the environment they are in and consider carefully how they use their own power to transmit their own views in the classroom. To ignore such questions would run contrary to political economy. We will return to this issue below.

3.2 Pluralism

Already we have discussed the notion of pluralism; indeed, some treatments of political economy explicitly endorse or deploy pluralism in their teaching. Frank Stilwell is one such advocate. However, pluralism is a curious, contested notion. For now let us simply take it as being the existence *and use* of different theoretical, methodological and political perspectives. However, there are two caveats here: one, the nature of the pluralism may differ; and two, pluralism may not determine much about teaching process.

Consider a syllabus on astronomy. One approach would be to teach only the Ptolemaic geocentric theory. Another approach is to teach the Copernican heliocentric theory as well. The second approach appears more pluralist because it contains more than one theory. However, clearly it may not be: the second approach may only use one set of methodological principles; it may be written so as to convince students that the heliocentric approach is correct; crucially, the two perspectives may be taught in such a way that they are never contrasted, neither is critically evaluated, etc. So the second approach seems pluralist only in a limited way. Indeed, in Dow's (1990) terms, the two theories are treated dualistically: they never 'meet' and are treated as entirely separate. So, even if we define political economy as the study of economics from multiple perspectives, this does not guarantee a thoroughly pluralist approach.

Whereas, the first approach might tackle the Ptolemaic theory in a highly critical way, analyse it using multiple methods, take into account much of the evidence against it, and discuss the political and cultural ramifications of it and its rejection. Further, the students might have been assigned coursework asking them to evaluate critically the Ptolemaic theory. In short, the students may have been taught only one main perspective, but they would have been required to evaluate and reach their own judgement on it.

A similar argument could be made about the teaching of neoclassical economics. Indeed, Mearman (2007) discusses an enhanced neo-classical syllabus that centres on core mainstream principles, but augments them with critical treatments. Stilwell (2005) argues correctly that such syllabuses are limited because the critical approaches get treated as add-ons that can be forgotten. However, from the liberal educational perspective discussed below, this does not matter. As explored below, the crucial factors in determining curriculum content and teaching process are educational goals.

3.3 The case of International Political Economy

We will now examine the case of IPE in a little more detail. This is not to give it special priority. Indeed, it is not a traditional home for economists, even those who call themselves 'heterodox' economists, or political economists. Rather, I am unaware of much literature that examines the pedagogy of IPE; and it is a useful vehicle for a discussion of pedagogy in political economy, because of the important issues it reveals. Specifically, it raises questions about both power and pluralism, and it leads us into our discussion of educational goals.

As discussed above, according to some treatments, there is something of a schism in IPE, between what to economists looks like a mainstream approach and a heterodox approach. Let us as a heuristic accept these characterisations of IPE. According to these characterisations, IPE is becoming less pluralistic, partly through the actions of journal editors and other gatekeepers who have a profound effect on the development of the discipline. Indeed, the story told by Phillips (2009)—of a slow death of pluralism—echoes strongly that told about economics by Frederic Lee (2006 et passim).

The American school of IPE (see Cohen 2007; Malianak and Tierney 2009) is defined by Wade (2009) as having a normal science comprising the following:

liberal philosophy, mathematical models, quantification, functionalist explanations for things (e.g. firms arise because of transaction costs, a la Coase and Williamson), a belief in self-adjusting systems, and an assumption of US hegemony in international affairs; however, it lacks considerations of inequality or indeed of power and particularly the positive effects of state power. As Wade argues, this bears the hallmarks of mainstream economics; indeed he argues that this approach to IPE has arisen for the same cultural and political reasons as did mainstream economics. He also warns of its potentially deleterious effects.

The key comment about this American IPE is that it seems to display few of the typical characteristics of political economy. The relative absence of considerations of power, or of the bases of ideas in power relations is particularly striking. Further, it seems to be eschewing interdisciplinarity in a way antithetical to the study of highly complex interrelated objects. However, perhaps the most pertinent implications from IPE for our current discussion regard pluralism.

It is quite possible that a removal (or de-emphasis) of a discussion of power from the arena will reduce pluralism, because it removes the analysis that argues that any one perspective may only be dominant because of the interests it serves. Further, interdisciplinarity may introduce pluralism because it ought to impute perspectives from different disciplines that typically have different bases. However, in the case of American IPE this is not inevitable: if that approach is dominated by mainstream economic thinking, interdisciplinarity may have no effect, because in the US, sister disciplines such as political science and sociology have also adopted a rational choice, quantitative methodology.

McNamara (2009) also bemoans the intellectual monoculture of US IPE, and notes the move which has occurred from an earlier pluralism:

> *Like a puzzle with many pieces, the study of IPE begs for diversity in theoretical approach, scholarly method, and empirical focus. Indeed, the phenomena under study would seem far too important and multifaceted to leave to one analytic or methodological perspective alone. And yet, that seems to be where we have ended up in the American academy, according to the results of Maliniak and Tierney* (2009, p. 73).

This homogenization process may hold a key implication for teaching political economy. The IPE curriculum is being homogenized and pluralism is being reduced. Traditional IPE was based around the contest (itself drawn from International Relations literature) between liberal, realist and Marxist theoretical approaches. Now, according to Wade (2009), there is a fake pluralism: we can acknowledge the existence of other perspectives without engaging with them, in order to justify ignoring them. “The debate owes its continued existence mainly to a wistful wish for battle-lines to divide the virtuous from the wicked” (Wade 2009, p. 118). Thus the British school of IPE still exists; yet in the leading US institutions of IPE, its treatments are ignored.

According to Cohen (2007), the British school is more normative and looks beyond mainstream economics and mainstream political science. Whereas US IPE is State-centric, British IPE treats the State as just one actor. Whereas US IPE is motivated by problem-solving and the search for causality, British IPE is motivated by improving the world by eliminating injustice. Further, where US IPE tends, as does mainstream economics, to be deductive and formal, British IPE is inductive and institutional. Crucially, for teaching, British IPE is characterized by an *oppositional state of mind* (Brown 2001).[2] All of these contrasts suggest that by eschewing or marginalizing the British approach, IPE is less pluralist than before, in two ways: first, quite obviously, one perspective is being ignored, and only one is being taught. Second, the British approach seems to be characterisable as having a pluralist mindset: Brown's quotation captures this well. Additionally, Strange (1994) advocated for IPE to be an 'open range' without a dominant approach.

4 The Role of Educational Goals

Our discussion of the IPE literature—which is inevitably brief—would suggest that teaching within the American school of IPE would be very different from the approach likely to be found within the British school. There is support for this inference, for instance in Malianak and Tierney's (2009) finding about the homogenisation of IPE curricula in the US (albeit one which is contested somewhat by McNamara 2009). However, this reasonable conclusion is not necessarily correct.

A crucial factor in curriculum design is the goal(s) of the educator.[3] If the teacher aims to create a monoculture absent any critical content, then this will usually happen. If the teacher aims only for rote learning, they might create parallel theories that never confront each other: students are rewarded merely for knowing the theories. Their students will do that, and be assessed as performing well. If the tutor's goals are concrete knowledge, perhaps as specified in a national curriculum or standards agency, or by a professional body, then they may construct a curriculum geared entirely to that.

However, a variety of goals is possible. Previously, I have drawn on the established distinction between intrinsic/liberal goals and instrumental/ist goals. This distinction is a useful heuristic but should not be treated as a strict dualism; nor should either side be reified. In this chapter, we will also consider *critical pedagogy*, as this appears to have special relevance to political economy.

For Bridges, the central feature of *liberal* education is "to equip people to make their own free, autonomous choices about the life they will lead" (1992, p. 92) which implies: "(i) an ability to treat *critically* and of course also informedly ideas and beliefs put forward by other people …; (ii) an awareness of the wider alternatives … available upon which one may *exercise choice*…; (iii) a level of *personal independence or autonomy* which gives one the will, courage or confidence to act on one's own beliefs" (Bridges 1992, p. 92, emphasis added).

[2] "By its very nature, international political economy (IPE) involves the juxtaposition of opposing logics, and the interaction of complex dynamics across multiple national, subnational and international political arenas" (McNamara 2009, p. 72).

[3] See Clarke and Mearman (2004); Mearman (2007) *et passim*.

These three liberal goals can be more succinctly classified as critical and analytical (evaluative) thinking; comparative thinking; and intellectual open-mindedness. They collectively aim at the achievement of intellectual capacities, i.e. at the process of thinking within the individual. These aims mean that curriculum content is only relevant in achieving outcomes that are (thought) processual—and content should be assessed according to its ability to achieve these outcomes; and 'facts' and 'knowledge' are de-emphasised. It can be argued that these liberal aims are achieved better in a pluralist curriculum, partly because the inclusion of multiple perspectives makes it more likely that the desired capacities can be achieved (Mearman et al. 2011).

Instrumental aims are that students leave their education with concrete, identifiable skills, such as the ability to solve certain types of problem, know formulae or techniques, remember and perhaps apply theory, or possess 'knowledge' of a topic. All education will involve instrumental outcomes, even if they are not intended or explicitly stated. However, an education that is *geared towards* such instrumental goals may be regarded as 'instrumentalist'. An example of instrumentalist education is one in which a student is indoctrinated into a particular view or behaviour. More broadly, though, any educational process can be regarded as indoctrinatory if its content is delivered uncritically: contrary to the tenets of 'liberal' education discussed above.[4]

In the context of political economy, it is particularly worth considering a third philosophy of teaching: critical pedagogy. This approach has been championed by, for example Freire (1970), hooks (1994), Giroux, and Shor. This approach is also known as postmodern education. It is characterised as a rejection of modernist (Enlightenment) education, therefore including liberal education. Critical pedagogy has Marxist roots, particularly in critical theory. However, some associate it with Dewey, often through the notion of praxis it shares with him. A critical pedagogy claims that modern education is predicated on specific power structures which favour white globally Northern middle-class males, and that the education system seeks to reproduce itself for the benefit of those people.

A specific goal of critical pedagogy is to liberate those who are excluded from and oppressed by the system. In practice it emphasises a student-centred approach but one which stresses a critical evaluation and re-evaluation of common concepts via a process of *conscientisation*. It is based squarely on a belief in students' abilities to think critically about their own situations. In addition to those habits of thought, the content of the curriculum should change its emphasis to stress the contributions of oppressed groups. If much of this seems to resonate with liberal goals, this is partly true. However, critical pedagogues would argue that liberal

[4] Liberal goals clearly reflect a specific political philosophy: liberal education has its own reproduction as an instrumentalist goal. The irony in this context is that we have discussed how IPE is viewed by some in that sub-discipline as having become dominated by liberal political philosophy and that this is considered problematic.

education still views the learner as an empty vessel to be filled, whereas for them, the student must fill themselves. As Hicks (2004, p. 18) puts it:

> *postmodernism rejects the notion that the purpose of education is primarily to train a child's cognitive capacity for reason in order to produce an adult capable of functioning independently in the world. That view of education is replaced with the view that education is to take an essentially indeterminate being and give it a social identity.*

Three (overlapping) sets of principles have been outlined: liberal, instrumental and critical pedagogy. How are these educational philosophical positions manifest? There are two aspects to investigate about the effect of goals. First, the way in which educational goals act as confounding factors that mean that one's approach to political economy and how one teaches it may diverge. Second, it may be that one's approach to political economy determines one's educational goals.

Let us return to the case of IPE. Several possible principles can be inferred from the discussed above. As explained, there is a view of American IPE as becoming homogenised (Wade 2009; Phillips 2009; McNamara 2009; and Cohen 2007). If content of research determines teaching content, then this would suggest a narrowing of the curriculum. It might then be that only one set of principles are taught. However, it is entirely possible that these principles are taught in a very critical way. For example, students being taught an entirely liberal approach, based around quantification and mathematical modelling, absent of power in the curriculum might also be asked to consider the reasons why the approach is dominant, or how a particular methodological approach might circumscribe certain topics for discussion; in short, that one approach could be taught very critically. The attitude of the instructor is crucial.

Similarly, although one might reasonably expect that introducing Marxist or realist theory into the curriculum would make it more pluralist, this is not inevitable: if the three perspectives are taught as utterly separate, if they are never contrasted, and if the students are never invited to evaluate them, then this syllabus is pluralist in only a very limited way.

If Wade (2009, p. 118) is correct that pluralism in American IPE extends only this far: "The debate owes its continued existence mainly to a wistful wish for battle-lines to divide the virtuous from the wicked"; then this suggests that teaching in this way is geared towards the inculcation of specific attitudes. A specific form of pluralism, in which contrasts are created *in order to* generate preferred beliefs, aids this inculcation process. This is in strict contrast with the above view of Brown (2001) that IPE has an oppositional *state of mind*. By this I take it to mean that students would take oppositional or interrogative positions on *all* sets of ideas.[5] The form of pluralism adopted would be determined by the teacher's choice of how to deliver their curriculum.

All of this implies that teaching should necessarily be critical, open and liberating. This is consistent with both liberal and critical pedagogies. A further element of this is Strange's (1984) desire that IPE would be normative. However, a

5 It might also mean that they think dialectically.

normative approach does not guarantee non-instrumental educational outcomes: indeed if the educator is so inclined, they could simply teach that certain ideas are scientifically flawed and morally wrong, without any regard to the wider educational impact they might be having. On the other hand, the educator may have the instrumental, or critical goal to teach their students about unjust structures and outcomes, but do so in a way which allows the development in their students of the autonomy to reach their own decisions, either individually or, as in Freire (1970), collectively.

However, it is possible that one's approach to the content of political economy research makes it more likely that one will adopt a determined specific approach to its teaching. It may be that an homogenisation of content and approach also suggests that teachers of that content become more certain of the rightness of their material, and consequently become more teacher-centred and didactic, with a focus on mastery of technique. This would then lead them to prioritise content knowledge and technical proficiency rather that critical evaluation; or their critical evaluation becomes rather restricted to specific cases, for example to establish the negative impact of trades unions or other labour market 'imperfections'. Indeed, if the example of much of economics serves well, then it might be reasonable to infer that homogenisation of method and content might be associated with the specific instrumentalist goals of learning specific material.

So, for example, it is arguable that a person whose ontology is inherently of power relations and conflict would gravitate towards a critical pedagogy. Further, a researcher concerned with the alienating effects of capitalism might reject the notion that they should alienate themselves by delivering material that they believe to be flawed and dangerous, i.e. mainstream economics, particularly if they do so without reference to the power relations which underpin its dominance. Moreover, if teaching is informed by style of scholarship and the individual teacher's scholarship is inherently critical, then again this lends itself to a pedagogical approach that emphasises criticism. Fourth, as discussed earlier, political economy stresses power, and the teacher of political economy must be aware of their own power. That would lead them to question whether they ought to inculcate students with a particular set of ideas. Fifth, *if* a political economy approach includes recognition of the limits of knowledge, this would suggest they would gravitate towards more critical pluralist teaching.

So it appears entirely likely that someone with an approach to political economy perhaps akin to that taken at Sydney will adopt critical or liberal goals. However, it is not determined. For example, they may take it as their mission in teaching to convince students of the correctness of their position. Believing that the goal of education is to change the world for the better, they may take the view that their role is therefore to teach students the right way forward. However, this would be distinctly instrumentalist.

It may also be that the political economist's awareness of power makes them extra conscious of the power held over them by, amongst others, universities. Thus, they may be fearful of pursuing the goals most consistent with their view of political economy. This may particularly be the case for early career teachers in conventional economics departments. Or it may simply be that the teacher lacks confidence and resorts to more instrumental goals of concrete learning, and/or less challenging teaching and assessment methods. They may also be aware that conventionally, teaching frontiers lag research frontiers—as most evident in the teaching of mainstream economics—and therefore be reluctant to deploy political economy goals.

A final reason why political economists might want to consider whether their personal or political goals should determine their educational goals is that arguably they would then be mimicking the practice of mainstream economists that they criticise so strongly. Indeed, a key objective of my stress on educational goals has been to change the practice of mainstream economists. By focusing on educational goals it is possible to remove the focus on content, which tends to dominate discussions of curricula. If economists first ask, ‘what is it we are trying to achieve?’ then they must respond either by stating explicitly as their goal the uncritical learning of mainstream economics, or by considering a different approach. Despite the incentives to adopt the first response, I have some faith that they will at least consider the second.

Overall: though there are different variants of political economy, none of them *necessarily* prescribe an approach to teaching. Some may be more likely than others—for example, those in IPE inspired by Strange—to choose liberal or critical goals and to design their curricula according to those principles; however, even there the instructor may choose content and ways of delivering and assessing it which run counter to the thrust of the content itself. For example, the student of political economy might be more aware than they were before of political influences; but what they do—or are encouraged to do—with that knowledge remains over-determined but highly influenced by the teacher’s intended outcomes. While unintended outcomes are entirely possible, the teacher’s goals are significant in shaping the possible outcomes for most students.

5 Political Economy at Sydney

The final section considers briefly in what ways the Sydney approach to political economy reflects many of the themes discussed above. First, let us consider the definition of political economy taken from the Departmental webpage:

> *The study of political economy rests on the central proposition that economic processes do not take place in isolation from social and political processes. It contends that, beyond technical economic debates, the critical issues for understanding economic processes are the broader questions—such as the dynamics of globalisation and the implications for national economic policy settings; the concentration of economic activity, wealth and opportunities; the trade-offs between the free market perspective and broader social concerns; economic growth and environmental sustainability (University of Sydney website).*

From this statement, it is clear that the Sydney approach has a unique character, albeit one which sits within pluralist and heterodox economics, and classical political economy, rather than within IPE. However, it also chimes with the British school of IPE, New Political Economy, or constructivist political economy much more than it does with the American school of IPE, or modern political economy approach. These similarities are clearer when we investigate the ways in which political economy is taught. The Sydney approach, as we shall also see, reflects yet another popular definition of political economy: that of the teaching of different approaches to economics.

What do we know about the teaching philosophy followed there? If we refer back to the Department's current definition of political economy (above), we can see hints at educational approach. Much of it rests on specific understanding, for example, that "economic processes do not take place in isolation from social and political processes…." and that in order to understand economic processes (perhaps at a micro level) it is necessary to understand higher system-level dynamics. Again, these goals concern the accrual of specific knowledge.

We also know that the Department regards an understanding of specific areas such as policy, inequality and environmental sustainability as being important. Finally we can see that trades-off are seen as important: this might imply the importance of debate. But then equally so could a highly conventional economics course the emphasis of which is on learning and applying the 'threshold' concept of opportunity cost. So, again nothing in the definition of political economy necessarily implies anything about teaching philosophy.

However, from other sources, we do know more about the Sydney approach. In the absence of closer knowledge of what occurs at Sydney, I shall use as my evidence base Stilwell's own relatively recent reflections on his experience (Stilwell 2005, 2006, 2011, 2012). This treatment will be necessarily impressionistic: readers should consult Stilwell directly for a fuller picture. However, in sum: these pieces suggest several inferences of the educational goals pursued by Stilwell and colleagues, and also considerable rich data on the methods used.

It is clear that at Sydney, three things stand out. First, there is a commitment to teaching political economy as contested ideas. Second, there is a strategy to draw on students' personal experiences and concerns, those that are of interest (political and material) to them. These issues inevitably involve complex debates. Thus, third, pluralism seems desirable.

Pluralism is a key element of the Sydney approach. More precisely, Stilwell describes a particular form of pluralism in which different 'ways of seeing', i.e., systems of economic ideas—and, crucially, their associated and/or underlying political and philosophical positions—are engaged in a contest (Stilwell 2005). Thus, there is no suggestion of ghettos of different approaches that never meet. Stilwell (2006) explicitly discusses problems with a relativist 'patchwork' approach in which students are encouraged to pick, but not mix. Indeed, students are encouraged to debate, including in the way they are assessed. Furthermore, in a pluralist approach like this, there is a variety of assessment methods. A cursory glance at the assessment methods used in the Political Economy Department's units of study shows a wide range of different assessments, even within the same unit.

This is all very well; but what is its objective? Stilwell makes some explicit statements and others from which one may infer. Stilwell (2005) explicitly refers to liberal educational philosophy. He also (2006) claims that pluralist curricula are more likely than monist ones to encourage within students the development of critical, comparative and constructive capacities. Indeed, he claims that orthodox economics is more akin to training than education (2006). He goes on to claim that students' capacities for synthesis, innovation and sound judgement are more likely to develop in pluralist curricula (2006). He also claims that pluralism generates 'deep learning' more effectively than in monist programmes (2005).

However, Stilwell also makes statements suggestive of critical pedagogy. For instance he (2005) talks of allowing students to draw on their own personal experiences (and political beliefs) in a way redolent of Freire. However, he also says that one of the benefits of doing this is to increase engagement of students. The same argument is supported by Bloom et al. (1964) framework in which engagement is necessary for learning. This notion underpins partly the widespread increase in teaching materials of practical examples to allow access to abstract theoretical material. This of course is some way from problem-based learning approaches, in which a complex, interdisciplinary problem is addressed and the theoretical tools necessary to tackle it are gathered. Stilwell also discusses problem-based learning, with guarded approval. More significantly, Stilwell echoes Strange's position in IPE that economics should be normative; and Marx's—that a goal of education is to change the world for the better (Stilwell 2005).

In order to change the world, though, it is necessary to understand it (Stilwell 2005). Indeed, many of Stilwell's arguments are that pluralism leads to better understanding. If we take the world as a highly complex, changing entity, Stilwell argues that pluralism is more likely to gain understanding of its change, through an understanding of economics as a changing object as well (2006). Pluralism gains access to these changes by drawing on multiple perspectives, and via thinking interdisciplinarily. For instance, political economy looks at the association between economic doctrines and political ideologies. Further, Stilwell makes the claim that pluralism in teaching is likely to lead to pluralism in research methods, and thereby to progress in economics. One might argue against this: research frontiers seem to move much faster than textbooks; however, Stilwell anticipates that criticism by characterising the debates in economics (and the appellation 'new' to various schools of thought) as mere surface phenomena. The main point here is that pluralism (and hence political economy as contested ideas) leads to better knowledge and understanding. This can be characterised as a somewhat instrumentalist goal.

6 Summing Up: Teaching Political Economy

So, what have we learned in this whistle-stop journey through the teaching of political economy? We have considered different definitions of political economy. Approaches in political economy which stress power, debate and contest seem more aligned with classical political economy. Further, while current approaches to political economy have some overlapping interests, modern political economy and some variants of IPE seem unnecessarily narrowly focused on issues of market-state relations, public sector performance and the like.

A broader political economy is capable of branching out to a wide range of topics, such as inequality, globalisation, ecological concerns, financialised capitalism, *inter alia*. All of these are complex and demand an interdisciplinary perspective. All of them also involve power relations and conflict, and a contest of ideas. Thus, in order to understand this world, it would seem preferable, perhaps necessary, to deliver a set of ideas in contest. All of the above is, as I understand it, the approach taken by Frank Stilwell and colleagues at Sydney.

However, that description applies to political economy broadly, and not specifically to teaching. Teaching political economy has specific challenges. As argued above, all curricula are partly determined and certainly contingent on the goals of the educator. Those goals may be the product of their own thought, but will also reflect traditions, conventions and power relations. Global Northern universities have had a tradition of liberal educational philosophy, in which the aims of education are to create critical, autonomous learners. However, other goals are possible, some instrumental, some of these being political. Critical pedagogy offers elements of liberal and instrumental education, and is based in the everyday practice of learners. Political economy could be taught according to any of these pedagogies; and indeed it seems the case that it is. At Sydney, educational goals seem to be a combination of all three.

Finally, we should consider how we know if our educational goals have been achieved. There are now well-established theoretical arguments that pluralist political economy can achieve a range of educational goals at least as well as monist curricula (see Stilwell 2006; Denis 2009 and chapters therein). However, sympathetic critics have demanded more evidence for these claims. Thus far this challenge has generated a small but significant volume of published work (see chapters with Garnett and Mearman 2011; Mearman et al. 2011). Most of this work has provided broadly supportive evidence for pluralism.

This desire to evaluate does however beg the question of the appropriate methods for doing so. As Mearman (2013) discusses, there are two main camps on this: experimental and non-experimental. The latter group is often characterised as case-based research. Experimental methods tend to be favoured by those who view the world as sufficiently subject to experimental control; case-based methods see the world as too fragmented and therefore knowledge as context-specific for universalist, typically quantitative experimental approaches to be effective. The case-based researchers also tend to advocate mixed-methods research, either for their ability to illuminate complex objects, or to acknowledge the limitations of all methods. Advocates of political economy tend to fall into this second group, although again this is not necessarily the case: research methods, like curricula, are objects with particular emergent properties (O'Donnell 2009; Earl 2000; Resnick and Wolff 2011; McIntyre and van Horn 2011; Lapidus 2011; Barone 2011, Harvey 2011; Amin and Haneef 2011).

Again, Frank Stilwell and his Sydney colleagues present an exemplar of possible practice. Stilwell (2011) evaluates the pluralist first year course at Sydney. Stilwell adopts a case-based, mixed-methods approach, utilising several data sources, types and forms of analysis to reach his conclusions. He demonstrates that the pluralist approach performs well (in terms of both liberal and instrumental aims), engaging students, generating employability and achieving changes in critical capacities, flexibility of thought and attitude change.

7 Conclusions

This chapter has discussed a wide range of issues concerning teaching political economy. The chapter has considered whether he nature of political economy has any necessary implications for teaching approaches. Drawing on the case of International Political Economy, it was argued that we could not claim that political economy *per se* has a teaching approach. Rather, as with all curricula, the pedagogy of political economy will depend on the goals of the teacher. Within political economy as defined here, the different approaches lend themselves to different pedagogies.

Teaching political economy could be based on the following broad principles: first, establish what one means by political economy; second, draw out the educational implications of that definition; third, and above all, consider the educational goals we have in mind; then fourth, consider how this would all become manifest in the design of teaching content, process and assessment. There is considerable logic, and growing evidence that pluralist approaches will achieve rather well the goals in mind. Fifth, there is a need to evaluate what we are doing, and how well. However, rather than expect simply answers to that question, we must expect to have to work rather hard and creatively to find out. Again, a pluralist framework will likely be useful here. Many of these features are shared strongly by the approach taken by Frank Stilwell and colleagues at the University of Sydney.

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What do Graduate Attributes have to do with Political Economy?

Rod O'Donnell

Abstract In preparing graduates for their future careers and personal development, conventional economics programs sell students short in three areas—economic knowledge, reflective awareness and skill acquisition. This chapter argues that economics majors deserve, and need, to be well-endowed with a rich set of graduate attributes embracing knowledge of all the main analytical frameworks available, a reflective awareness of the nature, methods and history of economics, and a wide range of generic or transferable skills. Graduate attributes are valuable to the personal growth of students, to employers (private, public and non-profit), and to society which needs well-equipped citizens to address pressing national and international issues. The generic skills component of these attributes includes analytical, critical and holistic thinking, the ability to ask questions and suggest alternative perspectives, public speaking, creativity and innovation, leadership, mentoring/menteeing, gender, ethical and cultural awareness, and reflectiveness on one's activities. Orthodox programs are constitutionally limited in providing the required knowledge, reflectiveness and skill set, whereas pluralist political economy is naturally endowed with all the necessary ingredients. What is then required is the good design of pluralist courses and programs to exploit this potential. This chapter discusses an approach based on some key design principles, their deployment in two courses, and strong evidence of their effectiveness prior to and after graduation.

1 Introduction

Frank Stilwell has been a persuasive and forceful advocate of teaching political economy or pluralist economics for four decades. In publications, conferences, lectures and other fora, he has advanced its great benefits while simultaneously

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recognising associated challenges and compromises, something I have witnessed since the 1970s when Frank taught me in the new Political Economy courses at Sydney University.[1] The purpose of the present chapter is to extend the advocacy of political economy or pluralist economics to new terrain.[2] This will be done by adding another set of arguments to the current ones which, as a result of the contributions of Frank and others, are now well-articulated and well-known in the relevant literature. The additional arguments, entirely concordant with the main themes of the existing ones, are concerned with taking a broader view of student development based on pluralism's powerful and innate capacity for developing graduate attributes.[3]

2 Why Focus on Graduate Attributes?

Two motivations underpin an interest in developing graduate attributes in students. One is external, deriving from the need to satisfy outside accreditation requirements of some kind. These typically fall within 'learning assurance'/'quality assurance' frameworks, and have two main sources. Either they come from private international organizations providing seals of approval, the prime examples being Business faculties seeking accreditation from the American AACSB (Association to Advance Collegiate Schools of Business, founded 1916), the primarily UK-based AMBA (Association of MBAs, founded 1967), and the European EQUIS (European Quality Improvement System, established 1998). Or the external driver is state-imposed regulation at national or international levels. This has become prominent over the last few years in the UK and Europe, with various initiatives such as the UK Benchmark Statement of Standards in Economics and the combined Tuning-AHELO project of the OECD and EU.[4] In Australia, the

[1] I would like to record my debts to Frank as one of the excellent lecturers in the political economy team—he always viewed both knowledge and students as important, he valued teaching equally with research, he focused on both grand schemes of thought and their details, and he dispensed his knowledge in an engaging manner with a wry sense of humour. I have tried to emulate Frank's qualities in my own teaching practice, though rarely with as much skill and panache.

[2] For present purposes, pluralist economics and political economy are treated as virtually identical; see O'Donnell (2009, pp. 90, 91).

[3] That pluralism had an important role to play in developing graduate proficiencies in economics was advanced in O'Donnell (2004), but the case was greatly expanded in a 2007 international conference paper (O'Donnell 2010) which argued that pluralist economics was far superior to orthodox economics in developing graduate attributes. The present chapter extends this case for teaching pluralist economics in four ways—by significantly expanding the number of graduate attributes being fostered, by presenting activities for the development of these additional attributes, by providing new evidence (over time and space) of pedagogical effectiveness from students and graduates, and by elucidating the differences between the perspectives underpinning the standard and expanded approaches to the teaching of political economy.

[4] See OECD (2011) and QAA (2007).

Bradley Review led to the introduction of 2011 legislation to assure the quality of higher education programs, such legislation to be administered by TEQSA (Tertiary Education Quality and Standards Agency) and informed by the AQF (Australian Qualifications Framework).[5] To assist benchmarking for quality assurance, separate Australian learning standards guidelines are being developed for each discipline, including economics.[6] These international and domestic policies mean that graduate attributes, as components of new regulatory environments, are likely to become lasting features of higher education landscapes across most, if not all, countries. Along with other departments, Political Economy will need to meet the new requirements.

The other motivation is internal, deriving from educators' conceptions of their roles as teachers of, and formative influences on, younger generations, and thus, by extension, their roles as contributors to the capacities of institutions and societies to meet current and future challenges. This motivation relates to moral values and desires to promote both the beneficial development of individuals and the common good. Long central to dedicated educators, such an orientation has become even more important given the enormous pressures on, and unceasing changes in, tertiary education, including resource insufficiency, 'massification' (high targets for school-leaver/bachelor degree holder ratios), 'commercialisation' in multiple directions, 'managerialism' and the expansion of non-academic strata, 'rankings chase', and 'incentive restructuring' that downgrades teaching relative to research.[7] A further set of forces is currently pushing economics departments towards homogenization or cloning along North American lines to the detriment of pluralist courses and programs.[8] But once we, as teachers, view our roles as extending significantly beyond the mere provision of textbook knowledge to the more fulfilling one of also equipping students with skills and abilities relevant to productive and rewarding lives, we need to take more comprehensive interests in both what we teach and how we teach it. Rather than treating students merely as recipients of mental knowledge, we need to approach them holistically as thinking and doing beings whose further development requires the fostering of practical skills and abilities. This has been the source of my own interest in this area, long before external accreditation agencies or national regulatory systems impacted, for better or worse, on my academic life.

Although having different sources, the two motivations are not mutually exclusive. One can accept the external one as an outside agency acting in some sense as a proxy for society in the attempt to ensure acceptable or minimum educational standards across the sector, and the internal one as the right and proper role of

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[5] See Bradley et al. (2008).

[6] See Guest (2013). The learning standards will provide *one* means of satisfying mandatory benchmarking requirements.

[7] Some of these pressures are discussed in Stilwell (2003).

[8] These pressures are not unrelated to the benchmarking required under the 'learning assurance' processes discussed above. The present chapter, however, suggests ways of simultaneously promoting pluralism and genuinely meeting the requirements of quality assurance.

teachers individually and as a profession. There are, however, advantages in emphasizing the latter over the former. Whether viewed as necessary or merely well-intentioned, the former can induce all the problems associated with external imposition—lack of choice, change fatigue, poor design of institution-wide systems, lack of engagement, passive compliance and box-ticking. These problems promote feeble rather than whole-hearted commitment to graduate attribute development. To be effective, external imposition needs to be accompanied by buy-in at the coal-face, but imposition can produce degrees of disengagement which undermine its purpose and implementation. Far better it is for internal motivation to be the driver, with lecturers viewing the tasks as part of their intrinsic roles rather than forced requirements, thus leading to higher acceptance, greater inventiveness and more enduring outcomes in the classroom. From this viewpoint, a key part of the process is creating and disseminating ways of delivering attribute development that are effective and inspiring to both learners and teachers.

3 What are Graduate Attributes?

Over time, different terms have passed in and out of vogue with the waters becoming somewhat more turbid in this area. Earlier terms are generic skills, transferable skills or employability skills. The first two have largely transparent meanings in referring to one side of the useful distinction between discipline-specific skills and non-discipline-specific skills, the latter being transferable across discipline boundaries because they are common to all disciplines. However, the terms, employability skills and graduate attributes, do not clearly fall on either side of this distinction. Their more diffused connotations arise because they can be taken either in the broad sense of referring to all the skills (both discipline-specific and non discipline-specific) with which it is desirable for graduates to be equipped, or they can be taken in the narrower sense of being just another name for generic or transferable skills. Future usage may resolve this ambiguity but at present both senses are in current use. In this chapter, the term, graduate attributes, will be used in the *broad* sense. However, due to their greater number and diversity and the relatively less attention paid to them in teaching practice (especially in economics), much of the discussion will concern generic skills.

4 Which Graduate Attributes?

Sets of desirable graduate attributes can vary across time, place and culture. For modern Western liberal democracies at least, the following constituents may be taken as a representative bundle that are desirable from the three viewpoints of students, employers and society. Their respective desirabilities are grounded on a complex of different reasons, including the need to promote the personal development of individuals, to address the increasing number of extremely grave challenges facing current and future generations, to be aware of the strengths and weaknesses of current thinking, to formulate strategies and feasible solutions, to demonstrate both leadership and teamwork, to persuade by communicating effectively, to aim for both fairness and efficiency, and to be sensitive to gender, cultural and other differences. Desirable graduate attributes are one of those rare instances where the interests of individuals, employers and society coincide.

The graduate attributes discussed here are classified and abbreviated as follows, it being accepted that the various categories may be related or connected.

A. Discipline-specific knowledge	
General knowledge about the discipline as a whole, including alternative perspectives, history, methodology, and interdisciplinary connections.	GK
Particular knowledge, including that pertaining to conceptual frameworks, analytical methods and models, and domains of application.	PK
B. Generic/transferable skills	
Analytical thinking	AT
Critical thinking	CT
Holistic thinking	HT
Creativity and innovation	CI
Public speaking	PS
Leadership	L
Mentoring/menteeing	MM
Gender awareness	GA
Ethical/value awareness	EA
Cross-cultural awareness	CA
Written communication	WC
Reflectiveness	R

Although these particular attributes will be the main focus of discussion, the pedagogical approach outlined below has the capacity to foster more skills than these—all that is required is the application of thought and creativity to its primary principles to devise means of development.

5 How to Foster or Develop Graduate Attributes Very Effectively

The following method, which claims high effectiveness but not uniqueness, rests on five fundamental principles.

A. Multiple perspectives A variety of different, competing perspectives, conceptual frameworks or schools of thought are needed to provide the intellectual diversity necessary for the effective development of a broad set of attributes. This is why pluralist economics is innately and ideally suited to the task and has unique and powerful advantages over orthodox economics which is essentially monist in orientation.

Multiple perspectives (or schools of thought) give pluralism the capacity to do *all* graduate attributes extremely well, whereas orthodoxy is severely limited by its largely single perspective approach which only allows it to develop a smaller set of attributes and only a few of these strongly.[9] However, although pluralist economics provides an ideal platform for developing graduate attributes, it is insufficient by itself.

B. Activities Skills are only learned by doing, by undertaking activities that allow practice and reflection. Such activities need various characteristics—such as appropriateness to the desired skill, being engaging and interesting for both students and teachers, rising degrees of challenge for students over time and, for greater efficiency, simultaneous foci on more than one skill. Activities thus need to be well chosen, targeted and designed, this often needing some lateral thinking and creativity. It is also essential for all activities to be assessed in some manner (which, for activities unfamiliar to students, can include criteria such as making an attempt or showing improvement).[10]

C. Synergistic combinations Lecture content and class activities need to interact in mutually reinforcing, synergistic ways to provide greatest efficiency and enjoyment. The different elements in the course are not treated as independent, but are deliberately connected or related to make a whole with a greater impact than the parts taken separately. Following this principle means the common trade-off cost objection that generic skill development involves unacceptable sacrifices of lecture content falls away.

D. Groupwork Many graduate attributes are based on human interaction, which, combined with the several benefits of students working in small groups, means that operating within and through small collectives is a necessary component of the activities. It is thus important that all students belong to a small group, and preferably the same group during the course. A pluralist framework offers several possible group formation principles, but a recommended one is that each group represents one of the different perspectives or schools of thought in the course. The result is that students acquire a deeper knowledge of what it is like to think in terms of at least one intellectual framework (and possibly another to a lesser extent depending on the nature of the activities). To ensure respectful and positive interaction within groups and the class, it is also important to state the values that will apply in this realm, one good example being Habermas's *Sprachethik*, or 'ethics of conversation'.[11]

E. Graduate tracking After graduation, it is essential that the experiences of individual students be tracked over several years for purposes of evaluating course

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[9] See O'Donnell (2010).

[10] This principle owes much to the literature on 'active learning' and 'experiential learning'. See Bonwell and Eison (1991) and Silberman (2006) on the former, and Silberman (2007) on the latter.

[11] These are listed in McCloskey (1994, p. 99) for example.

effectiveness. This is rarely, if ever, undertaken by universities, but it can easily be done by teachers who have gained the prior permission of students to be contacted by email in order to be surveyed with a small number of questions. This is the method's own form of learning or quality assurance, with the vital difference that, in being done *ex post* for each cohort, it reveals richer and more relevant information compared to the *ex ante* or promissory assurances of accreditation systems that are rarely or infrequently tested against actual graduate experiences.[12]

6 Deploying These Principles in Pluralist Economics Courses

Two courses designed along these lines have been introduced in Australia, one in a Sydney university and one in a Melbourne university, the latter being based on, but not identical to, the former. The Sydney course, which has run for a longer period, is a one-semester elective entitled 'Alternative Perspectives in Contemporary Economics' (APCE) offered at 300 level within an economics major. The Melbourne course is delivered as a one-semester 300 and 400 (honors) level elective in an economics degree, under the title 'Competing Approaches in Contemporary Economics'.[13] The following account uses the Sydney course to exemplify the application of the principles.

Over the semester, the class meets weekly for 3 hours in a block comprised of 2 hours of lectures followed by a 1 hour seminar. Of the available set of contemporary schools of economic thought, eight are covered—Neoclassical, Post Keynesian, Institutionalist (both original and Neoclassical), Ecological, Marxist, Austrian, Behavioural (both independent and Neoclassical-aligned), and Feminist economics. These choices are based on reasons of prominence, resource-availability, and practicality in terms of time and management. Neoclassical or orthodox economics is necessarily part of the set for several reasons—the course is pluralist, it is the school with which most students are familiar (typically in non-reflective ways), and critiques of its components serve as departure points for all the heterodox schools. In the first week, the course is introduced in general terms, its two foci of discipline-specific knowledge and generic skills are explicitly emphasized, an overview of the eight schools is given, and the general *modus operandi* of the course is outlined. At the end of the course, the last lecture uses

[12] Sydney Political Economy has relied on rudimentary methods for obtaining partial information about graduate career paths—largely the public prominence of graduates and ongoing contact between staff and previous students, as indicated in Butler et al. (2009) and Stilwell (2012). However, as noted below, more systematic methods are capable of yielding richer data sets.

[13] Unfortunately, but all too typically, the Melbourne course was discontinued at the end of 2012, notwithstanding its high academic merit and a petition from students for its continuation.

Perry (1970) to clarify the stages in the intellectual journey that students have undertaken, comments on important methodological issues that have arisen in the course, and discusses some of the pros and cons of pluralist economics compared to orthodox economics. From the start, it is made plain that there is no preferred school of thought, that students are allowed to form their own preferences, that all views will be respected in class, and that open-minded commitment is preferable to dogmatism. Graduate attributes are developed in both lectures and seminars, but most development occurs via the seminars which are predominantly activity-based.

6.1 Discipline-Specific Knowledge

Knowledge of economics is deepened and broadened by exposure to different ways of thinking about questions and problems. On the one hand, students gain general knowledge (GK) concerning the discipline as a whole, including its different frameworks for analysis, its contestedness, its connectedness to other disciplines (in the social sciences, humanities and natural sciences), the importance of methodological issues, the history of economic thought and economic history. On the other, they also acquire particular knowledge (PK) of the analytical modes, conceptual frameworks, and ways of thinking of the different schools of thought, along with their qualitative and quantitative modes of analysis. In particular, there is no better way of obtaining a deeper understanding of Neoclassical economics; knowledge of any school is best acquired, not through its exclusive study alone, but through comparisons with what it is not. Known for at least 150 years (Mill 1859: ch. 2), this point is again confirmed by student comments.[14] In this way, students gain awareness of the strengths and weaknesses of each school and hence of the conditions under which its application is more appropriate to the problem at hand. Both forms of knowledge contribute to holistic thinking (HT) regarding the full range of the discipline (GK) and the overall frameworks of given schools (PK).

In addition, it is relevant to recognize that, in a pluralist framework, discipline-specific knowledge has important links to generic skills at an intellectual/psychological level as well as the doing/practical level. This is because the creation of the intellectual content directly models and exemplifies many of the skills and can serve as a source of individual inspiration. The founding thinkers of each school certainly displayed analytical thinking, critical thinking, creativity and innovation, and leadership in developing and advancing a particular conceptual approach to the subject. One only has to think of Marx and Keynes, to name but two from a much larger field. Depending on the school, the founders also possessed forms of

[14] Comparison with alternatives is essential to Neoclassical choice theory, but in this area Neoclassicism prefers not to advocate the freedom necessary to rational choice.

awareness relating to gender, ethics, values or culture, one or more of which often became integral to their thinking. Apart from any personal psychological inspiration, these historical facts provide an intellectual bridge to the specific skills capable of being fostered by pluralist courses.

6.2 Generic/Transferable Skills

Two standard principles in skill development are repetition and progressive increases in challenge. Although always constrained by limited time, they can be applied to the fostering of such skills as analytical thinking, critical thinking, creative thinking, public speaking, leadership, ethical/value awareness, cross-cultural awareness, and reflectiveness. This is possible because of a third useful principle—aim at capturing multiple attributes when choosing or creating activities (as indicated below). Undertaken roughly in the order given, the following activities were used to foster and develop graduate attributes. It is important that all activities contribute marks for assessment, although some can be grouped together for this purpose.

A. Whole-of-class game One long game is played at the start of the course to act as an initial ice-breaker, to provide key experiences that can be recalled in later discussions, and to illustrate some central economic ideas, problems and issues. The chosen game is Starpower, this being played for the full 3 hours block in the second week. It is a trading game that creates a stratified society in which participants face major choices concerning exchange, institutions, power and equity, as well as the possibility of significant analytical and emotional experiences.[15] The skills fostered are AT, CT, HT, L, CI, EA, CA and PS.

B. Critical presentations Starting in the week 3 seminar, each group presents a critical analysis of an economic principle or idea, followed by questions and feedback from the class. Each member of the group is required to speak. As this is the first major public speaking exercise in the course, advice is given on 'do's and don'ts' to both speakers and the audience. Mankiw's (2012) well-known 'Ten Principles of Economics' are used since they provide excellent material for critical dissection. All groups choose a different principle and are given the same question which asks for an appraisal of the strengths and weaknesses of the textbook statement, and whether greater accuracy could be delivered by re-wording while still retaining brevity. The fostered skills are AT, CT and PS.

C. Creativity exercises Creativity and innovation are constant background companions in the course in the sense that the various founders of each school

[15] On Starpower, see Shirts (1969) and Mukhopadhyay (2006).

displayed these attributes in challenging conventional thinking and developing alternatives.[16] To make these factors more explicit, creativity (the fore-runner to innovation) is introduced in the first half of the week 7 seminar where students do some short creative thinking exercises. These make evident some of the key aspects of creativity, including not falling into standard assumptions about situations, thinking in alternative ways, and envisaging new solutions even if they at first seem outlandish. This activity targets CI and AT and is a preliminary to a later creative activity.

D. Groupwork process activities The week 7 seminar also outlines two activities requiring the submission of written work. The first is a groupwork process activity involving a radically different model of groupwork. Whereas the standard 'division of labor' model allocates tasks to members according to their *existing* skill sets (often in gender-specific ways), the focus of this new model is the development of *new or improved* skills through a (non-gendered) process of mentoring and menteeing within the group. Each student has to identify their own strengths and weaknesses in groupwork, and to share these to find a group member who can act as a mentor to their weakness(es) and a group member to whom they can act as a mentor using their strength(s). They then write a report addressing questions on their self-reflections and experiences as mentor and mentee. This activity targets L, MM, R, GA, EA and WC.

E. Creative writing assignment This is the second activity introduced in the week 7 seminar. Students are given a description of a simple, hypothetical, feasible economy which contains at least one key feature relevant to each of the eight schools of thought. They have to write, either as a group or individually, a creative narrative about this economy which responds to three questions—'what is currently happening in this economy?, what are the levels of satisfaction/utility of agents in their different roles?, and what does the future hold for this economy?' Students are encouraged to let their imaginations roam while still maintaining contact with reality, the only constraint being concordance with the key ideas of their school. CI, AT, HT, MM and WC are targeted by this activity.

F. Debates between schools From week 8 onwards, each group debates another group, both acting as representatives of their schools and each student again having to speak. This is the second opportunity to engage in (and improve) public speaking skills but now the atmosphere is more contested. The question debated has two parts so as to encourage tolerance via the appreciation of strengths and weaknesses—each group has to argue for the overall superiority of its school, and then nominate (with reasons) some parts of the other framework that they would like to incorporate into their own. This activity develops AT, CT, HT, PS, CI, EA and CA.

[16] The same can be said of leadership, this also being made more concrete for students by being incorporated as an element in several activities.

G. Final exam Questions can focus on both discipline knowledge and graduate attributes. My practice is to include comparative questions that focus on at least two schools of thought, and reflective questions focused on issues arising in the study of pluralist economics. The skills that can be addressed include AT, CT, HT, CI, EA and R.

7 Empirical Evidence

As always, the ultimate test of the pudding is in the eating. Three forms of empirical evidence are offered, each representing the perspectives of different groups.

1. Enrolled students, whose views can be gained from anonymous institutional student feedback surveys (scores and comments) or unsolicited emails.
2. Teachers, whose views are based on their experiences of course delivery and its outcomes.
3. Graduates, whose views of the impacts the course has had on their post-university lives can be obtained from annual surveys conducted by the teacher. This feedback typically refers to choices about life-paths or employment experiences, with the latter implicitly reflecting the views of employers in that they selected these students over other candidates.

The following representative samples of evidence cover both the Sydney and Melbourne courses.

7.1 Views of Enrolled Students

a. Unsolicited emails

Sydney 2012

> *I really enjoyed working on my creativity yesterday. I don't think I've ever worked on such a skill at university and it's really refreshing.*

Melbourne 2012

> *In my opinion, having a superior economics degree means having a full understanding of economics itself—not just orthodox economics. I believe economics students should have the opportunity to develop skills outside the box of orthodoxy.*
>
> *For me, university is an invitation to broaden the mind through the analysis and understanding of different approaches in the same field. …If the study of economics…is to be more than the rote learning of orthodox theory and instead seeks to engage and challenge students …it is essential…to offer an alternative perspective.*

b. Likert-scale scores from the anonymous final student feedback survey run by the university.

In both cases, these scores were high. At Sydney, the average for 10 questions over 3 years on a 5 point scale was 4.41, while for the Melbourne course it was 4.59 over 22 questions for 1 year on the same scale. These are exceptionally good scores for economics courses.

c. Written comments from the anonymous final student feedback survey run by the university.

Sydney 2010, 2011, 2012

Responses to the question, 'What did you like particularly in this subject?'

Unlike any other subject I've done, very interesting.

It came from a totally different angle to all the other economics and business subjects. It was extremely interesting and taught in a way that encouraged debate and further inquiry

Loved everything about it, so thought provoking!

One of the most interesting subjects I have done within my Economics major. Enjoyed the debates and presentations. Made many friends in this subject due to this aspect. Emphasis on 'how to think' instead of 'what to think' i.e. lack of rote learning was beneficial and a skill I should actually be able to use in the future in nonacademic life.

The content was great. I loved having a new school of economics taught every week. It really helped me step back and assess what I'd learnt in my economics degree through a different perspective. It helped developed important skills of critical analysis by encouraging us to really look at the pros/cons of various schools of thought.

My best experience at [university].

I have almost completed my degree and have never had a subject like this. Whilst my other economic subjects focused on principles, general economic theory and graphs, this subject opened our minds and made us realize there were actually other schools and interpretations that go beyond the standard neoclassical [approach]. It changed our perspective on how we should go about interpreting things, as well as truly working in a team environment. Whilst the presentations and debates weren't always the most fun, it helped me and forced me to become more confident in the process. Truly worthwhile subject and wish I had done this earlier on!

Melbourne 2012

Responses to the question, 'Additional comments?'

This was a fantastic, mind-broadening subject. It helped me to improve my public speaking skills through numerous tutorial activities that I enjoyed very much. The subject material was thought-provoking, very interesting and incredibly relevant.

Thoroughly enjoyed this subject, was a clean break from all the hard core economics subjects I have done.

This subject is great and should be core for all economics students. It answers a lot of questions 'traditional economics' fails [to answer] and gives great insight into economics.

Amazing subject. The most beneficial subject in my university experience so far.

[T]he most valuable subject to my further study in economics. The insights provided in the subject have given me…awareness of the extensive economic thought…in the world, and will no doubt prove its worth in [my] being a critical and aware practitioner of economics.

Most valuable economics subject I have studied at university. Rather than just a rote-learning of Neoclassical economic theory, the subject required a critical engagement with a variety of economic theories and the values and principles that underlie them. Should be mandatory for anyone majoring in economics… Very enjoyable.

Best subject and lecturer/mentor of my 6 years at 4 universities in 4 countries [including the US].

Very enjoyable subject. Great to have a qualitative approach to analysing economics. Very rewarding.

I've found it very beneficial to have done this subject and been given the opportunity to understand and become aware of different economic perspectives that are rarely if ever discussed…My understanding of economics has been greatly improved by this subject.

This subject gave meaning to my [honours] degree. I properly understand where what I'd been learning came from. I feel much more capable to explore economics in its entirety and … to appreciate its applications.

This subject has been by far the most interesting subject in my 4 years… It has helped me build on my writing, verbal, analytical and critical thinking skills, as well as broadening my knowledge of economics! All students studying economics (and other social sciences) would benefit from taking this subject!

7.2 Views of Teachers

Although possibly biased reporters, both teachers found the experience extremely rewarding for a number of reasons—interacting more closely with students as individuals and learners, observing how they tackle new and unfamiliar ideas, helping them (both conceptually and psychologically) face the challenges of developing their skills over time, being able to improve their capacities as engaged, rational, moral agents, and gaining considerable satisfaction from their feedback and post-graduation experiences which indicate the differences the course has made in their lives. In short, this type of course provides the levels of satisfaction that one normally associates with the most fulfilling types of teaching and mentoring.

7.3 Views of Graduates

Nothing better illustrates the impacts of the course on student's lives than their post-graduation experiences. The following responses provide strong evidence that skill acquisition does occur, and is beneficial in getting sought-after jobs in competitive environments.[17]

Sydney 2010 and 2011 graduates

APCE is a subject I am so thankful I did at University and I am so happy for all the knowledge and skills I learnt… The main skill that [it] taught me which has been exceptionally helpful in my first job as a Finance Graduate at Telstra is to ask questions….I think the debates… also helped me with developing my skills as a leader and as a result I have been asked to be part of a reverse mentoring program to mentor some of the top leaders at Telstra and be part of the leadership team. I truly believe that…ACPE has helped me tremendously in getting to where I am today.'

APCE was the best subject I took in my degree….[It] is the SOLE reason why I'm currently studying my Masters… with hopes of completing a PhD some day….Overall APCE

[17] No replying students entered a negative report. Survey data for 2012 graduates are not yet available.

was easily the most interesting, informative, and engaging subject of my entire undergrad degree… The skills I gained have been extremely relevant and helpful…. I learned that it was not only important to know what to think, but also HOW to think. What framework should I use to analyse phenomena? Who are the winners and losers? Will my conclusions change if I approach the question from a different angle? …[T]hese are all important skills…and I have [APCE] to thank for it.

I'm amazed how often the different economic perspectives come up [in my work in] a HR Graduate Program for a financial services organisation….The subject is probably the most relevant that I studied at university….[M]ost people don't like presenting…[but the] opportunity to present several times…and to observe the presentation styles of others was incredibly beneficial…. The other expectation of University graduates when they enter the workforce is to challenge the status quo. You hear time and time again that you are hired to bring a fresh perspective to an organisation. APCE taught me to challenge assumptions and think outside the square.

This subject was…one of my favourites throughout my double degree. …[E]ven though I had learnt about Neoclassical economics… this was the first time the content actually stayed in my head and it was because the subject was well detailed, well developed and well delivered….The economic knowledge also helped me…when I [applied] for graduate jobs. Cocacola Amatil wanted me to critically analyse financial record figures and construct a business plan for a new product they were planning. I used a lot of [what] we learnt in APCE…and even touched upon feminist economics to which they were very impressed…I was offered 3 graduate jobs in finance from NAB, Cocacola and Telstra and one thing they all commended me on was my ability to respond well in a group discussion without being critical or taking over. I attribute much of this to APCE.

[It's] hard to put in words but I feel like a 'light bulb' has been switched on in a certain part of my brain!…I'm lucky enough to be starting with the RBA next year as a graduate… I really enjoyed this subject…I've spoken very highly of it to other students, and I'm sure if you were to ask my mum 'what did your daughter think of that subject?' she would respond with raving adoration for the skills and value… added to my economic learning (truly, that's not an exaggeration, she was always interested in hearing about the particular school I was learning each week)….I also really enjoyed coming along to class every week, [the] teaching style is engaging, and the…comfortable environment…meant that everyone was confident…to speak up and voice their opinions.

[APCE] had one of the most unique structures and course assessments of my entire university career. When doing an economics major, it is very rare that you…work on your public speaking skills. [At work] I was asked to make a speech in front of 250 people at Deloitte, and I honestly feel that the amount of practice I put in for the debate…helped me get through the speech… where I was also praised for how well I did. Furthermore, it was one of the only subjects that really… enabled me to think analytically about what I believed and openly argue that point. …It has made me more open to trying new ideas and always considering different perspectives when I work. Learning the skill of being highly analytical is invaluable and is something that I use every day.

I was and am not a talker [but] through APCE…I had a chance to improve my English, people skills and presentation skills….[The] numerous presentations [made] me give my best.

I learned more [in APCE] about economics than I did from the rest of my whole economics major combined. [It] allows [students] for the first time to actually understand the subject matter.

[APCE] made me more passionate about economics, confirmed my desire to become an economist [and] led me to read widely on economics for intellectual enjoyment and professional development…. [In my internship] the skills and tools I developed in APCE helped me immensely.

Melbourne 2011 graduates

> *[This subject] was without a doubt one of the best subjects I took at [university]. It was the subject that most contributed to my ability to be able to critically analyse economic theory. As an economics graduate, of the tools I gained at university, critical analysis is the skill I use most in the workplace. While quantitative analysis is important, it is rare that the necessary data is available in practice. This is when evaluating different policies critically based on their qualitative characteristics is important.*
>
> *Undertaking [this subject] was inspiring, interesting, engaging and entertaining, as well as providing a valuable broad overview of the range of economic theory. The subject provided an excellent framework to think about both orthodox and heterodox economics and the world [that] economics aims to understand, and [it] attracted passionate students who genuinely enjoyed the time spent in lectures, taking part in discussions…and completing challenging assignments. I am grateful I was given the opportunity to learn about competing approaches in economics…, for both personal and professional reasons.*

8 Elucidating the Expanded Case for Pluralist Economics

The expanded case for pluralism advocated here accepts all the main arguments of the standard case but seeks to go beyond them. In essence, we have two overlapping sets of arguments for pluralism, one internal to the other with the unshared area related to the prominence, nature and scope of graduate attributes. At bottom, the difference stems from distinct conceptual perspectives on the teaching of pluralism resulting in different ideas about content (what is taught) and pedagogy (how it is taught). The differences may be outlined as follows, using Frank's writings to illustrate the standard case (although, as will be noted, several of his comments are concordant with the expanded approach).

Frank's discussion of teaching pluralist economics is often organized around the distinction between content and pedagogy. The referents of content in the standard perspective, variously outlined in Stilwell (2005, 2011 and 2012), are intellectual matters—such as the different schools of economic thought, interdisciplinary connections, and a small number of graduate attributes inevitably associated with this form of teaching. The referents of the associated pedagogy mainly comprise two matters; first, the selection and organization of the material—such as how many schools, their historical or other ordering, and which interdisciplinary connections to include; and second, teacher-student relations—such as openness to students' views, questions and research interests. Note that this perspective does *not* ignore graduate attributes entirely, its limitations being that they only form a small part of the larger set (only three members are present—analytical thinking, critical thinking and reflectiveness),[18] and these three are all intellectual byproducts of the content.

[18] See Stilwell (2006), p. 44; 2011, pp. 41, 50).

The expanded perspective takes a broader view of both content and pedagogy. Content now deliberately covers a wide range of attributes, both intellectual and practical as listed previously. The augmented notion of content then has consequences for pedagogy. As well as the standard referents, it now embraces methods of teaching that develop all the desired capacities, this requiring new teaching strategies based on the re-orientation, re-design or replacement of traditional practices. Several possibilities arise here but three principles have guided my own choices. Significant class-time needs to be devoted to *activities*; the activities must possess *synergy* (or dynamic complementarity) with the intellectual content; and activities should target *multiple attributes*. In simple terms, content and pedagogy in the standard perspective are traditionally (and perhaps unreflectively) focused on minds, thinking and the intellectual, whereas in the expanded perspective they are focused on minds and bodies, thinking and doing, the intellectual and the practical.[19]

In addressing the question posed by the title of this chapter,[20] my response commences with two apt and open-ended remarks by Frank.

> *…education is—or should be—more broadly concerned with personal development, the enhancement of meta-cognitive skills and the transformation of people through a* social *process… (Stilwell 2003, p. 55; emphasis in original)*
>
> *Education is not just about what happens in educational institutions: it has life-long implications. So when asking 'what do students learn?', it is also important to consider the impacts on subsequent experiences, particularly the economic aspects of their lives such as their employment. (Stilwell 2011, p. 50)*

These views are clearly compatible with the expanded approach and its concern with promoting personal growth by fostering a wide range of useful skills. In more detail, the following points develop the case for the expanded approach.

1. Political economy has been, and can continue to be, taught without wide attribute development being a major aim, for there is no logically necessary connection between them. But since the utilitarian and non-utilitarian benefits of doing so far exceed the costs, why wouldn't rational proponents choose the augmented over the standard approach?[21]
2. The expanded approach further strengthens the case for pluralism over orthodoxy by delivering greater benefits to more stakeholders—students, employers (public, private, non-profit), society and the world generally. In this context, it doesn't matter whether society constitutes a form of capitalism or socialism, or which grave global challenge is being considered, for the world is better

[19] 'Challenging the Orthodoxy' is the conference theme, but typically more than one orthodoxy exists. As well as challenging Neoclassical economics and its derivatives, self-reflective political economists should also be open to critically assessing any orthodoxies that may arise in their own domain.

[20] The question originated with one of the referees.

[21] Stilwell (2012, p.154) comments that Sydney Political Economy had experienced 'some waning of pedagogic experimentation in recent years'. In the early period, as Stilwell and Butler (1976, p. 21) noted, there was 'some experimentation with gaming-simulation, structured debates, and so on'. The expanded approach offers a path to revitalization in this area.

off with graduates who are more empowered—intellectually with a more complete knowledge of economics, and practically with a much larger skill set.

3. If political economy is interested in understanding the world and changing it, then declining the expanded model is to ask future economists and social activists to pursue these goals without having vital tools at their disposal. To say that understanding the world is essential to improving it (Stilwell 2005, p. 78) is to state a necessary but insufficient condition. Having the skill sets to undertake the improvements is equally necessary—public speaking, leadership, inventiveness, teamwork and cross-cultural understanding, for example, are all crucial to the processes of social persuasion and change.[22]
4. Political economy itself should be open to change. Just as pluralism escapes the narrow 'tunnel vision' of orthodoxy (Stilwell 2005, p. 74), so too should it not be blinkered by any tunnel vision concerning approaches to its own teaching. Openness to alternative views, and thus to possibilities for improvement, is one of its essential characteristics.
5. If political economy seeks further growth in numbers, appeal or reputation, then the expanded approach offers greater attractiveness and relevance to students and other stakeholders.
6. That studying political economy would lead to unemployability was one of the silly arguments peddled in the beginning that has been entirely disproved by experience.[23] But we can certainly do more to reinforce the employability connection by using a serious focus on attribute development to assist the pursuit of jobs and career paths resilient to variations in economic conditions.
7. So far the expanded program has been successfully presented in one-semester courses within orthodox programs. But how much greater could attribute development be if it were more thoroughly embedded in a pluralist or political economy program over three or more years?
8. The expanded program provides a means of avoiding the problem described in Earl (2003 and 2009) and taken to be a potential issue in Stilwell (2006, p. 51; 2011, p. 42), which concerns a resistance that later year students in orthodox programs may have to heterodox thinking. This contrasts sharply with the Sydney and Melbourne courses where no such 'buy-in' problem arose and the Neoclassically-trained students were not only interested in, but often hungry for, alternative frameworks. At bottom, the problem appears to be one of information and explanation to ensure students have advance notice of the nature and benefits of the course.

[22] Baran and Sweezy (cited in Stilwell 1979, p. 14) argue for theories that help us understand the world and act in it intelligently and effectively. Again, intelligent and effective action requires, and is enhanced by, practical graduate attributes. Stilwell (2012) discusses how students' values and attitudes are changed by studying political economy, and comments on what these 'changed persons' then go on to do. The expanded approach seeks to foster further changes in students by developing their skill sets and hence further enhancing the future

[23] See Butler et al. (2009 ch. 9), and Stilwell (2011, pp. 45-6, 50-1).

9. The costs of moving from the standard to the expanded approach are not huge and are largely one-off. If political economists recognize (without condoning) inertia or laziness as an obstacle to change among the orthodox, they can also recognize that they confront the same problem and that, as Stilwell (2006, p. 50-1) rightly notes, the costs of self-education in tandem with curriculum reform are offset by associated benefits—the intellectual excitement of discovering new knowledge, the satisfaction of finding creative solutions to pedagogical problems, and the self-development of the teachers themselves being instances in point.
10. If graduate attributes become part of regulatory regimes, political economy can showcase its outstanding ability, with positive spinoffs in terms of reputation and possible imitation.

9 Modes of Delivery

The courses discussed previously are face-to-face with small to moderate enrolments of 30–40 students. Nowadays many courses are delivered online with far greater enrolments, this mode also serving as a model for massive open online courses (MOOCs). Pluralism in modes of delivery raises three questions.

a. Can graduate attributes be delivered using alternative modes (with the main alternative here being online modes)?
b. Can the same quantity and diversity of attributes be delivered?
c. Can the same quality of attribute development be achieved?

While these important questions need further exploration and research before reasonably definitive answers can be given, my initial *a priori* assessment is that, on the basis of the technologies currently being used, (a) online modes can certainly foster attributes, (b) it is doubtful whether the same number and diversity of attributes can be delivered (especially given the resource-economizing motivations often behind online delivery), and (c) it is very doubtful whether the same quality of development can be achieved. This is because unmediated, face-to face interaction between humans, experiential learning in the presence of others, and a smaller number of students seem to me to be necessary to the development of the greatest range and highest quality of attributes. But one should not underestimate the capacity of human creativity combined with economic motivation to narrow the gap in the future, and any narrowing would, *ceteris paribus*, be better than none at all.

10 Conclusion

One of the strengths of pluralist economics compared to orthodox economics is its innate superiority in developing desirable graduate attributes for individuals, employers and societies. A broader, pluralist-based model of content and pedagogy embracing but extending the standard model has been outlined, and evidence presented that it has been both powerful in motivating students and effective in fostering a comprehensive range of valuable capabilities. Such an approach can be implemented in stand-alone or capstone courses within predominantly orthodox degree programs, or can be integrated more thoroughly into pluralist degree programs. However, the powerful potential of pluralist economics in this area is very little explored or realized, the result being significant lost benefits to students, employers and society. Given its high benefit-cost ratios to all stakeholders, and the urgency of the problems facing the world on many fronts, it deserves to be exploited more fully than it has been thus far.

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Part IV
Economic Inequality

Persistent Inequalities: The Distribution of Money, Time and Care

Gabrielle Meagher

Abstract Inequality and the redistributive impact of public policies have been central themes in Frank Stilwell's research and in his time as a public intellectual. This chapter examines inequality in Australia in relation to the gendered distribution of money, time and care. It extends and updates Frank Stilwell and Kirrily Jordan's work on gender inequality. The methods are similar to theirs: analysis of official statistics and consideration of how feminist economists and other social scientists have explained the observable patterns. The labour market situation of women and men in Australia is analysed in some detail, both longitudinally and in cross-section, beginning with temporal patterns of participation and the gender pay gap in aggregate, and moving on to the gender distribution of employment between industries and occupations. The chapter concludes with a brief account of how feminist ideas have been recently mobilised in Australian wage-fixing institutions to redress some dimensions of gender inequality, and by proposing, in broad terms, some policies that might further increase gender equality.

1 Introduction

Inequality and the redistributive impact of public policies have been central themes in Frank Stilwell's research and in his work as a public intellectual. He has also been concerned with heterodox explanations of inequality and with how we can theorise and measure social problems that concern us. This chapter develops these themes in Stilwell's research and policy work, from the perspective of feminist political economy. This is a perspective with which Frank engaged relatively late in his work, primarily in a chapter called 'The gender agenda' in *Who Gets What? Analysing Economic Inequality in Australia*, which he co-authored with Kirrily Jordan (Stilwell

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S. K. Schroeder and L. Chester (eds.), *Challenging the Orthodoxy*,
DOI: 10.1007/978-3-642-36121-0_6,

and Jordan 2007). This chapter examined the economic position of Australian women, exploring patterns in women's paid work in the labour market and in their unpaid work in the domestic sphere, and engaging with feminist theoretical and empirical research.

Theoretical and empirical contributions by feminist political economists have helped to reframe, at least partially, some of the organising questions of political economy as a discipline. Feminists have criticised conventional and most heterodox definitions of 'the economy' and 'economic activity', and have offered enriched concepts of work and value that highlight care, well-being, interdependence and reciprocity (Power 2004; Waring 1988; Meagher and Nelson 2004; Nelson 1993; Himmelweit 1995, 1999). Feminists have also posed compelling theories and analyses of economic inequality that emphasise the hierarchical valuation of masculine over feminine and the unequal distribution of power and resources between women and men as social groups (Seguino 2013; Levanon et al. 2009; England and Folbre 1999; Folbre 1995, 2012). These ideas have advanced understanding of the structures, relationships and processes that shape the political economy. And, perhaps surprisingly, some of these ideas have also been mobilised in Australian public institutions to redress some dimensions of gender inequality.

I have called this chapter 'Persistent inequalities' and evidence confirms that this title accurately represents the distribution of money, time and care between women and men in Australia (and elsewhere). However, there have been significant reductions in some dimensions of gender inequality in recent decades. The ongoing challenge is to understand what has enabled the equalising changes, what explains the persistence of the remaining inequalities, and what reforms might redress them. In the following sections I examine inequality in Australia in relation to the gendered distribution of money, time and care, extending and updating Frank and Kirrily's earlier contribution. My methods are similar to theirs: analysis of official statistics and consideration of how feminist economists and other social scientists have explained the observable patterns.[1] I begin by documenting in some detail the current labour market situation of women and men in Australia, focusing on firstly on temporal patterns of participation and the gender pay gap in aggregate, then on the gender distribution of employment between industries and occupations. I then turn to how feminist economists and other social scientists have explained the patterns observed, and to explore a recent intervention by feminist economists in Australian wage-fixing to remedy them.

2 Inequality of What? Participation, Pay and Unpaid Care

One of the most striking changes over the last five decades has been the increase in women's participation in the labour market. Figure 1 shows the labour force participation rates of women and men in different age groups in 1966, the first year for

[1] Angela Barnes and Alison Preston (Barnes and Preston 2010) and Patricia Todd and Alison Preston (Todd and Preston 2012) have also recently assessed the labour market status of Australian women along similar lines. My analysis also updates and extends many of their points and arguments.

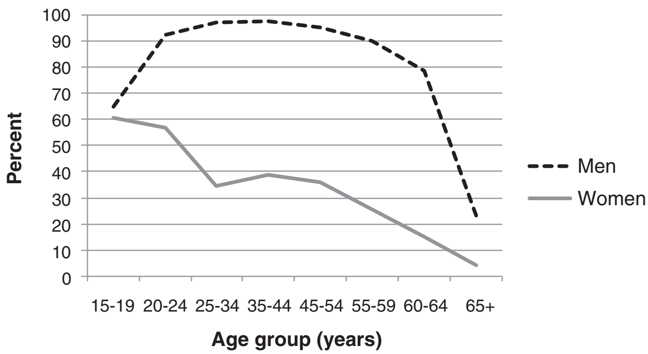

Fig. 1 Labour force participation by sex, Australia, 1966. *Source* (ABS 2007)

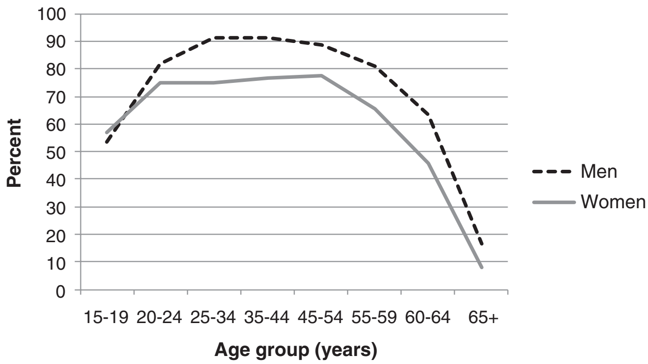

Fig. 2 Labour force participation by sex, Australia, 2013. *Source* (ABS 2013g)

which detailed data are available. The gender gap is large, and sustained across most age groups. Figure 2 presents the same data for 2013.[2] The gender gap is now much smaller, and if one simply compared these two charts, one might conclude that there has been very significant progress towards gender equality in participation.

However, the evident convergence of participation rates is not as closely matched in convergence of labour market earnings, and unpacking the 'gender pay gap' reveals much about the gender order in Australia. Table 1 presents several quite concrete measures of income for women and men in 2012: mean weekly earnings for different groups. Before discussing this data, it is important to note that explicit discrimination on the basis of sex in employment and wage-fixing is not permitted in Australia. Under the *Sex Discrimination Act 1984*, discrimination in employment on the basis of sex, marital status, pregnancy or potential pregnancy, breast-feeding and family responsibilities is outlawed and since the equal pay case of 1972, industrial awards can no longer establish different rates of pay for men and women for the same job.

[2] These charts reproduce and update charts presented in (ABS 2011).

Table 1 Average weekly cash earnings by sex, 2012

Income measure	Male ($)	Female ($)	F/M (%)
Total cash	1,342.50	904.00	67.3
Full-time adult total	1,558.10	1,278.40	82.0
Adult ordinary time non-managerial	1,356.30	1,207.30	89.0
Adult ordinary time professional	1,773.90	1,544.10	87.0
Chief executives and managing directors	2,697.70	2,019.10	74.8

Source (ABS 2012b)

The first row of Table 1 shows the average earnings of all employees by sex. The gender gap for this most aggregated measure is close to 33 %—employed women earn, on average, only two-thirds as much as men. This measure is somewhat rough: it does not take into account any differences in patterns of working time or in the distribution of men and women between industries and occupations that might explain female lower earnings. The second row gives a measure of full-time adult[3] total earnings, for which there is a gender pay gap of 18 %. This measure includes full-time workers only, and so removes any impact of gender differences in rates of part-time work, but it does not account for gender differences in rates and extent of (paid) overtime work or in the industrial or occupational distribution of employment. The third row presents the aggregate measure that most compares like with like in terms of hours and occupational status. This is the measure of adult, non-managerial, ordinary time earnings: any gender differences in participation in part-time work, overtime and managerial occupations should not affect this measure, on which the ratio of female to male earnings reaches 89 %—the highest of all aggregate measures shown in the table. The final two rows compare male and female earnings in occupational categories that have traditionally been less accessible to women: professions and high level managers. In professional occupations, which on the face of it have similar skill or human capital profiles, and into which women have moved in large numbers in recent decades, a gender gap of 13 % is evident. Among chief executives and managing directors, a 25 % gender pay gap is evident.

Figure 3 charts two measures just discussed, total earnings, and full-time ordinary time earnings, over the 30 years between 1972 and 2012.[4] On these measures, there has been little or no change over that time. Thus, despite the convergence in labour force *participation* rates, the divergence of labour market *rewards* has remained remarkably stable.

What connects these two facts is *how* and *where* women participate in the labour market. How women participate is fundamentally shaped by the differential

[3] Industrial instruments, such as awards, typically set 'junior' rates of pay for employees under 21, on a sliding scale. Twenty-one year olds receive full adult rates.

[4] I gratefully acknowledge the painstaking reconstruction of these time series from quarterly statistics by Dr Natasha Cortis.

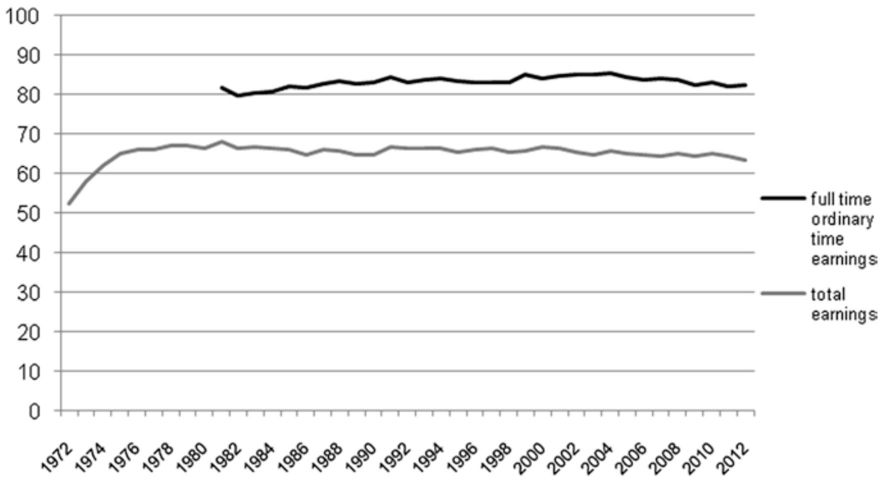

Fig. 3 Ratio of female to male earnings, Australia, 1972–2012, per cent. *Source* (ABS 2013a)

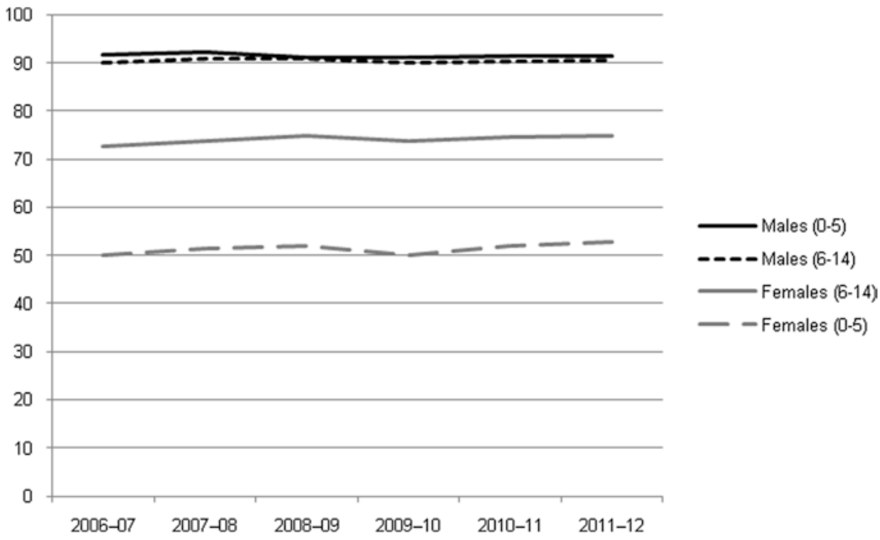

Fig. 4 Employment to population ratio, parents by age of youngest dependent child aged under 15 years, 2006–2007 to 2011–2012. *Source* (ABS 2013e)

impact of *parenthood* on men and women. Figure 4 shows the employment to population ratio between 2006 and 2012 for parents, taking into account the age of the youngest dependent child.

The figure shows that fathers' participation rates are very high, regardless of the age of the youngest child. Mothers of school aged children seem to participate

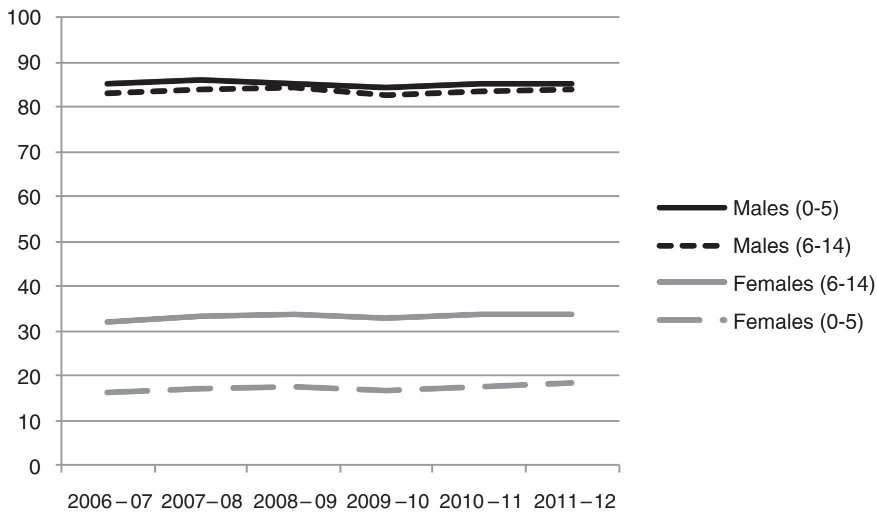

Fig. 5 Full-time employment to population ratio, parents by age of youngest dependent child aged under 15 years, 2006–2007 to 2011–2012. *Source* (ABS 2013e)

at much the same rate as women in general between the ages of 20 and 45 years, and while mothers with an infant or preschool aged child are less likely to participate, around half of them are employed. These data span 5 years, and so we can reasonably infer that half the remaining stay-at-home mothers of preschoolers will enter the workforce when their youngest reaches school age. Thus, it seems that the 'problem' of low maternal participation may not be so profoundly concerning, since the majority of mothers participate in employment once their youngest child is at school.

However, a starker gender difference emerges when we focus on the rate of *full-time* employment for parents. Figure 5 shows that fathers maintain a very high rate of participation with well over 80 % in full-time employment. However, the proportion of mothers of school aged children employed full-time is about the same as the rate of participation of women aged 25–45 in 1966 (see Fig. 1), and the full-time employment rate among mothers of preschool children is very low, at less than 20 %.

Thus, although women's labour force participation has increased, much of the growth has been in *part-time* work. If we consider current working time arrangements for the workforce as a whole, 44 % of employed women have permanent full-time jobs, compared to 72 % of employed men. The remainder of women work in permanent part-time (30 %) or casual (26 %) jobs (ABS 2012b).

Gendered patterns of participation in paid work are inversely related to gendered patterns of participation in *unpaid* work. Australia's most recent time use survey shows that when paid and unpaid work time is combined, women actually have a slightly longer work day (7 h and 35 min), on average, than men (7 h and 25 min) (ABS 2013i, Table 1). Women have primary responsibility for domestic work, child care, purchasing goods and services and voluntary work and care; at the population level, females over 15 years of age spend on average 5 h and 13 min per day on these activities, compared to the 2 h and 52 min for men.

Among parents, the differences are starker because caring for children is so time-intensive. Mothers spend, on average, 8 h and 33 min on child care, compared to 3 h and 55 min for men. Interestingly, this pattern varies less with parents' working time than one might expect: fathers spend between 3 h and 43 min and 4 h and 44 min per day on average, whether they are employed part-time or full-time, or are not in the labour force. Mothers employed full-time spend more time on child care (6 h and 39 min), on average, than all fathers, regardless of their paid working time, although mothers' time in child care does vary more with their paid work hours. Mothers employed part-time spend 8 h and 34 min per day on child care, while mothers not in the labour force spend an average of 9 h and 29 min (ABS 2013i, Table 2).

Care for older people and people with a disability is also carried out disproportionately by women. In 2009, 2.9 % of men and 5.9 % of women provided primary care to a person with a disability (and many more provided care without being primarily responsible). Two-thirds of men who were primary carers provided care for their partner, leaving around 1 % of men overall providing primary care for a child, parent or other person. Only a third of women who were primary carers provided care to their partner, leaving around 4 % of all women providing primary care to a child, parent or other (ABS 2013i, Table 3).

3 Where Women Work

The focus so far has been on *how* women participate in the labour market, and the relationship between the high rate of part-time work with their disproportionate responsibility for unpaid domestic and caring work. But *where* women work—in what occupations and industries—is also very important for understanding gender inequality.

3.1 Gender Segregation by Occupation

In Australia as in many other countries, men and women tend to work in different occupations. The first columns of Table 2 show the distribution of employment by occupation in 2012, with the three largest occupational groups for men and women highlighted in italics. The table shows that two-thirds of all female employees were employed as professionals (25.3 %; mostly health, social and educational professionals), clerical and administrative workers (24.6 %) or community and personal service workers (14.2 %), compared to one-third of men. Men are concentrated in employment as technicians and trades workers (23.2 %), professionals

Table 2 Distribution of employment by occupation and average hourly earnings[a] by sex, 2012

	Proportion employed		Full-time adult ordinary time average hourly cash earnings ($)		F/M earnings (%)
	Male	Female	Male	Female	
Managers	*15.4*	9.5	44.90	36.40	81.1
Professionals	*19.6*	*25.3*	46.30	41.10	88.8
Technicians and trades workers	*23.2*	4.5	33.80	27.40	81.1
Community and personal service workers	5.5	*14.2*	34.80	28.60	82.2
Clerical and administrative workers	6.4	*24.6*	33.40	29.10	87.1
Sales workers	6.7	12.7	29.50	24.60	83.4
Machinery operators and drivers	11.0	1.1	31.20	28.70	92.0
Labourers	12.1	8.1	27.80	22.10	79.5
Total	100	100	*35.50*	*32.20*	90.7

Source (ABS 2012c, 2013c)
[a] The total gender pay gap is slightly higher on this hourly rate measure than the weekly rate measure reported in Table 1, because women's ordinary time hours are slightly shorter than men's

(19.6 %) and managers (15.4 %). The 'index of dissimilarity' (ID) is a handy measure that summarises the extent of segregation.[5] When the ID equals zero, two groups are proportionally represented in an occupation, industry or geographical area; when the ID equals 100, only one group is represented. The ID is typically interpreted as the percentage of people who would need to change (in this case) occupation for representation to be proportional. At the level of occupational aggregation presented in this table, the ID is 38.5, which means that nearly two-fifths of females (38.5 %) would need to change occupations for the gender distribution to be equal across these broad occupational groups.

The table also gives the average hourly earnings of these groups, and shows a gender wage gap in every group of between 8 % (sales workers) and 20.5 % (machinery operators and drivers). What is striking about these earnings figures is that, with the exception of managers and professionals, the average earnings of females in *all* occupations ($22.10–29.10) is lower than the average earnings of males employed as machinery operators and drivers ($31.20).

Evidently there is quite a high degree of gender segregation in broad occupational groups. However, these broad categories mask even higher levels of gender segregation in *specific* occupations (ABS 2012a).[6] Technical and trades

[5] The 'index of dissimilarity' is calculated by summing the absolute difference in the proportion of the sexes in each occupational group, and dividing by two (For an account of the index, see (Taylor and Hunter 1997)).

[6] All detailed occupational data is based on the author's analysis of data from the 2011 Census of Population and Housing.

occupations provide some stark examples. Women make up 13.2 % of all tradespeople, and while there are two occupations in which men and women participate fairly evenly (women are 54.8 % of all cooks, and 56.0 % of all animal attendants and trainers), most trades are highly segregated. There are a small number of female-dominated trades: women are 85.5 % of all hairdressers, 90.6 % of florists and 96.6 % of all veterinary nurses, for example. By contrast, in the two largest trade occupations, electricians and carpenters and joiners, women make up only 1.2 % and 0.8 % respectively. Overall, 82 % of men in trades work in occupations that employ less than 10 % females. The index of dissimilarity in trades occupations, considered at this detailed level, is very high at 72.9.

Among community and personal service workers, this pattern continues. In contrast with trades, this broad occupational grouping is *female*-dominated; 69.7 % of persons employed in it are women. Once again, there are a couple of occupations in which men and women are equally represented (such as gallery, museum and tour guides and sports coaches, instructors and officials). There are also a few in which males dominate: men are 94.2 % of fire and emergency workers, 78.5 % of driving instructors and 74.5 % of police. However, there is large group of occupations in which women are 75 % or more of the employees, including waiters (77.5 %), nursing support and personal care workers (79.5 %), aged and disabled carers (82.3 %), child carers (95.9 %) and beauty therapists (97.5 %). The index of dissimilarity for this group is 48.0.

In some ways, these detailed findings are not surprising, since these two occupational groupings are male- and female-dominated respectively. However, a similar picture emerges among professions, even though the gender balance within the group as a whole is more even (women are 53.9 % of all professionals). As with trades and community and personal services occupations, there are some professions which have relatively equal numbers of women and men: women are 54.4 % of optometrists and orthoptists, 47.1 % of solicitors, and 48.8 % of accountants, for example. However, segregation is more the norm: for example, women make up less than 10 % of engineers on one hand, and more than 70 % of human resource professionals on the other. Among the health professions, women are 90 % of nurses and 36.8 % of dentists; among medical practitioners there is also evident, but variable, segregation: 42.7 % of GPs and 15.9 % of surgeons are female. For professions overall, the index of dissimilarity is 42.0.

3.2 Gender Segregation by Industry

Occupations tend to be gender segregated, and there is a degree of segregation by industry as well. Table 3 shows the distribution of employment by industry and sex. As the table shows, more than half all women are employed in one of four human or consumer service industries—health and social assistance (20.8 %), retail (13 %), education (11.4 %) and hospitality (8.4 %). Male employment is less concentrated; the three industries which employ the largest proportion of men are

Table 3 Distribution of employment by industry and sex, 2012, per cent

	Male	Female
Agriculture, forestry and fishing	3.4	1.9
Mining	3.6	0.7
Manufacturing	*11.0*	4.6
Electricity, gas, water and waste services	1.7	0.6
Construction	*14.4*	2.4
Wholesale trade	5.0	2.9
Retail trade	**8.5**	*13.0*
Accommodation and food services	5.6	*8.4*
Transport, postal and warehousing	7.4	2.6
Information media and telecommunications	2.1	1.7
Financial and insurance services	3.1	4.2
Rental, hiring and real estate services	1.6	1.8
Professional, scientific and technical services	8.2	7.7
Administrative and support services	3.1	3.8
Public administration and safety	6.2	6.2
Education and training	4.4	*11.4*
Health care and social assistance	4.7	*20.8*
Arts and recreation services	1.8	1.7
Other services	4.2	3.7
Total	100	100

Source (ABS 2013f)

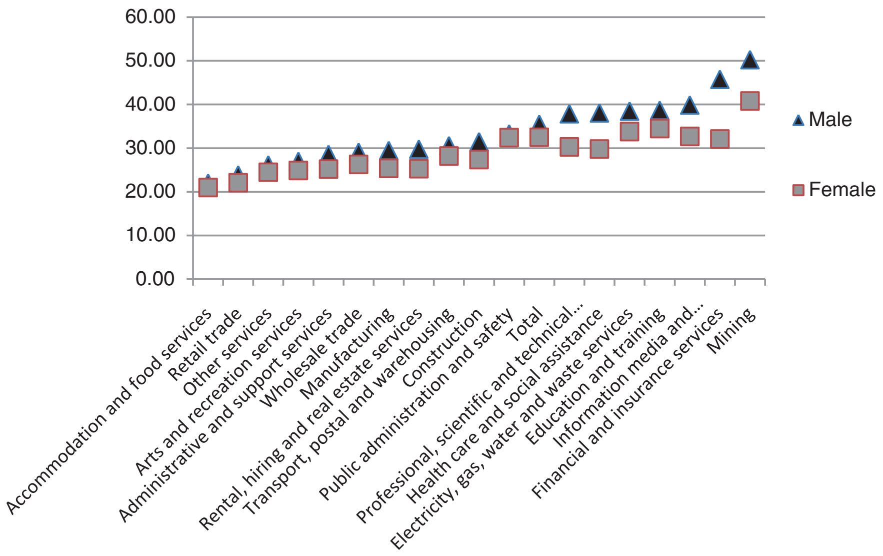

Fig. 6 Mean hourly adult ordinary time cash earnings by industry and sex, 2012. *Source* (ABS 2013e)

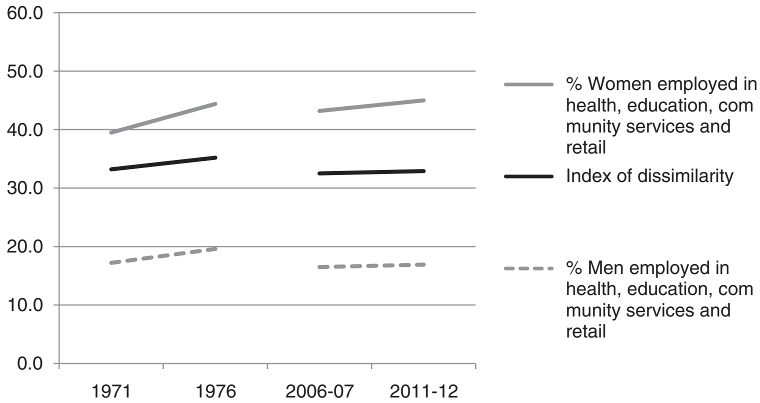

Fig. 7 Industry index of dissimilarity and male and female employment in health, education, community services and retail trade, 1971–2012

construction (14.4 %), manufacturing (11.0 %) and retail trade (8.5 %). As with occupations, in every industry, male average earnings are higher than women's. Figure 6, which ranks occupations by the male, ordinary time hourly rate, shows that the pay gap is higher in highly paid industries such as mining, finance and professional and technical services, and lower in low paid industries, such as accommodation and food service (hospitality) and retail trade—in which more than 20 % of women are employed.

The evidence presented here shows that there is a considerable degree of sex segregation in the Australian labour market. Further, despite the enormous changes in the structure of the economy in the last 40 years, including the decline of manufacturing and the emergence of new information technology and financial services industries, some dimensions of this segregation remain much the same. Figure 7 shows the proportion of all male and female workers employed in health, education, community services and retail trade in 1971 and 1976, and in 2006–2007 and 2011–2012. The middle line of the figure gives the index of dissimilarity for Australia's industrial structure, for the same years.[7] All three measures remain remarkably unchanged across the decades. Indeed, in 1975, feminist political economist and former colleague of Frank Stilwell's and mine, Margaret Power, published a paper, called 'Women's work is never done—by men', showing little change in the extent of segregation between 1890 and the 1970s (Power 1975).

[7] There have been changes to the industry classification across this period. In the 1970s, health, education and social assistance services were combined with activities such as policing and museums in a single classification 'Community services'. Policing and museums now fall into different major groups from each other and from health and education etcetera, but the former employ relatively few people compared to hospitals and schools. While the concordance is a little rough, the general point is supported. The index of dissimilarity was calculated over the entire industrial structure, as classified at the time.

4 Causes and Consequences of Gender Differences in Labour Market Participation

What is remarkable about these data is that women and men continue participate in the labour market in quite different ways, which are apparently resistant to change in many, if not all, dimensions. Women have much higher rates of part-time work, and they are concentrated in fewer occupations and industries. Moreover, in what Phyllis Tharenou calls ‘a stubborn anachronism’ (Tharenou 2013), women receive lower average hourly rates of pay than men in every industry and occupation. But the consequences of the gender gaps in the distribution of paid and unpaid work are not limited to lower average pay for women. In this section, I review research that has examined the causes and consequences of gender inequality in the labour market, both of which are well-understood, if refractory.

I begin with participation and part-time work. On the face of it, given that women undertake the bulk of unpaid domestic and caring work, part-time work seems like an ideal strategy for reconciling work and family life. The extent to which this strategy is freely chosen is hotly debated (Stilwell and Jordan 2007, pp. 135–136), and there is evidence that many Australian women who are not in the labour force or who are employed part-time do not prefer their situation. In 2010–2011, the rate of underemployment among Australian women aged 20–74 years who were in the labour force was 12.8 %, compared to 8.9 % for men.[8] Meanwhile, in 2012, a further 13 % of all women under 70 were outside the labour force but wanted to work, unable to because of caring responsibilities and lack of employment opportunities, among other reasons (ABS 2013b). Thus, more than a quarter of all women between 20–74 years of age would prefer to have paid employment or more hours of paid work than they currently have.

Even when women take a deliberate decision to remain outside the labour force or to work part-time, they do so in a *context*, of sometimes mutually reinforcing and sometimes contradictory social policies, labour market structures and practices, and social attitudes. In Australia, as Rose and colleagues put it, social policy mixes support for gender specialization in unpaid domestic and care work on one hand with a push for women to increase their participation in paid work on the other, and these ‘countervailing pressures’ leave women with young children ‘little choice’ but to work part-time (Rose et al. 2013, p. 55). These policy tensions are mirrored in social attitudes on women’s—and mothers’—employment. A recent longitudinal study of attitudes to gender roles in Australia found that ‘Although women have made enormous gains in obtaining access to paid employment and there is increasing support for a shared division of labour at home when both

[8] The underemployment or labour underutilisation rate is a measure that sums the rate of unemployment with the proportion of those working part-time who would prefer, and are available, to work more hours, and those working full-time who worked part-time during the survey reference period for economic reasons (including insufficient work available) (ABS 2013e).

partners are in paid employment, there is less support than in the past for family arrangements that diverge from the male-breadwinner model and increasingly less support for combining motherhood with paid employment' (Egmond et al. 2010, p. 165). Importantly, the same study also finds that there are significant gender differences in attitudes to maternal employment: men are considerably less supportive than women (see also Meagher 2007).

International research gives further insight into the relationship between attitudes, behaviour and policy. A unique British longitudinal study showed that attitudes to maternal employment are affected by individual behaviour, the behaviour and attitudes of peers and policy settings. The study found mothers who agreed that 'a pre-school child is likely to suffer if his or her mother works', but who were themselves employed, were much more likely to change their *attitude* towards disagreement with the statement (46 %) than to change their *behaviour* by leaving employment (29 %) over the 2 years of the study (Himmelweit and Sigala 2004). Finally, connecting women's choices to their policy contexts, comparative research on European societies with quite different social policy arrangements has found that high rates of full-time work among mothers are associated with the universal availability of affordable, high quality childcare (Meagher and Szebehely 2012).

In sum, then, women's lower rates of labour market participation and higher rates of part-time work do not always conform to women's preferences, which are themselves shaped by women's experiences and the availability of policy-defined supports. Further, the consequences of these patterns of participation for women's welfare and economic independence are profound.

In the first instance, part-time work might well be a strategy for reconciling work and family, but there is evidence that many women find the reconciliation incomplete. Gendered patterns of responsibility for domestic work and care mean that employed women are more likely than men (a majority of whom work full-time) to feel rushed and pressed for time. In 2007, the ABS Survey of Employment Arrangements, Retirement and Superannuation included questions about caring responsibilities and time pressure. A higher proportion of women than men (i) provided care in the survey period (55.4 % compared to 45.1 %) and (ii) reported always or often feel rushed or pressed for time (54.7 % compared to 46.4 %). Those who reported feeling rushed or pressed for time were asked the main reason, and women and men in roughly equal proportions selected 'trying to balance work and family' (41.5 % compared to 42.5 %). However, many more women than men answered 'the demands of family' (25.9 % compared to 5.9 %). Overall, employed women were twice as likely as men to report feeling rushed because of work/family issues (20.4 % compared to 10.1 %) (ABS 2013i, Table 6). Another study found that women who work short part-time hours or who are not in paid employment feel less time pressure (Rose et al. 2013). While these women might find work-family reconciliation easier, they are more exposed to the other economic risks of part-time work, to which I now turn.

To say that a part-time worker will earn less than a full-time worker, other things being equal, is to state the obvious, and women's lower average hours are one key to the gender pay gap. This basic inequality necessarily leads to reduced possibilities for economic independence, lower average lifetime earnings and lower retirement incomes for women (Jefferson and Preston 2005). Yet this simple arithmetic inequality is not the end of the story. The part-time jobs in which mothers are most likely to work are of poorer *quality* than full-time jobs, even when the part-time work is in a professional or other skilled occupation (Charlesworth et al. 2011). Further, longitudinal research confirms that 'part-time work experience does not advance the full-time careers of Australian women, even at a pro-rata rate' (Chalmers and Hill 2007, p 196). In other words, as Chalmers and Hill (2007) put it, part-time work has a long-term 'scarring' effect on women's earnings and career progression, on top of the immediate losses that themselves compound over time.

Occupational sex-segregation is also an essential part of the picture. Evidence about the distribution of women and men between occupations and industries clearly demonstrates that the Australian labour market is sex-segregated. There has been change in some occupations and industries; in particular, as noted above, women have been moving into some previously male-dominated professions, which sit at the top of the occupational skill hierarchy. For example, in 1961, 3.1 % of all lawyers in Australia were female; 20 years later, in 1981, the proportion was 11.4 % (Roach-Anleu 1993). In 2011, 45 % of lawyers[9] were female, and by the turn of the twenty-first century, a majority of graduates from Australia law schools were female. A similar pattern is evident in medicine, in which the proportion of women has grown strongly over recent decades, and female graduates now outnumber male (ABS 2013d). The movement of women into previously male dominated professions is a clearly a move towards gender equality in the labour market. However, evidence of de-segregation is weaker within sub-groups of these professions and much weaker in several other male-dominated professions, such as engineering, as I showed above. It is also interesting to note that, in the United States, segregation has declined most in occupations requiring higher education, and much less in less skilled occupations (England 2005b); a pattern also likely to be found in Australia. Further, when women enter high skill, high status occupations from which they had previously been excluded, they do not do so on an equal footing. Ian Watson's study of the gender pay gap amongst managers in Australia found that male and female managers may have very similar *characteristics* (and so, one reasonably infers, productivity), yet their *earnings* diverge significantly. Using three different approaches to measuring discrimination among managerial employees, he finds that between 65 and 94 % of the gender pay gap is due to gender discrimination (Watson 2010).

Faced with similar findings, American researcher, Paula England, has characterised the 'gender revolution' in that country as 'uneven and stalled'. She argues that change

[9] Based on the author's calculations using data from the 2011 Census of Population and Housing. Data reported earlier gave the proportion of solicitors that were female in 2011 (47.1 %); this figure combines barristers and solicitors to give the proportion of lawyers. Only 29 % of barristers are women.

has happened by 'women moving into positions and activities previously limited to men, with few changes in the opposite direction. The source of this asymmetry is an aspect of society's valuation and reward system that has not changed much—the tendency to devalue and badly reward activities and jobs traditionally done by women' (England 2010, p. 151). England also finds that the segregation and motherhood are not fundamentally related; in other words, evidence does not support the argument made by orthodox economists and others that women are segregated into specific occupations by choices they make to reconcile work and family (England 2005b).

The undervaluation of women's work is at the centre of the problem of gender inequality, and of difficulties in remedying the problem. Systematic gender inequality in the labour market translates into an incentive structure for couple families that normally favours increasing the male partner's participation and decreasing the female's when children arrive. Meanwhile, many female sole parents are simply poor, because they share neither income nor the day-to-day care of their children with a partner.

One set of female dominated occupations has been the focus of particular attention by feminist political economists and other social scientists: those that involve 'care work' (England 2005a; England and Folbre 1999; Folbre 1995, 2012; Himmelweit 1999; England et al. 2002). These studies link the relatively low pay in occupations that involve face-to-face care, support and enablement to their cultural coding as feminine, the lack of recognition of the skill involved in care work and their female dominated workforces. In Australia, feminists have had used these arguments in industrial tribunals to begin to challenge the undervaluation of care, and I discuss this in more detail in the final section.

5 Policy, Politics and the Possibility of Progress

The focus so far has been on framing inequality through exploring labour market differences between women and men and how these related to differences in non-market caring work—but this discussion has left open what gender equality could and should look like. This is not the place for detailed discussion of the philosophical and organisational possibilities. My sense is that the equality we should aim for is not 40 h per week full-time work for all adults[10] with full-time formal care for all who might otherwise receive care and support from family members (including children, frail older people and people of working age with disabilities). Feminists have been exploring 'dual earner, dual carer' models that involve much more equal sharing of *both* paid work and family care between men and women (Crompton 1999), although the challenges of realising this goal should not be underestimated (Morgan 2008; Daly 2011).

[10] A recent paper has explored how satisfied members of British dual-career (full-time working) couples are with their time use and found that many are profoundly dissatisfied with their long working hours (Philp and Wheatley 2011).

Further, inequality between women and men as individuals selling their labour is not the whole story. For example, I have not discussed the *household* distribution of income in this chapter, and this distribution shows the complex ways in which class and gender inequality are related.[11] Again, this is not the place for a detailed discussion, and I offer only a few brief remarks. In the first instance, many women who are relatively disadvantaged in the labour market may not be entirely dependent on their own earning power for their standard of living, because they share resources with a partner. However, feminist economists have criticised the assumption of equal sharing in family households, and have been very interested in exploring the dynamics and outcomes of the intra-household distribution of economic resources (Bennett 2013). Many studies have found that women tend to be disadvantaged relative to men within the household, including in households with high incomes—and even if they are not, as Ingrid Robeyns has pointed out, 'it is problematic to assume that it does not matter in a well-being assessment whether a person has earned [the] money herself, or obtained it from her partner' (Robeyns 2003). Meanwhile, households headed by female sole parents are among the most disadvantaged in our community, whether we are talking about the distribution of money (ABS 2012d) or time (Goodin 2010).

From a feminist perspective, women's economic independence is an important value and goal in itself (Hobson 1990) and so women's labour market opportunities and rewards also matter in themselves, as do the policies that support them. This chapter has presented and cited evidence that the quality of jobs in which the majority of women find themselves is a critical problem, whether these are poor quality part-time jobs in low paid industries, such as retail and hospitality, or lower paid, feminized care work occupations in higher paying industries such as health and social assistance. However, it is also the case that there has been some progress on improving occupational structures, pay and working conditions in paid care occupations in Australia in recent years, and along with feminist colleagues, including economists and industrial relations experts, I have had the opportunity to participate in that process. In 2010, the Australian Services Union with the support of other unions, took an Equal Remuneration Case (ERC) to the federal industrial relations arbitrator, called at that time Fair Work Australia (FWA), seeking significant pay increases for workers in the social and community services (SACS) sector (Cortis and Meagher 2012).[12] The care workers at the centre of this case are mostly female (80 %) and provide advocacy, assistance and support to a range of client groups including people with disabilities, families with children at risk of abuse and neglect, women experiencing domestic violence, disadvantaged young people and others. They work mostly in non-government organisations which are publicly funded to provide social services. In collaboration with another Political

[11] The gender distribution of wealth is also extremely important (Deere and Doss 2006). In Australia, assets in the form of pension savings are particularly important—and, on average, quite unequally distributed between men and women (ABS 2013h).

[12] The SACS industry falls within the industry the ABS calls social assistance services.

Economy graduate, Dr Natasha Cortis, I put feminist arguments that SACS work is undervalued because it is female dominated care work, and its skills are not recognised as skills because they are assumed to be the natural attributes of women (Meagher and Cortis 2010).[13] These arguments were taken on by FWA's Full Bench in their interim decision, which said 'because caring work in this context has a female characterisation, to the extent that work in the industry is undervalued because it is caring work, the undervaluation is gender-based' (Fair Work Australia 2011, at paragraph 235 d). In its final decision, FWA granted substantial pay increases to SACS workers.

The ERC resulted in an important decision, but is not the end of the story. One issue is that, at this stage, only SACS workers have gained recognition of their work as undervalued care work in the federal jurisdiction. Further, the ERC would not have been put if the unions that organise SACS workers, especially the Australian Services Union, had not organised the case, the experts, and its own members, and built a public case for the changes that put considerable pressure on the government to increase funding to the sector to cover the wage rises sought. In the current industrial relations system, additional equal remuneration cases in female dominated industries and occupations need to be brought, but these are contingent upon enormous efforts of collective organisation by unions and willingness of governments to increase funds to these publicly-financed services. Further, some researchers have expressed concerns about the sustainability of, and compliance, with previous equal pay decisions at the state level (Connolly et al. 2012), and news reports at the time of writing suggest that the federal and state governments are yet to agree on how they will actually meet the costs of the ERC decision (Karvelas and Baxendale 2013).

Action to improve the pay, working conditions and career paths in female dominated occupations and industries is essential to remedy gender inequality, but so too is social policy reform. One foundational issue underlies several of the social policy reforms that would enable women's economic independence: this is the reframing of publicly-financed care services for children, people with disabilities and older people as part of *social infrastructure* rather than a cost. Care services create and enable employment and improve the standard of living of vulnerable citizens who receive them—they are an essential part of social provisioning to improve well-being, as feminist economists would put it. Within this frame, and more concretely, assistance to parents of young children needs to be improved. International research shows that a decent length of paid parental leave followed by high quality, low cost childcare is both what mothers say will help them, and what comparative policy analysis demonstrates works (Meagher and Szebehely 2012; UNICEF 2008). It seems quite clear that the private model of childcare

[13] Other feminist expert witnesses put different arguments; for which see statements of Dr Anne Junor, Dr Meg Smith and Associate Professor Siobhan Austen, all of which are archived here: http://www.fwc.gov.au/index.cfm?pagename=remuneration&page=exhibits. See also (Austen et al. 2013).

provision in Australia is not working well—child care is expensive and the funding system is inflationary. A system of affordable, high quality childcare for all children could be a transformational institutional reform that would enable women to demand better jobs. Further, the availability and quality of disability support and aged care services need to be increased, to give older people and people with a disability who need support and their family carers more choice about whether and how much they rely on informal care.[14]

And, as with valuing care work, there have been some important developments in Australia in recent years. Care services in particular were the subject of some significant—and popular—social policy reforms by the Australian Labor Party (2007–2013) following its election in 2007. Major initiatives in the areas of aged care and disability support are underway with the 'Living longer, living better' and 'DisabilityCare Australia' initiatives respectively. Importantly, policy makers in child care and aged care sectors (if not in disability support) have recognised the connection between pay and employment conditions for care workers on one hand, and the quality of services and the viability of the social service system on the other (Australian Government 2013; Department of Education Employment and Workplace Relations 2013).

These are by no means the only changes required to remedy the persistent gender inequality evident in Australia, but they are particularly important. These are also reforms that women support, and that are very likely central to explaining why women's support for the ALP now significantly outstrips men's (Bean and McAllister 2012), reversing a longstanding historical trend. As suggested earlier, the future of social services policy and of the care workers who deliver these services is wrapped up with politics of unionism, of gender and of the family. However, they are also wrapped up with the politics of taxation and markets, and here the possibility of reform confronts the limits of Australia's dependence on private sector provision (White and Friendly 2012) in the context of 'low tax social democracy' (Wilson 2013). As Shaun Wilson has recently argued, reformist governments (such as the ALP after 2007) have found themselves hampered by commitments to reducing income taxes, and by opposition to proposals to raise revenue by raising the rate of Australia's consumption tax (GST), by levying new taxes on, for example, mining profits and carbon emissions or by cuts to costly and regressive tax expenditures on, for example, superannuation. In short, Wilson argues, the constituency for welfare expansion is broader than the constituency for the tax increases needed to fund it, and this is a very significant electoral challenge.

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[14] Marta Szebehely from Stockholm University has used data from the European Survey of Income and Living Conditions (EU-SILC) and public spending data to show a strong positive correlation ($r^2 = 0.54$) between participation in paid work among women aged 55–64 years and public expenditure on long-term care in Europe. This suggests that where formal services are available, families opt for them over family care. Further, research also suggests that formal care services *complement* rather than replace familial support (Brandt et al. 2009), and that family members remain closely engaged with their older members when formal supports are available.

Political economists have long attended to the complex dynamics of social change, and to the challenges of achieving progressive reform in the face of entrenched interests. The pursuit of gender equality in Australia moves slowly and continues to confront major obstacles. Yet change has happened through collective action, through policy reform, and through political struggle and compromise, supported, if not driven, by the kinds of evidence and argument political economists and other engaged social scientists have developed. Frank Stilwell may not have focused strongly on gender inequality in his long career, but he certainly sought to contribute evidence and arguments in support of egalitarian reform. This chapter is offered in tribute and in that worthy tradition.

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Aboriginal Inequality: The Seemingly Intractable?

Gaynor Macdonald and Danielle Spruyt

Abstract The extent of Indigenous inequality—and its intractability—is well-recognised, as is its history in forms of structural violence. But we need to step back, to ask how the indices of inequality are defined and measured, by whom and with what ideal outcomes in mind. Less well-recognised is the cultural violence that can—and often does—accompany even the most well-intentioned programs designed to address inequalities when these are inadequately understood in the first place. The challenges include political economy coming to better appreciate how the dynamic of cultural difference impacts on people encapsulated within a capitalist economy, and anthropology better incorporating this same economy into their understandings of contemporary Indigenous worlds. There are no easy solutions to a social issue that has been decades in the making but first there is a pressing need to find the right questions: what is 'inequality'? who defines it and on what basis? what kinds of 'persons' are experiencing which inequalities and why? These complex, often overlooked, questions are the essential foundation from which a collaborative approach can proceed.

1 Inequality and Cultural Difference: The Need for a Conversation

Aboriginal inequality has always been with us, embedded in the structures of dispossession that enabled Australian society. It has been the ongoing price Aboriginal people have paid for our lifestyles and wealth (Walter 2008, 2009).

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They could have been involved in ways they found freeing, and have often wanted to be involved but they have been consistently, often forcibly, prevented from doing so. But while Aboriginal inequality is as old as Australia—colony and nation—contemporary disparities are severe and linked with distressing socio-economic outcomes. The urgent question is, why? It is not a comfortable question. It is easier to treat current inequalities as if they are simply inequalities like any others. But we know that the efforts of thousands of well-meaning people, with millions of dollars at their disposal, are not addressing Aboriginal inequality. We have statistics and stories which tell us that in many parts of Aboriginal Australia life is getting harder and the indices of inequalities—poor health, education and employment outcomes, alcohol and substance abuse, and inter-personal violence—are rightly of national concern.

Frank Stilwell, political economist, insists that *inequality matters* (2002; Argyrous and Stilwell 2003). Anthropologist, Diane Austin-Broos, insists that *cultural difference matters* (2011). The task these two prolific thinkers have handed on is to bring these frameworks together in order to better understand, and thus chart ways forward that do not make matters worse. This chapter invites a collaborative dialogue between our disciplines, our contribution here being to understand why and how difference matters.

Any aspiration to make life freer and more equitable for Aboriginal people confronts two challenges. One is coming to grips with how this world has been and is being negotiated by Aboriginal people in terms of an allocative economy—in terms of very different values of work, materiality, prestige, respect and the need to access disposable resources of social rather than personal value, and in which inequality takes on different expressions and meanings. These circumstances cannot be understood in terms of capitalist values and expectations: cultural difference does matter. The other is how to deal with inequality within a capitalist cultural and economic world which sanctions, indeed relies upon, submissiveness[1] and inequity.

To explore these concerns, we start by exploring Stilwell's argument that inequality matters. This provides the context in which to examine why it is that cultural difference also matters, in the experiencing as well as in the understanding of what it is that constitutes 'inequality'. We then identify, albeit briefly, a history of Aboriginal engagement with the market-based economy and demonstrate that various forms of engagement did not overwhelm Aboriginal economic practice. This becomes clearer once we introduce fundamentals of the Aboriginal 'allocative economy'. Contrary to popular belief, participation in market-based employment

[1] This reference to submissiveness recognises that modern society is based on coercive power, and that submission to parents, employers, agents of law, and so on are constraints within which 'individuals' operate: hence the tension between 'individual' and 'society' in the social sciences. Aboriginal notions of personal and social autonomy differ, and so too do their understandings of the source and legitimacy of power or authority (see, for example, Tonkinson 2007; Macdonald 2013b).

enabled rather than diminished allocative practices for the majority of Aboriginal peoples. With this background, we are then in a position to contextualise the ways in which government interventions over time, and particularly recently through neo-liberal policy agendas, have served to decrease Aboriginal access to the economy. In extending intervention and control into Aboriginal social and economic lives, policies have undermined the people's capacity to participate in allocative practices, leading to significant social stress. In proposing restitution as a foundation for autonomous Aboriginal futures, our chapter initiates a dialogue between political economy and anthropology in order to reassess contemporary approaches to Aboriginal disadvantage.

2 Inequality Matters

Inequality measures relatedness. A statement about inequality must be embedded in a context within which comparison becomes meaningful. That this context is, in Australia and for all Australians, the mainstream capitalist economy is a taken-for-granted. Also taken-for-granted, even when subject to debate, are the range of ways in which inequality can be understood and measured, and why certain inequalities matter and others do not. Yet understandings and measurements of inequality are embedded in cultural and economic values, so we must ask: what social relations, what experiences of deterioration are relevant to Australian *Aboriginal*[2] inequality?

Argyrous and Stilwell (2003:x-xi) have been instrumental in establishing modern political economy as a concern with the material questions of production, distribution, growth and crises; the role of institutions and social relations in shaping modern capitalism; and the ways in which economic systems change over time. The question of whether political economy is a 'distinct analytical approach', and defining a political economy method, is open to discussion (Anderson 2004; Munro 2004) but there is broad agreement that the issue of equity is a central concern (Anderson 2004; Argyrous and Stilwell 2003; Munro 2004; Stilwell 2002). Of current political economic problems and policy issues which are proper subjects for political economy, Stilwell (2002:4) identifies intensifying economic insecurity and economic inequality as a key concern.

In his evocative article, 'Economic Inequality', Stilwell (2003) imagines a march-past of the Australian population, organised by income from poorest to richest as represented by height. The differences are extreme, with great wealth concentrated within a small minority. The inequality in wealth held by Australian

[2] We specifically refer to Aboriginal peoples of mainland Australia in this chapter and do not include Torres Strait Islanders because there are cultural and historical differences which need to be taken into account in using the encompassing term, Indigenous, and which are not explored here.

households, as assets and savings, is even greater. In this 'march-past' Aboriginal peoples are barely visible at the beginning of the parade, among the poorest groupings within Australian society. Stilwell proposes that inequalities of such scale matter for several reasons. Inequitable distribution of income exacerbates conflict between employers and employees, challenging the conditions for economic efficiency. Economic inequality is associated with social problems such as ill-health, crime, and undermining social cohesion. Addressing such problems generates social costs. Inequality may exacerbate the nation's international trade balance as the wealthy purchase imported goods and services. In doing so, they challenge the achievement of ecological sustainability. Poorer people may be less prepared to make sacrifices in the context of consumption disparities, and in the evident undermining of democratic ideals. Stilwell (2003:280) proposes that 'ultimately, what is at stake is our capacity to live together in an economically prosperous, socially harmonious and ecologically sustainable society'.

Once established, inequalities tend to self-perpetuate: they are normalised in a process of cultural legitimation. Land ownership and distribution is one major determinant of inequality (Stilwell and Jordan 2004); discrimination based on racialising segments of a population justifies and reproduces further discrimination (Stilwell 2002:380); and the increasing polarisation of income associated with neoliberal 'successes' becomes a force weakening any progressive state-led redistributions of income and wealth (Stilwell 2003).

Steadily increasing disparities have been evident in both income and wealth distribution in Australia since the 1980s (Stilwell 2003; Stilwell and Jordan 2007). In examining these, Stilwell (2004) pointed out that, 'Whereas wealth is a stock, income is a flow. Increased disparities in income flows can be reliably expected to increase disparities in wealth stocks over time'. In purely economic terms, this is true. But there are different measures of 'wealth'. Social capital theories, as in the work of Spies-Butcher (2009, 2005, 2003; Spies-Bucher and Stebbing 2010) recognise that human networks have value; cooperation has collective and economic benefits; and social inclusion is a legitimate social goal.

These are the contexts in which Frank Stilwell insists that inequality matters because it is an index of *deterioration in social relatedness*: when 'wellbeing is assessed in relative terms, a growing gulf between rich and poor intensifies the latter's feelings of relative deprivation' (Stilwell 2003). He comments,

> *Major economic inequalities impede the development of a contented society. If people's perception of their happiness is judged according to what they have relative to others, then economic inequality is a recipe for widespread and permanent social discontent. … the recognition that people's wellbeing depends on their relative position in society, as well as their absolute living standards, requires continuous societal attention to distributional issues and outcomes.*

This experience of deprivation is the experience of constraint on the kind of person one should or could be. Stilwell's (2007) analysis reaffirms work elsewhere across a range of disciplines. Of significant concern is the massive disparity in health that clearly emerges in contexts of inequality and disparity. Poor health is often associated with poverty but Wilkinson (2005, 1996; Wilkinson and Pickett 2009) challenge this simple correlation. In fact, the health of people in poor nations is measurably better than those in which disparities are great. The link made between poverty and ill-health often relies on a model of infection stemming from lack of cleanliness and fresh water. Of more concern today are lifestyle diseases, more apparent in consumer societies which promote aspirations that are unable to be met or are met in distorted ways. Diabetes, diseases of the respiratory system, disease brought about by substance abuse, schizophrenia, depression and accident are exacerbated in situations of disparity. They are products of structural inequality (Farmer 2010).

While there are understandings of inequality which might not be reducible to materiality, there is no doubt that the term assumes a materialist context, sometimes reducible to a monetary income. It matters that understandings of humanness have been increasingly restricted to materialist-oriented models. This has been a trend since the mid-nineteenth century and the approach now characteristic of the English-speaking economic world is that we are little other than *homo economicus* (Douglas and Ney 1998). Douglas and Ney (1998) demonstrate how the 'western cultural consensus on the ideas of free markets and individualism has led many social scientists to consider poverty as a personal experience, a deprivation of material things, and a failure of just distribution'. This materialist view has so dominated thinking in the sciences and social sciences that it has become naturalised. But it is not natural. It is a culturally-constructed view that shapes and supports capitalism in its various forms. It is an insidious way to reduce the extraordinary wealth of human beings' experiences of themselves as these have been expressed over thousands of years, and in every part of the world. So we turn to why cultural difference matters.

3 Cultural Difference Matters

In the Aboriginal context, anthropologists are aware that the gulf of inequality is being experienced *within* the Aboriginal world (Austin-Broos and Macdonald 2005). Aboriginal people are hurting badly. To ask why, we have to turn to cultural difference. The dilemma is neatly expressed in the title of a recent book by anthropologist, Diane Austin-Broos, *A Different Inequality* (2011). A critique of her own discipline's history of thinking about, even ignoring of, the ways in which Aboriginal people are situated vis-à-vis other Australians, she implicitly challenges economic thinking that examines inequities but takes insufficient account of cultural difference in doing so. Austin-Broos insists that *cultural difference matters.*

Appreciation of cultural difference starts with understanding of the relationship between a specific economy and the *specific kinds of persons* who produce it and are reproduced within it. All economies are systems of value and relationship, crafted as people interact with the possibilities and constraints of an environment to produce and distribute what is required for social life. The shaping of an economic system and of the specific kinds of persons who act on their world through that system are inextricably interdependent processes. People who live, work and study within a contemporary capitalist economy are persons shaped and constrained by, but not determined by, that economy. Capitalism and its market society is not only a reference to an economic system but also one in which value is produced and distributed, and distinctive understandings of and expectations of *persons* are produced.

Political economy has developed within and in response to capitalism. The people it speaks to, about and for are persons of a capitalist society, a market society, one with a particular history of understanding what it means to be a person in this world. But even this person cannot be generalised. Understanding difference, and which differences are defined as inequalities, conventionally starts with notion of class, to which are added distinctions of gender, age, ethnicity and so on. Any or all of these can impinge on the extent to which a given person is valued, has freedoms, and experiences themselves as living within a system based on equity. That is made so much more complicated when we introduce culturally and economically different persons into the same mix. Raw measures of Aboriginal inequality will tell us little about their life circumstances, aspirations and concerns. What are the specific *unreasonable demands* placed on Aboriginal persons confronting poverty and inequality?

An economy is not a container into which abstract human beings can be poured, to become statistically relevant according to questions of interest or concern. People within a given social system cannot be reduced to segments of a population or to statistics except by reducing or denying their distinctiveness as persons. This is not to suggest that statistics are unimportant: on the contrary, they provide important pictures but they will distort if we have inadequate or inappropriate models by which to interpret them. Rather, we emphasise that the separation of culture and economy is not an option: they are co-constitutive. *Experiences* of class, acquisition, success, job satisfaction or marginalisation cannot be gleaned from statistics, only learned from persons who are constituted within and by their specific positioning in a specific culturally-shaped economic world. Whether someone *experiences* themselves as unequal, and why, is relative to social and cultural values, material aspirations, and historicised understandings. People are never positioned equally but in terms of understandings and values placed on, for instance, age, gender, education, experience and so on. A particular person may neither want nor expect to position him or herself equally vis-à-vis others who are different on a range of criteria.

When ignored, denied or misunderstood, such differences potentially and actually distort the reading of statistical analyses, and the well-meaning policy intentions that stem from them. This results not in beneficial outcomes but in cultural violence. These distortions increasingly violate people's capacity to live according to their own economic and moral codes, and thus to reproduce *Aboriginal* selves. It is hard enough to be poor but to have everything that makes sense about your social and personal world, your very being, torn asunder, especially by people who think they are doing you good, acting in your best interests, is 'double violence'. This is inequality but as Austin-Broos (2011) argues, it is a very 'different inequality'.

The index of real inequality is when one is not free to live well within one's own value system, when social obligations cannot be met or enjoyed, when one cannot be the person one should be in one's own social and cultural context. Equity is not sameness. The freedom to live well is not just about bringing people out of poverty. Living well as a member of a middle-class is as relevant, and is what the contentious notion of middle-class welfare addresses. Freedom is a concept more useful to identify the nuances of inequality than income, and especially in a cross-cultural context. Freedom from hunger, fear and preventable illness, freedom to express your cultural values—and to 'live well' (Douglas and Ney 1998; Adelson 2000).

4 Living Within Two Economies

The relationship between an economic system and experiences of personhood must be central to any discussion of Australian Aboriginal inequality, for the simple if little appreciated fact that the vast majority of Aboriginal people, whether they live in urban, rural or remote areas, live within two economies. The following analysis demonstrates that historically, an 'allocative economic system' has been able to articulate with the demands of capitalist society.

Aboriginal economic histories need to be better understood because Australians are beginning to think that Aboriginal people have never worked, have never been able to change or negotiate the circumstances of their colonisation, have always had diabetes and children with foetal alcohol syndrome. This is not the case. They have always been a repressed, racialised and unequal minority within this nation, but they have also been extraordinarily creative and imaginative about the ways in which they have responded to opportunities presented to them. This has included their engagement in the capitalist market society.

Aboriginal people are an inextricable part of the mainstream Australian economy and have been since their initial colonisation. They have engaged with it in a variety of ways over time but everywhere this has been a history of increasing and now almost complete dependence on resources produced through its practices. However, throughout the continent, they have articulated with this economy through modifying the economic values and practices of their pre-colonial economic system. This is true even in the much changed, highly developed State of New South Wales, where Aboriginal people have worked as waged labourers for almost two centuries. They are required to negotiate on a daily basis the different, often incommensurable, demands of personhood demanded of those two economies.

The inability of Aboriginal people to secure capital and develop opportunities for themselves is often attributed to lack of ability, interest or access. Real histories in NSW say otherwise (Macdonald 2007). When opportunities were there, they were taken up. As waged and contract workers, they worked alongside whites in competitive private industries, and for equal wages. Involvement in pastoralism and later agriculture through the nineteenth and twentieth centuries demonstrates how Wiradjuri men and women of central western New South Wales engaged with the new economy into which they were thrust as a consequence of the colonisation of their lands.

By the end of the nineteenth-century, there were many self-employed contractors as well as Aboriginal owned and run farms in New South Wales. Working men and women came to derive prestige from their skills in new contexts (Macdonald 2007), augmented by respect gained from white bosses over years and even generations of families working with each other (cf. Pearson 2011:153ff). Much of the pride they took in their work stemmed from the fact that they worked alongside white people, as equals. It is fair to say that women did not fare as well as men in this respect—but nor did white women.

Despite decades of near full employment in New South Wales,[3] Aboriginal people have not become self-conscious 'workers', in that they do not identify as part of 'the working classes'. Work continued to be understood in terms of the allocative economy. The relevant distinction is made by Austin-Broos (2006) between 'working' and 'working for'. In a capitalist society, persons are encouraged to think of themselves as workers, as having been raised in order to work—'what are you going to do when you grow up?' There is little social worth for the unemployed. In an Aboriginal kin-based context, the value of practices such as work, or the objects which might be purchased with one's wages, lies in the worth these have for *mediating social relatedness*. Value and meaning are (re)created within the moral economy of the Aboriginal world, not imported from the capitalist environment of origin.

What Aboriginal people have consistently rejected are the *social relations* of the market society (cf. Austin-Broos 1996; Taylor 1999). They consume but without becoming 'consumers'. Acquiring things does not translate into a desire to become persons of a market economy. The more one understands their world as a moral, social and economic universe, the easier it is to understand why.

Aboriginal people rarely find the values, socialities and meanings of whitefella lives attractive. They are persons of vast, demanding but also nurturing kin networks; who understand themselves in term of places and ancestors; for whom morality is contextual not arbitrary; life lived well is more important than a long life; and everyone has social value, including the sick, the aged, the drunk and the unemployed. They see whitefellas as accepting of subservience, taught to obey parents, bosses and other authorities; and who gain power and the prestige of success by accumulating at the expense of others, even those to whom they are related by blood or marriage. Anthropologists can provide examples of Aboriginal bemusement at the ways in which whitefellas treat each other, at why they want to be 'individuals' instead caring for kin. They wonder why we lie to each other,

[3] Our focus on New South Wales stems from Macdonald's long-standing ethnographic interest but our points apply more generally, notwithstanding the particularities of history, industry and locality across the continent.

why we play games and wear different faces on different occasions; and why we do not share, even with those who are close to us. They can wonder about such things because they belong to a different moral, social and economic universe: one in which the very notion of what it means to be a person in the world is not crafted by a market society.

Aboriginal people are first of all kin in morally-constituted relations of sharing, who engage in activities such as teaching, art and design, legal work and playing cards. People do not become or conceptualise their being in terms of consumer, shareholder, academic, salesperson or unemployed. These activities do not constitute them as *persons*: they are examples of *doing* not modes of *being*.

That an Aboriginal economic system has continued to be modified and reproduced cannot be understood by adopting a crude representation of their pre-colonial economy as one of 'hunting and gathering'. This phrase, descriptive of selective economically-oriented activities, originated in an evolutionary model rather than in an ethnographic appreciation of an economic *system* (Bird-Davis 1992). Linked to notions such as foraging and subsistence, it still encourages the thinking that it is/was a 'primitive', barely human way of engaging in the world and will/should inevitably and inexorably be turned into a more advanced economy. This is not born out in history or archaeology. This point is more important than it might seem. If one interprets different economic systems as stages in human development, then modes of production would be understood as inevitably morphing into other (more evolved) forms. It stands to reason that the persons who are made within these economies would also be expected to morph accordingly, into persons of that apparently evolved economy. Indeed, such thinking has led, since the mid-nineteenth century, to the assumption colonised Aboriginal people will inevitably become like their capitalist colonisers and, if they are not, they should stop resisting this process.

Such simple thinking also encourages the view that, if Aboriginal people cease practices defined as 'hunting' or 'gathering', to work for wages or run their own enterprises, this means their economy has collapsed. This is not the case. No economic system is that fragile: most can withstand significant change. The Aboriginal economy, which we refer to here as an allocative economy, is alive although, at present, not well. It has been remarkably resilient until the 1970s. Below we examine what has happened in recent decades but first we outline the principles of the Aboriginal economy.

The trite if familiar phrase, hunting and gathering, communicates little about the allocative economy *as a system of ideas, values and practices* that characterised Aboriginal worlds prior to—and since—their colonisation. To refer to 'a capitalist economy' is to describe a system in which the means of production are owned and controlled such that production processes enable accumulation by the owners (of capital), with others dependent for income upon paid employment in production processes (under terms and conditions largely prescribed by capital), or perhaps through taxation-derived welfare relief. In contrast, an allocative economic system is distinctive for the ways in which whatever is owned or produced is distributed—allocated. Production takes place in various ways. It is the rules that apply to those who own the fruits of productive activity which makes an allocative economy distinctive.

As in any economic system, the resources Aboriginal people draw on to live well are not limited to materiality, to food or the technologies required for its acquisition, as implied in the phrase ‘hunting and gathering’. Land, knowledge, skills, time and labour, as well as foods and technologies, are acquired by various means. People produce or acquire resources through inheritance, experience, skill, effort, chance and by asking of others. The imperative to acquire stems from both one’s own desire but also from the desire and need to maintain sociality.

It matters not *how* one produces or even *what* one produces. Rather it matters that every person—man, woman and child—accesses resources of *social* value. Each person acquires in order to give away: because that is what it means to be in relationship. *One has (owns) in order to give away, to ‘share’*. This is the most fundamental moral principle. Just as the notion of ‘capital’ captures the essence of relations between resources and people of a capitalist economy, what anthropologists refer to as ‘demand sharing’ (Peterson 1993; Macdonald 2000) captures the essence of an allocative economy. ‘Sharing’ means responding to those kin *who have a right to ask* (not to anybody), even when that’s your only food or your last dollar. It is not possible to accumulate resources or deny others access because a refusal to share is a denial of relationship. Likewise, not to be able to give anything of value is to be in a position of social disadvantage. Ultimately a person who does not or cannot give may end up ignored or ostracised, a form of social death.

Through giving in response to a demand people affirm their responsiveness and commitment to relatedness. These ubiquitous ‘sharing’ practices have sometimes been misconstrued as evidence of communal ownership: this is not the case. *Personal* ownership is central: one cannot give something one has no rights over.

While everyone is expected to place themselves in a position in which they have something to give, there is also prestige gained from acquiring resources of particular value, and some of these, such as knowledge and skill, are years in the making. In an allocative economy no one goes without but nor is everyone equal. Senior and experienced men and women shore up allocative power through the ways in which they access knowledge and skill. Access to certain resources can be denied through rules based on kin relationship, age or gender, but to refuse to share with someone who has a right to ask would be to lose the respect and thus prestige acquired from giving. If people stop asking, there is no prestige so demand sharing has a built-in levelling element. It is not possible for people to accumulate power or to become coercive: this is curbed by others refusing to engage.[4]

Aboriginal practices are frequently at odds with norms in a capitalist economy. And persons and relationships of an allocative economy are at odds with those of

[4] There are forms of power associated with, for example, ritual sanctions or sorcery but which are also subject to controls but I do not discuss these contexts here.

the market. It is relative spatial and social autonomy from the capitalist economy that enables the articulation of these two economies, a distance that enables the reproduction of Aboriginal selves. An allocative economy reproduces *Aboriginal persons in Aboriginal relationships*, and this is at the heart of cultural difference.

Aboriginal 'sharing' has long been frustrating to observers. Historical records have delightful but despairing stories of how people gave away everything, usually to kin, who didn't even work for it: how could they possibly get on in life with this kind of attitude? From the acquisitive and accumulative perspectives of a market society, it makes no sense. But this dual economy has persisted because the vast majority of Aboriginal people *like being Aboriginal people*.

There is a common perception that Aboriginal people do not want the material items they can gain from being part of a market society. This is not an accurate reading of their approach to materiality. They have shown no reluctance to acquire new material items, from steel tools and tobacco, to televisions and mobile phones; nor to engaging in ventures of capitalism, as workers, self-employed contractors and small business owners. What confuses observers is that these are objects and practices whose value is not intrinsic to the object/practice but lies in the ways they mediate *social relatedness*.

It is clear historically that, albeit in different ways in different parts of Australia, an allocative economic system has been able to articulate with the demands of capitalist society for a very long time. This is because goods, wages and knowledges produced within the capitalist economy have entered Aboriginal domains and been transformed by the values of the allocative economy in order that, through distribution according to its rules, they reproduce *Aboriginal persons*. Whether I speared or shot the kangaroo, or purchased it with my wages in a supermarket, is not as important as how I respond to demands made of me when I get it back home. Analysts of urban and rural Aboriginal lives in the mid-twentieth century assumed such sharing practices were a response to Aboriginal poverty: the reverse is the case. Demand sharing is only possible when there are things to share. Like any economic system, it relies on healthy modes of production in order to produce the healthy social relations characteristic of allocative values.

Over two centuries, as goods, wages and knowledge acquired within the capitalist economy entered Aboriginal domains, their meanings have been transformed from those of one system into those of another. Imaginative practices of cultural transformation enabled distribution according to their own social meanings and practices. Aboriginal men and women worked with whitefellas but went home to a *distinctive* 'domestic moral economy' (Peterson and Taylor 2003; cf. Thompson 1971; Scott 1976; Gregory et al. 2010), a world in which they lived in their own way, reproducing their systems of social meaning through economic practice. Aboriginal people might have seemed relatively poor but not as poor as one might think (see Peterson 1985). They were rarely poorer than other rural labourers: they just spent their money in different ways. Their own economic values meant that no one accumulated even if he or she earned good money, but no one went without. Good working opportunities in a vibrant rural economy, even if choices were constrained, ensured resources to allocate, albeit subject to seasonal cycles.

The articulation of these two incompatible person-producing economies of value is attributable to the imaginative capacity of Aboriginal people in developing transformative strategies to deal with often traumatic change (Austin-Broos 2011, 2003). They have been living both within and beyond the Australian mainstream society. In their spaces of relative social and economic autonomy they transformed the product of their labour into the values of an allocative economy. In doing so, they could go on being *Aboriginal* selves. How they relate to each other, how they work, how they consume, are practices with economic as well as social imperatives and implications.

5 Debilitating Change: Dislocation and Intervention

Legal rights and social possibilities of equal engagement for Aboriginal Australians were denied after Federation. In each State, in different ways, governments intervened to control education, working choices, prevent ownership of land and businesses, and treat children as an exploitable source of cheap domestic and rural labour. Land legally acquired, by grant, inheritance or purchase, was illegally revoked. The number of Aboriginal ventures Australian governments have taken over, restricted or destroyed is breath-taking.[5] Control of wages, and abuse of trusts in which these could be held, were government schemes. It was at the hands of governments Aboriginal people were subjected to the worst kinds of exploitation. Nevertheless, they continued to work and provide for themselves whenever they could, and constantly demanded civil rights and greater control over their own lives.

Aboriginal people were excluded through the denial of their rights as citizens, rights not restored until the 1960s. From the 1960s Aboriginal demands for autonomy and equity were expressed through land rights and self-determination. Most restrictions on civil rights were removed. From the 1970s successive Federal governments set up Aboriginal organisations by the thousands as a mechanism through which government largesse could flow. During these same years, however, major economic changes severely limited the hoped for autonomy.

[5] Henry Wedge had his upper Lachlan farm taken off him through illegal revocation of land exclusively for Aboriginal use; Susan Beale and her adult farming children were turned off the land her husband of 37 years had left to her in his will on the Hunter River, denied permission to inherit on the grounds she was Aboriginal; Torres Strait Islanders purchased commercial fishing boats through the Department of Native Affairs (DNA) with their own wages but DNA retained ownership of the boats (Beckett 1977); enterprises run by the Wiradjuri Regional Aboriginal Land Council in the 1980 s were taken off the WRALC through legislative changes (Macdonald 2004). There are many examples of efforts, frustrations, disappointments and failures (e.g., Cook 1994; Byrnes 1992; Wells 1993; Tonkinson and Howard 1990; Tyler 1990; Young 1988; Stanley 1985).

First, evident from the 1960s, the hugely wealthy and influential pastoral industries, both sheep and cattle, and their associated transportation and infrastructure, went into sharp decline. Not only had these been major employers of Aboriginal people, limiting NSW government attitudes to education and skills training prevented alternative job prospects. Even as the industry waned, there were no programs of retraining. There was a program of decentralisation into rural areas but this was patchy and an assumption that it would include Aboriginal people (many were resettled from the far west in anticipation) did not eventuate. Most of those relocated industries are now back in cities or offshore. Like the once thriving gold towns and inland river ports of the nineteenth century, when you go bust, you become a ghost town or a ghost region. In the 1960s and 1970s, this meant that a highly experienced and knowledgeable workforce became, and quite suddenly, of no worth. From almost full-employment, the 1970s saw increasing and relentless unemployment. The introduction of CDEP (Community Development Employment program), an Aboriginal-specific 'work for the dole' scheme, often provided the only constructive experience of 'work'. It also concealed the extent of unemployment.

The coincidence of economic collapse and government-funded programs was disastrous. Self-determination, as a desire for greater economic and social autonomy, was watered down to self-management, meaning management of one's increasing poverty and marginalisation. Previously, Aboriginal people had been incorporated into the economy through engagement in high prestige private industry. Now they were recipients of welfare or in public service jobs, with government-conditions imposed on the receipt of 'public monies' for *communally*-defined resources. In time, an entire Aboriginal industry was developed. As Noel Pearson (2011:154–157) says, this was and remains a *gammon* (pretend) economy.

Government beneficence set up structures of social control so violent that within a decade this was already evident in intra-community tension. An extraordinary degree of control of intra-Aboriginal relatedness was required for their management of their government-funded organisations—now their sole resource base. They no longer had the right or the capacity to transform resources entering their community in ways that made sense to them. They were increasing subjected to the demands of a bureaucratic mode of being, the social relations of an iron cage that came to constitute their entire government-dependent worlds. Kin-relatedness became nepotism, sharing became corruption or misappropriation; the demands of social responsiveness could be denied in favour of government-sanctioned, even valorised, individualistic self-centeredness. Life within a government-controlled economy brought new forms of control over working lives and entrepreneurial activity. Their ability to access resources they could make their own decisions about, who got what jobs, what houses and of what kinds, and who could employ whom were all controlled—in other words, they came under intense pressure to become new kinds of persons.

The recent history of Aboriginal engagement in the economy is one of increasing dislocation leading to increased government management. Working conditions in private industry and within an open market differ considerably to environments controlled by governments. Current traumas cannot be attributed to history or culture but, as examined below, are located in the increasing underdevelopment and exclusion that gained momentum after Federation and that have been exacerbated with both declines in the pastoral industries and neo-liberal economic management regimes.

In the situation of welfare dependency in which many Aboriginal people find themselves today, demand sharing practices have been pushed to the limits of social tolerance. The inability to access and distribute resources of social value creates a socially devastating experience of inequality, a non-measurable gulf. This is not about poverty or inequality *per se*. It is the lack of economic, social and personal autonomy which intensified from the 1970s (e.g., Tonkinson 2007). Stilwell is right to refer to social deterioration, but in the case of Aboriginal Australians we need to recognise a different kind of *social* and a different kind of *deterioration*.

Social problems emerge when people are *pressured* to change because this creates enormous social and psychic violence. No persons easily give up being who they are, even under torture. E P Thompson (1991[1963]) recorded the violence involved in creating the English working class. It is an arguably more intense violence that Aboriginal people are having to deal with today. People of a market economy would be likely to find it equally violating to be forced to become Aboriginal persons.

Over time, things have become progressively worse. This is a story now revealed through horrifying statistics. The consequence of loss of any economic independence means the loss of cultural independence: the costs of not having a healthy capitalist economy to draw on have made their colonial subjectivity so much harder to negotiate. It is hard to be an Aboriginal self when the resources and a degree of autonomy over them are ripped from you (see Austin-Broos 2003; Macdonald 2010).

Why 'welfare' has been so debilitating is not obvious. Relegating it to poverty (and statistically measured inequality), dependence and 'welfare mentality' (a 'blame the victim' approach) has been common but unhelpful in turning the situation around: the impact of the welfare regime is more complex than is suggested by these assumptions. For example. Aboriginal analysts, Marcia Langton and Noel Pearson, both recognise the importance of healthy engagement with the capitalist economy. However, we offer here an alternative perspective on the sources of contradiction that have emerged. Pearson (2013) recently explained:

> *See, I grew up in a two-bedroom house which my father had built himself. Those things don't matter, how poor your circumstances are. What does matter is that if you have parents, who will look after you, who will give you whatever Vegemite there is and whatever Vita Brits there might be in the cupboard and send you off to school and teach you to have respect for your elders and your teachers and so on and never countenance you spending a day away from school, then magic happens. These small ingredients of family empowerment is what welfare has broken down, and that's what Marcia means by this mentality of entitlement that has been such a tragedy for our people, but not just for our people. I see it in white communities across the country as well.*

The 'mentality of entitlement', however, involves a nasty cultural contradiction. Demand sharing means that those who 'have' do have a *responsibility* to 'share', and those who ask do have a social and moral entitlement. In accordance with the expectation of an allocative economy, those who have (own, control) resources—governments and their agencies—are obligated to 'share on demand' but they are not entering into the *moral relations* of demand sharing in doing so. There is no social/moral relationship involved: only an abstract, bureaucratic one. So, as Pearson recognises, welfare dependence *distorts* the morality of an allocative system. The notion of entitlement has not been *produced* by welfare but welfare creates a non-social imbalance, a power relationship which demeans the recipient. As Pearson (2001) says, it denies the Aboriginal 'right to take responsibility' which a moral system entails.

This turns 'welfare as entitlement' into a Trojan horse: welfare (in various forms) enters a community such that it distorts and destroys relatedness (see, for example, Myers 1989; Macdonald 2008). This is not about poverty *per se*, as Noel Pearson remarks. It is about not being able to access (whether Vegemite, housing or jobs) so as to be able to share, and therefore not being able to gain respect either. It is a denial of the *morality* of an economic engagement. *Autonomy* (personal ownership) is required over one's resources for these to turn into the magic of Aboriginal sociality and achievement.

This is not the same as the experience of non-Aboriginal people on welfare: outcomes may look similar but that's the trap. Experiences of welfare, poverty and dependency are being filtered through fundamentally different understandings of personhood. That these understandings are non-visible is normal, but they must be made visible in rigorous analyses of the experiences of cultural difference.

It is the cost of not having a healthy capitalist economy to draw on that exacerbates the inequalities of colonial subjectivity. Aboriginal people are dealing with unemployment, lack of education and ill-health and, in addition, what it is to be 'a person of value' within their own cultural context (Peterson 1999; cf. Tonkinson 2007) when the means by which to do this are being ripped away. Not to be able to meet demands is socially alienating, it exacerbates conflict, mistrust and social malaise. People are literally tearing each other apart (Austin-Broos 2003). This is inequality but as Austin-Broos (2011) argues, it is a very 'different inequality'.

Tensions among Aboriginal people stem from them not being able to engage in the kinds of distribution required of them, and not being able to express and police their own cultural values. Older people in particular are left open to abuse by younger people. Older people no longer control resources, knowledge, skills and jobs, and cannot shore up respect from being able to allocate these, yet they feel obliged to part with items demanded of them from younger people who know they do not have to be responsive in return. People with an ability to employ cannot employ kin in a cultural world in which kin should be privileged: if jobs were plentiful, this would not be an issue; kin-based enterprise could flourish. Private companies can employ kin without being accused of nepotism but not Aboriginal people. Disgruntled people can choose whether to appeal to Aboriginal or bureaucratic values, further complicating the contradictions within which people live. This exacerbates conflict and leads to mistrust and social malaise. It is not 'Aboriginal culture' that produces these stresses but a socially-distorting *economic management* environment.

6 Neo-Liberalism and Cultural Deficit

The social crises that began to visibly emerge from the 1980s have been exacerbated by yet another economic force developing through these same decades, that of neo-liberalism. This ushered in economic changes based on radically-different values which emphasised individualism and downplayed notions of social commitment or responsiveness. At a time when Aboriginal people were becoming increasingly unemployed and dependent on government funding, this economic philosophy began to delegitimise welfare, worked against government economic programs such as decentralisation or tariff protection, and individualised, and thus personalised and blamed, those on the margins of the economy for their own structural disadvantage.

Neo-liberalism could simply be understood as a 'set of ideas and practices centred on an increased role for the free market, flexibility in labour markets and a reconfiguration of state welfare activities' (Willis et al. 2008:1) but, and more significantly, it refers to a radical change of value, from *socially*-oriented Keynesian approaches to one which emphasises individuation.

Stilwell (2002) recognises the way in which neo-liberalism reduces concerns about *social* justice when he observes that 'the recent influence of what is known variously as economic rationalism, economic fundamentalism and neoliberalism' has 'subordinated the concern with economic inequality to narrower concerns with efficiency and growth, even ignoring the ways in which egalitarian policies can contribute to efficiency and growth'. Indeed, as Jordan and Stilwell (2007) point out,

> *In Australia, as in other countries where neoliberal policies have been in vogue, the political will to tackle the processes creating greater economic inequalities has been conspicuously lacking in recent years. Governments have implicitly formulated their policy priorities on the assumption that economic inequalities facilitate productivity and economic growth.*

This reconfiguration of the state in relation to welfare, and the emphasis on individualism (Harvey 2005; Duggan 2003) have significant consequences for Aboriginal people. Over the period in which Aboriginal people have been becoming increasingly government-dependent, neo-liberalism has delegitimised welfare It is a philosophy that holds 'individuals' personally responsible for their structural disadvantage. Aboriginal people are not only unequal, poor, and unable to control the circumstances of their own lives, they are also being subjected to horrific stigmatisation.

In reducing all of us to *homo economicus*, neo-liberalism denies the relevance and legitimacy of cultural difference. This is especially relevant in the context of Aboriginal cultural difference. Cultural difference can only be understood as cultural deficit within an increasingly contentious 'politics of moral order' (Austin-Broos 2005). It is not just the fact but the *legitimacy* of difference that neo-liberalism calls into question. Aboriginal 'culture' must 'get in the way' because *homo economicus* has no culture.

The individualised subject, meant to be capable of realising greater autonomy and choice, is also meant to be anti-kin, anti-authority and anti-social—all of which are, of course, contradictions. Society is regarded as a burden, as the state of being unfree. Kin-based cooperation is one of the more common ways in which Aboriginal people resist individualism but this is increasingly referred to as nepotism, even corruption. This is compounded by government-control based on the receipt by 'Aboriginal' organisations of 'public monies'. The Packers and the Murdochs can celebrate family loyalties but Aboriginal people subjected to bureaucratic values are not free to do so. It is with some irony that one can observe that, in an allocative economic system, personal autonomy stems from *social commitment* and *responsiveness*: the opposition between the individual and the society does not exist.

Ironically, within a neo-liberal ethos, freedom from want is interpreted in large part as the desire for less state intervention: self-realisation requires freedom from bureaucracy (Leitner et al. 2007:4). This is not, of course, the experience of Aboriginal people. The ethos of self-responsibility has legitimised extensive state intervention and increased the management of Aboriginal lives (Macdonald 2008). They are less free than at any time in their entire colonial history, subjected to structural and cultural violence as severe as anywhere in the world. The extent of this intervention, the pervasiveness with which it has entered daily life and every relationship is beyond the imagination of most Australians. The more remote Aboriginal people are, the more intense the interventions—putting the lie to the notion of remote. This is about underdevelopment not remoteness.

This is also reflected in what Pearson (2013, cf. Langton 2012: Lectures 2, 5) refers to as the 'mindset in relation to Aboriginal people' in Australia which treats them as 'poor benighted victims', denying them recognition for their 'striving and success':

> *As a country, we've gotta embrace Aboriginal success. Money and materialism shouldn't be seen as anathema to Aboriginal identity. Because it's not anathema to the rest of Australia, so why should it be anathema to the identity of Indigenous people? And there's still a lot of resistance to the idea of Aboriginal success. On the one hand we say we want it, but on the other hand there's a kind of strong cultural and social resistance to it.*

What stands in the way of Aboriginal engagement in viable economic enterprise is what has stood in the way for well over a century: the refusal of Australian governments to allow them to participate *on their own terms*. And this is not just an attitude of government. Fortesque Mining, for example, has been tenaciously spending millions to try and avoid negotiating with Yindjibarndi land owners in the Pilbara, including paying them to turn against each other (yindjibarndi.org.au). It is clearly worth a lot of money to keep people who should be powerful land holders out of the picture.

Spruyt (2004) rightly observes that, 'Continuing dependence on government for income and the subjection to policy moods that dependence brings, prevents Indigenous Australians from achieving autonomy'. This autonomy is what is assumed when Aboriginal people themselves use the term 'self-determination', the meanings of which can range from been able to repair the windows to the recognition of rights based on prior sovereignty. Although the Federal Government made a subtle shift to self-management in 1975, the terms are not synonymous. Self-determination is about freedom from the inequities of poverty; and the oppressive structures which exacerbate inequalities; from racialising categorisation; from being told who they are or are not; whether or not they are authentic; and how they should live. Above all, it is a reference to the social, political and economic 'space' that allows them to make the kinds of cultural decisions that are consistent with living well as *Aboriginal persons*.

Anthropologists the world over are examining ways in which people have been resisting the cultural as well as economic impositions of neo-liberalism. They have recorded how people use their cultural capacities to imagine alternative forms of exchange and distribution, the transformation and creation of value, and even alternative currencies. Alternative economic forms have always articulated with capitalism; and there have been a variety of capitalisms, informed to various degrees by principles of equity (an Australian example being the Cadbury enterprise, Cadbury 2010). Anthropologists are noticing, however that the penetration of neoliberal forms makes articulations harder and non-viable. As Giroux (2004:495) states, 'Wedded to the belief that the market should be the organizing principle for all political, social and economic decisions, neoliberalism wages an incessant attack on democracy, public goods, and noncommodifiable values'.

7 Contemporary Approaches

The proposition of the existence of a dual economy, and the unique light it casts on issues of Aboriginal socio-economic welfare, calls for a different and innovative approach to Aboriginal economic development. There is an urgent need for programs that (1) better recognise the complexities of this dual-economy relationship; (2) appreciate the range of aspirations that Aboriginal Australians bring to their economic engagements; and (3) are informed by the internal dynamics of both economies and their interactions.

Anthropologists know that experiences of freedom and affluence are available without either material abundance or technology. We can rethink social deterioration as the inability to live well and, by ensuring Aboriginal people are not reduced to an axiomatic *homo economicus*, we can examine by what means they are able to live well as *Aboriginal* persons.

Political economy can bring particular strengths to such a project. Stilwell (2002:4) recognises the causative forces of contemporary structural change as a key focus for analysis. Political economy inquiry has an explicit social purpose: 'understanding the world so that we can change it for the better' (Argyrous and Stilwell 2003:xi). Feasible and realistic policy solutions cannot be framed only in the narrow (and thus often self-defeating) terms of meeting the needs for Aboriginal Australians. Political economists are acutely aware of the vested economic interests, the relationships of power, the institutionalised processes and the economic growth dynamics that challenge any project of change. They are equipped to take up the task of identifying strategic opportunities within the current system. While long-term structural economic change is required, the disadvantage experienced by Aboriginal Australians it too severe to wait for this to occur.

Mutually-informed anthropology and political economy analysis can be invigorated by understanding of how a dual economy rethinking of Aboriginal engagement with the dominant market-based economy will cast new light on current strategies proposed to address Aboriginal inequalities. This innovative, but historically-informed, approach will better examine how recent and proposed socio-economic development and economic management policy responses interact with Aboriginal cultures to produce unanticipated outcomes. It will reveal how these articulate with established trends in contemporary political economy. This approach, informed by historical research and policy reassessment, will provide foundations from which to develop strategic recommendations for future Aboriginal economic development that (1) recognise the complexities of the dual-economy relationship; (2) appreciate Aboriginal aspirations to engage with the contemporary economy; and (3) are informed by an understanding of the internal dynamics of these economic relationships. In reassessing contemporary approaches, the dialogue we envisage proposes restitution as a foundation for autonomous Aboriginal futures. Our points below are brief, as necessitated by the scope of this article, but the intent is to signal directions for anthropology/political-economy collaboration.

There is widespread concern with the profound social injustices that Aboriginal peoples have been experiencing and which for many are intensifying rather than receding. This clearly calls for a form of (re)distribution. But of what kind? Charity is a gentle form of redistribution that maintains rather than challenges the structures which perpetuate inequalities: a way of legitimising one's wealth and easing the conscience, charity protects the status quo. Redistribution through welfare is demeaning, and goes nowhere, except to increase passivity and ensure Aboriginal people do not advance by any social or material standards (cf. Pearson 2001, 2011). In their critique of the Close the Gap program, Pholi et al. (2009) rightly argue that this is yet another effort 'that reduces Indigenous Australians to a range of indicators of deficit, to be monitored and rectified towards government-set targets'. We drew attention above to Stilwell's (2003) argument that the increasing polarisation evident in both income and wealth distribution in Australia is evidence of neoliberal success in weakening any progressive state-led redistributions. This indicates that there is no autonomous future in this direction for Aboriginal peoples.

The second form of redistribution that Aboriginal people themselves have demanded or been offered is compensation, including monetary payments and transfers of land under land rights. This is usually subject to strict regimes of accountability which do not allow for local decision making or autonomy. For example, funds made available under the *Aboriginal Land Rights Act (NSW)* 1983 were described as 'compensation'. This led to contrary expectations, in particular, that it would make life better: people would be able to spend it in ways to make that happen. There would be money to buy proper football guernseys so they wouldn't be shamed playing against the whitefellas; the electricity could be put back on in the middle of winter when the bills became too high to manage; there would be a community bus to take people into town to shop. These activities and others like them were defined by the State Government as misappropriations.

Under this legislation, three Regional Land Councils pooled their 'compensation' money with undoubted success. The Wiradjuri Regional Aboriginal Land Council owned properties and businesses throughout central New South Wales, which employed and trained Aboriginal staff. The Council formed its own accountancy firm. But other councils did not do so well. Government policy, acting in terms of the lowest common denominator, swept away all the successful programs along with the troublesome ones (the Wiradjuri RALC story is told in Macdonald 2004). Much the same happened in the Northern Territory when the Northern Territory Emergency Response was announced in 2007: successful programs in many communities were taken over in the name of a Territory-wide sweep (Altman and Hinkson 2007).

Governments have no monopoly on good decision making, and a history that indicates they are more intent on excluding Aboriginal people from the economy than they are in encouraging them. They continue to control even those who gain native title rights, paternalistically overseeing their decisions rather than ensuring that developers treat them with respect, as equals. Compensation acknowledges loss and makes some amends. As monetary income, it is often subject to restrictions rather than being spent at the discretion of its recipients. But regardless of conditions, it is past not future oriented and unlikely to contribute to Aboriginal autonomy.

There are observers who embrace the relevance and value of what is called the Aboriginal industry (see, for example, Rowse 2012): the plethora of Aboriginal organisations managing Aboriginal inequalities, and the numbers of Aboriginal employees and bureaucrats these have produced. They do produce public service jobs but however much these services are needed—and they are—it is a gammon industry supporting a gammon economy. It has embroiled Aboriginal people in an unenviable clash between their own economic and social understandings and those of the bureaucracy. The kinds of negotiated articulation of the allocative and capitalist economy are not possible under the demands made of them by government.

Capitalist incursions have been legitimised through various missionising ideologies, the most powerful of which have the ideas of progress, industrialising and development. They are 'missionising' in that they purport to bring the good news of a better life. Mining investments are a current key focus for Aboriginal futures. Historically, mining investments have provided limited opportunities for Aboriginal peoples, as land-holders or neighbours of mining (see for example Pritchard 2005). More recently, mining investments are increasing employment opportunities and negotiating social contracts (see for example O'Faircheallaigh 2013). However, capital investments are based upon the premise of profitable returns. When and where profit opportunities are exhausted, capital moves on: ghost towns, miserable communities and so-called 'failed states' are left in their wake. Political economists, familiar with 'dependency' theories (Frank 1967;

Sweezy 2003; Amin 1976) that examine the movement of resources and wealth from the underdeveloped/poorer regions of the periphery to the developed/wealthy core, should be wary of 'futures' based on external and extractive capital investments. The dependency perspective challenges the idea that poorer regions will develop over time: integration with the global market more often involves a process of impoverishment.

With Aboriginal populations concentrated in regional areas, and regional populations experiencing economic decline in the neo-liberal era (see Pritchard and McManus 2000), the impacts of economic change on cultural difference need to be a greater focus in understanding Aboriginal disadvantage. Increasing inequalities are not an 'Aboriginal problem', they are an Aboriginal *experience*. We hear calls for Aboriginal people to move out of remote communities into cities to find work, of welfare dependency sapping their will to work. They are denied the right to alternative spaces they once maintained but, instead of being historicised within the Australian economy, their current situation is cause for blaming them. With Aboriginal populations concentrated in regional areas, and regional populations experiencing economic decline, strategies to support and re-strengthen regional economies are part of improving opportunities for Aboriginal economic participation.

There is an argument that economic initiatives to promote Aboriginal welfare should be at a remove from the mainstream economy. For some commentators, encouraging engagement with the mainstream is an assimilationist position (see Altman 2010:276), but historicised observation recognises the intellectual and social capacity of Aboriginal people to make decisions in their own interests *when they have the means* to do so. Throughout their experience as colonial subjects, Aboriginal people have had means, not perfect but good in comparison with now, through which to transform and negotiate the social-material values of an allocative economy with the material benefits of a capitalist economy. Political economists need to contribute to this discussion with realistic assessments of the long term sustainability of government funding of separate lifestyles within a neo-liberal policy environment. They need to question how well such strategies will equip Aboriginal people to negotiate with ever-present and increasing resource claims (see Howitt 2001; O'Faircheallaigh 2013) in their own terms; and within an economy they know to be driven by growth and defined by expansion (Spruyt 2009). Promotions of specific (often stereotypical) lifestyles does not address the situation of a large number of Aboriginal Australians (for example, the significant number of Aboriginal Australians living in regional NSW).

8 Social Justice and Restitution: Towards Autonomous Futures

Aboriginal people will only be able to negotiate the degrees of separation they might find desirable when they have a healthy economy with which to articulate and the means with which to do so. They will never regain this capacity as recipients of welfare, or paternalist government largesse. Aboriginal leaders, Marcia Langton (2012, 2010; Langton and Mazel 2008) and Noel Pearson (2011, 2013) have consistently argued that Aboriginal people need to be able to engage with the market society. They are right—but this cannot be the whole picture. A new model is required.

There is a distinct form of redistribution which would radically turn around both the status of Aboriginal people in the nation and their capacity to live out their preferred lives. It is radical enough to be more fiercely resisted than the taxation reform it will rely on, and effective enough that it should be kept on the agenda anyway. This is the notion of restitution (see, for instance, Virgo 2006). Restitution is not about turning the clock back, nor about accepting charity or a diminished status, but about an entire nation realising that healthy, autonomous Aboriginal persons and communities are vital to the lifeblood of the nation. Advantages for Aboriginal people would undoubtedly be advantages to Australia.

Restitutive models are long term economy-oriented and take local circumstance into account (see Hogan 1987). Restitution would involve careful planning, over many years, with investment in the billions. It would be an approach committed not to making Aboriginal people statistically equal but to restoring healthy economic and therefore cultural opportunities.

Resources and training would be put in place to ensure that Aboriginal land owners are in a position to enter into joint venture companies with all those who wish to profit from their land. Decentralisation can open up remote as well as rural areas, allowing for industries attractive to Aboriginal people. Governments need to be proactive, refurbishing on behalf of companies prepared to stay local and rural, ending the creation of Australian ghost towns by turning around tired industries. Make industry and government responsive and responsible to the areas they exploit. If tariffs had been in place to prevent imports of cheap 'Aboriginal' artefacts, the Aboriginal-owned factory that started up in western NSW might have survived.

Native title is, or could be, one example of restitution. In some places it has been an effective one. In others, and especially in south-eastern Australia, the reluctance, indeed refusal, on the part of governments to acknowledge native title rights is further injustice. Millions of dollars are being spent by State Governments to *prevent* Aboriginal people gaining native title rights, or to force them into tokenistic recognition, as if somehow 'giving back' will destroy the economy instead of establishing restitutive opportunities.

Restitution is radical because it explicitly challenges the idea that a neo-liberal economy can and will lead to the benefit of all, and that Aboriginal peoples themselves are responsible for their estrangement from it. It is a radical alternative form of economic management, based on explicit recognition that the free-market economy, left to itself (the 'trickle-down' thesis), will *not* provide for Aboriginal advancement.

Restitution, in comparison to compensation, requires that *gains be given up* in order that the other can recover from what has been lost. It is based not only on an acceptance of wrong done but also on *unjust enrichment*—ill-gotten gains—brought about by those wrongs (cf. Birks 2005). Restitution is therefore also radical in that it challenges the worn argument that Aboriginal people were backward and possessed nothing in 1788 (Macdonald 2011, 2013a). Australia has primitivised Aboriginal people, relegating them to a traditionalised past, including reducing their sophisticated economic *system* to 'hunting and gathering' as if they were one step removed from foraging. This contrived understanding has justified the denial of Aboriginal rights, not just those based in a denial of prior sovereignty but also of any share in the enormous wealth they should at least have been partners in producing.

Restitution is also radical in that it poses new questions for political economy. On one hand, restitution might involve recognising and supporting Aboriginal property rights in lands and other resources, such as water and fisheries (Spruyt 2012). This could be conceived as being at odds with a stance that identifies private property ownership as enabling monopoly rents and exacerbating inequalities, that is suspicious of private property rights in natural resources. In addition, restitution seeks ways for Aboriginal people to participate within the contemporary political economy, rather than seeking to radically change the form of this economy. The current disadvantaged position in which Aboriginal peoples sit indicates that they are not in a comfortable place to be awaiting the larger structural reforms advocated by political economists with socialist or green economy leanings. The award of private property rights in lands and resources may even challenge the achievement of such projects. On the other hand, the structured support for regional economies suggested by restitution correlates with a more conservative regional politics that rejects the ravages associated with neo-liberal trends but that positions itself as conservative and protectionist rather than as socially progressive. These are issues to be debated, not reasons not to explore options.

We have argued that the threat to social cohesion presented by inequality that Stilwell recognised is experienced by Aboriginal peoples in culturally-specific ways. The harshness of 'relative positioning' is not only experienced vis-à-vis the society as a whole but also *within* the Aboriginal world. An allocative economy does not expect equality but it does expect distribution. Not to be able to distribute is socially alienating. It means no one will make demands; life is not lived well. Policy makers and bureaucrats who have not been prepared to take this into account have imposed on Aboriginal people programs which, instead of making them more equitable and free, have been experienced as culturally violent, exacerbating the very conditions they purport to address.

There is no doubt Aboriginal inequality matters when they cannot be the kinds of persons their own cultural values expect them to be. In the past they have demonstrated remarkable degrees of tenacity and ingenuity in responding to their colonial constraints. But the overwhelming evidence is that structural inequalities are increasing to the extent that these capacities are under severe stress. We have proposed that the dual economy model, as an innovative rethinking of Aboriginal engagement with the dominant market-based economy, initiates a new framework from which to reexamine histories of Aboriginal economic engagement, cultural maintenance and re-invention. We have also suggested that restitution is an appropriate foundation from which to explore new futures once this dual model is better understood. These are innovative but not simplistic ideas: they will require collaborative commitment from a great many partners, but they need to be tested and shaped initially through a dialogue between political economy and anthropology.

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Plutonomy and the One Percent

Georgina Murray and David Peetz

Abstract A plutonomy is an economy 'powered by the wealthy' and characterised by growing disparities between the top 1 % of society and the rest. Much of the recent increase in inequality in English-speaking Western societies has been due to very strong growth in incomes at the top. We consider the resurgence of the '1 %'—that elite group at the top 1 % of the income or wealth tree, featuring CEOs, key senior executives and top financier-speculators, often engaged in a project of capitalist globalization. We examine data, both internationally and from Australia, on their changing fortunes, as indicated by growing income and wealth shares (particularly amongst the even smaller group of the top 0.1 %), growth in executive remuneration and the profit share, and increasing concentration of ownership amongst finance capital. Recent developments have been in stark contrast to the post-war settlement that saw these indicators of inequality stable or slowly decreasing as the working class made gradual gains. We consider the links between plutonomies and the practice and ideologies of financialisation and neoliberalism. We also refer to the implications of the emergence of plutonomy, including political responses and resistance.

1 Introduction

In September 2005, approaching the height of the pre-financial crisis bubble, three Citigroup economists—Ajay Kapur, Niall MacLeod and Narendra Singh—published an Equity Strategy Industry Note devoted to the supposedly new

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concept of 'plutonomy', an economy 'powered by the wealthy' (Kapur et al. 2005). The Note focused on growing disparities within the plutonomies—identified initially as the US, UK and Canada—between the top 1 % of society and the rest, in contrast to greater distributional stability in countries 'of egalitarian bent' such as continental Europe (excluding Italy) and Japan. They saw the world as divided into two blocs: the plutonomies and 'the rest'. For advisers dealing in equity strategies (the term 'equity' related to shareholdings, not distributional justice), what was special was that 'there is no "average consumer" in a plutonomy' and that 'in plutonomies the rich absorb a disproportionate chunk of the economy and have a massive impact on reported aggregate numbers like savings rates, current account deficits, consumption levels, etc.', making conventional analyses based on average consumers irrelevant. Hence the 'equity risk premium' linked to global imbalances in matters such as current account deficits, savings rates and debt was unwarranted.

Instead, they argued, finance strategists needed to focus on the 'rich consumers, few in number, but disproportionate in the gigantic slice of income and consumption they take' as these were the people whose economic behaviour mattered. For example, in a plutonomy the 'rich drop their savings rate [and] consume a larger fraction of their bloated, very large share of the economy' (Kapur et al. 2005, p. 14). Societies that were 'willing to tolerate/endorse income inequality, are willing to tolerate/endorse plutonomy' (Kapur et al. 2005, p. 22) and '[t]he wave of globalization that the world is currently surfing, is clearly to the benefit of global capitalists, as we have highlighted. But it is also to the disadvantage of developed market labour, especially at the lower end of the food chain' (Kapur et al. 2005, p. 23). They saw little sign that governments would act to reverse this trend. Their recommendation to their market was 'buy shares in the companies that make the toys that the Plutonomists enjoy' (Kapur et al. 2005, p. 25). They constructed a 'plutonomy basket' of shares in companies that did just that and showed how, relative to other firms, growth in their share values was fairly similar to that of other firms from 1985 to 1995, but easily surpassed it over the 1995–2005 period (Kapur et al. 2005, p. 28), particularly after 2000, coinciding with the consumption excesses of the decade one Wall Street insider called 'the zeroes' (Lane 2010).

On first glance, these insights might seem like the inside perspective of a Marxist cell hidden in the finance sector: dissidents determined to reveal the true nature of current capitalism. But, no: in March 2006 they published another Note entitled 'Revisiting Plutonomy: The Rich Getting Richer', providing further evidence that 'global capitalists are going to be getting an even greater share of the wealth pie over the next 5 years, as capitalists benefit disproportionately from globalization and the productivity boom, at the relative expense of labor' (Kapur et al. 2006a). In September, later that same year they hosted a conference 'servicing the ultra-high net worth community'. This they advertised as the 'Plutonomy Symposium—Rising Tides Lifting Yachts', and it was neatly summarized by the evocation: 'binge on bling!', the latter being defined as 'the imaginary sound that light makes when it hits a diamond' (Kapur et al. 2006b). Whilst 'plutonomists are likely to get even richer over the coming years', there were some risks but they noted 'it is beyond us to speculate about financial collapse. This would however be a serious issue for the rich' (Kapur et al. 2006b, p. 17). After all, earlier writings had dismissed the seriousness of concerns about global financial imbalances. The next year Kapur, then Citigroup's chief global equity strategist, left with a co-author to establish, not a radical blog-site but a hedge fund based in Hong Kong (Baker 2007).

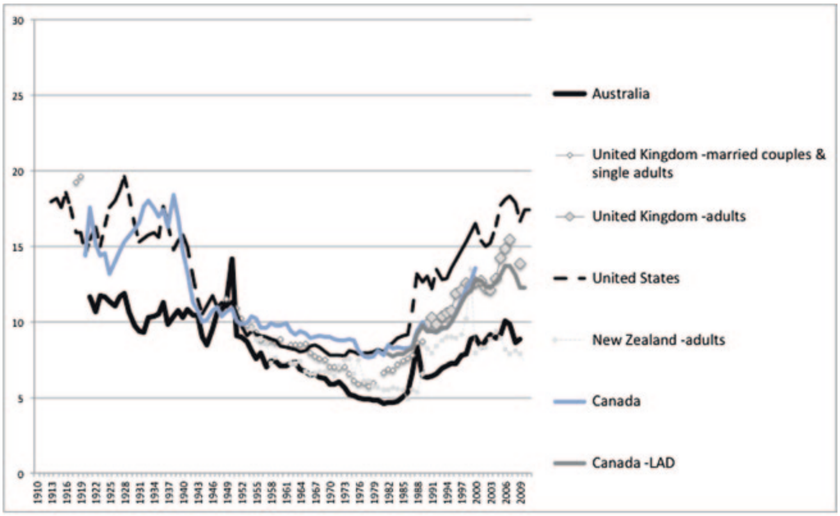
Almost as an afterthought, the Kapur-Citigroup team identified Australia as one of the plutonomies. Inequality in Australia has been well documented in terms of the relative and absolute situations of the poor and low paid (e.g. Kuhn 1982; Fagan and Bryan 1991; Robinson 2001; McQueen 2001; Fieldes 1996; Stilwell 2000, 1999, 1992; Lawrence 1987) but less has been written about extreme wealth (O'Lincoln 1996; Murray 2006; Stilwell and Primrose 2009). Much of the recent increase in inequality that has been observed in Western societies has been due not so much to the declining position of the low paid but to very strong growth in incomes at the top levels of society (Atkinson and Leigh 2008, 2007). Growing awareness of this, especially in the context of the global financial crisis (or 'great recession' in the USA) contributed to the rise of the 'Occupy' movement and associated rhetoric and to calls for action regarding 'the 99 %' of the population and 'the one percent' at the top.

The rest of our chapter considers the resurgence of the '1 %'—that elite group at the top 1 % of the income or wealth tree—its antecedents and links to financialisation (or monetarism 'on steroids' (Tabb 2011). We examine data both internationally and from Australia on their changing fortunes as measured by income and wealth shares, and growth in executive remuneration and the profit share, and give special attention to small elite groups *within* the 1 %. We then turn to the link between the practice of plutonomies and the practice and ideology of neoliberalism. We finish by looking at the implications of this tightening, polarising economic trend, including what new patterns of resistance and response might mean for the future.

2 Plutonomy in the Anglosphere

We first consider data from the World Top Incomes Database (Alvaredo et al. 2013b) regarding the share in gross (pre-tax) income of the top one percent in nineteen countries. As the World Top Incomes Database uses data from taxation records, and high income taxpayers have an incentive to minimise their claimed income, it is likely that the data underestimate the income share of the top one percent, though it seems unlikely that this underestimation will have reduced over time. Figure 1 is divided into three panels with comparable scales, Panel A shows data for the Anglosphere: the countries Citigroup referred to as 'plutonomies', with Ireland and New Zealand added, and which in the varieties of capitalism literature are often referred to as 'liberal market economies' (Hall and Soskice 2001). We see that across all of these countries, the share of the top one percent declined

(a)



(b)

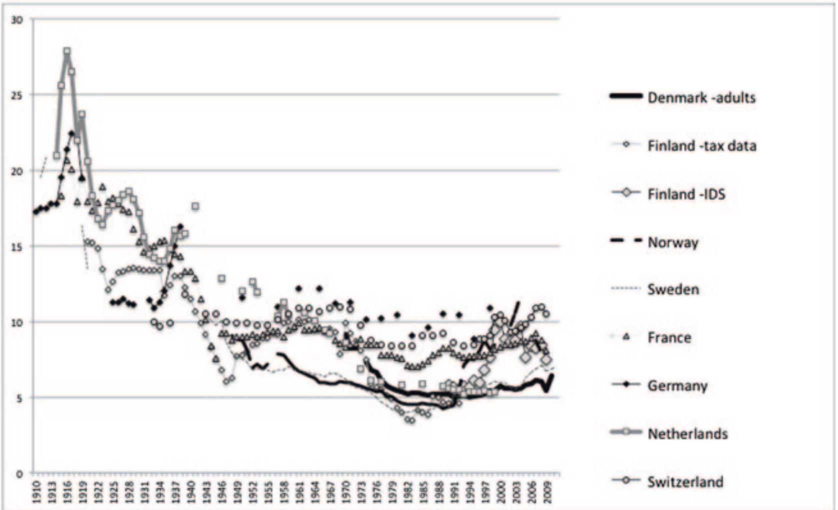


Fig. 1 Share of the top one percent of income recipients in different countries. **a** Panel A: Anglosphere. **b** Panel B: Northern Europe. **c** Panel C: Mediterranean and Asian developed countries. *Source* calculated from Alvaredo et al. 2013b 09/04/2013. Excludes outlier data for Norway for 2005 due to tax law changes (Aaberge and Atkinson 2010)

(c)

Fig. 1 continued

over many decades through the period of the Keynesian compromise and up until and through the 1970s—typically to about half the level at the beginning of the period. For example, in the US, the share of the top 1 % was typically around 15–20 % of total income (mostly closer to 15 %) over the period from 1917 (when the data series started) to the late 1930s. It fell fairly consistently from the late 1930s through to the 1970s, where it oscillated in a narrow band from 7.7 % (the 1973 low) to 8.1 %.

In each Anglophone country then, the share of the top one percent rose through the 1980s, 1990s and 2000s—in some cases roughly doubling. For example, in the US from about 1980 it started to rise, reaching 13 % of income in 1990, 16.5 % in 2000 and a peak of 18.3 % in 2007, dropping slightly after the financial crisis to 17.4 % in 2011 (though still higher than in any year between 1937 and 2004). In the UK a change in the referenced income unit seemingly overstates the increase in inequality by a percentage point or so, but even allowing for this the share of the top one percent more than doubled to 15.4 % in 2007. In Ireland it rose from 6 % in 1975 to 11.6 % in 2007; in Canada from 7.7 % in 1983 to 13.7 % in 2007; and in Australia (at the lower end of the plutonomy range, but starting from a more egalitarian base) from 4.6 % in 1981 to 9.8 % in 2007. New Zealand was the only exception, showing a near doubling in the top one percent's share between 1981 (5.5 %) and 1998 (10.2 %) over a period of privatisation and deregulation, before it fell back to 7.8 % in 2007 near the end of a Labour government. If we had thought of the top group more broadly—as comprising the top 10 %—then we would have seen growing concentration within that group towards the top one percent: in the US the '2–5 %' group (i.e. the 96–99th percentiles) showed only a small, steady rise from 12.8 to 15.5 % of total income between 1973 and 2007, and the '6–10 %' group showed almost no increase—from 11.3 to 11.8 %) over the same period.

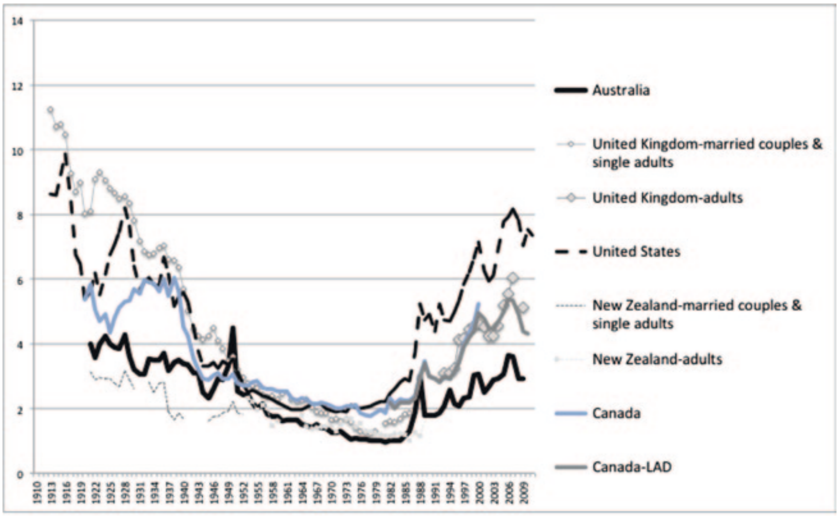
Panel B illustrates data for the Northern European countries (several of whom are referred to in VOC literature as 'coordinated market economies'). These typically shows a larger initial top income share early in the century than the Anglophone countries, and hence a greater decline in inequality to the 1970s than the Anglophones. From the 1980s they also show an increase in the top income share, but it is more muted. For example, in France the top 1 %'s share rose from 8 to 9.3 % between 1973 and 2007; in Switzerland over the same period from 9.8 to 10.9 %; in Sweden from 5.6 to 6.9 %; in Norway (the largest increase) from 5.7 to 8.8 %; and in Finland almost no net change to 8.3 % in 2007 (albeit after a fall to just 5.5 % in 1992).

Panel C shows related data for southern European and developed Asian countries for which there are data. Japan showed a high share for the top 1 % until the Second World War, after which it dropped sharply and stayed low until the 1980s. Japan, Singapore, Italy and Spain showed increases of roughly a quarter in the top 1 %'s share between 1973 and 2007, Portugal somewhat larger. In all but Singapore the top group's share was below 10 % in the latest year of data.

Within the top one percent, it appears that concentration of income is also rising. Figure 2, which again is divided into three panels, shows that much of the increase in the top one percent is in fact driven by the fortunes of the super-elite top 0.1 %. Panel A shows large increases in the share of the top 0.1 %: in Australia, more than trebling from one percent of total income through most of the 1970s to 3.6 % in 2007; in the United States, more than quadrupling, from 1.9 % in 1973 to 8.2 % in 2007; in the UK, more than trebling to 6.1 % in 2007; and in Canada more than doubling to 5.3 %. Within the top one percent, the share of the top 0.1 % increased between 1973 and 2007: from 21 to 36 % in Australia; from 24 to 39 % in the UK; from 23 to 39 % in Canada; and from 24 % to a substantial 45 % in the US). Panels B and C show increases, but typically on a more moderate scale, in most of the Northern European, Mediterranean and Developed Asian countries for which we have data. Amongst those for which we have data in both years, the share of the top 0.1 % within the top 1 % increased in Norway, Sweden and Switzerland but not Japan.

Wealth is more unequally distributed than income. Changes in the distribution of wealth show a broadly similar pattern to income in the Anglosphere. Leigh and Katic's (2013) recent work shows that the share of the top one percent of wealth holders decreased through most of the twentieth century, from around 35 % of all wealth in 1915 to below 10 % through the 1970s. It then rose from the late 1970s through to 2010. The share of the top 0.001 % of wealth-holders trebled between 1984 and 2010. The distribution of wealth has been consistently more concentrated in the UK and USA than in Australia; both the former showed declines in wealth concentration through until the 1980s, and increases afterwards (Leigh and Katic 2013). 'Ultra high net worth individuals' (those with assets of USD 50 m or more—accounting for roughly the top 0.001 % globally) are overwhelmingly found in the

(a)



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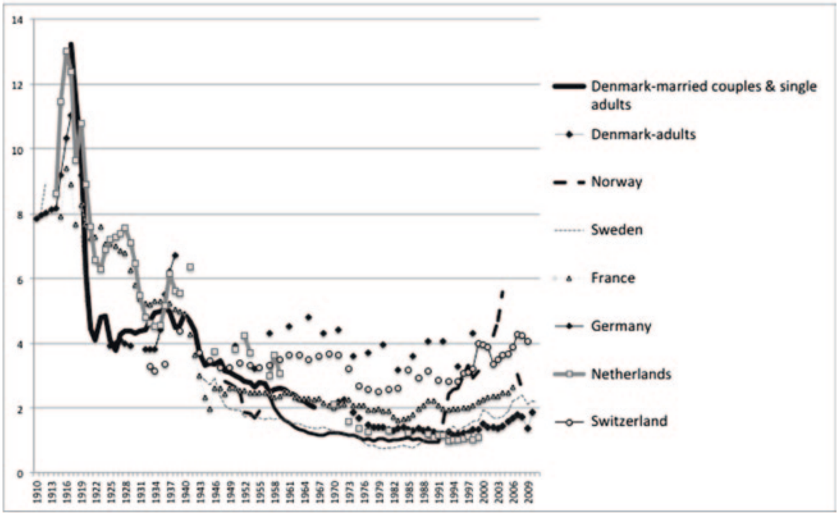

Fig. 2 Share of the top 0.1 % in various countries. **a** Panel A: Anglosphere. **b** Panel B: Northern Europe. **c** Panel C: Mediterranean and Asian developed countries. *Source* see Fig. 1

(c)

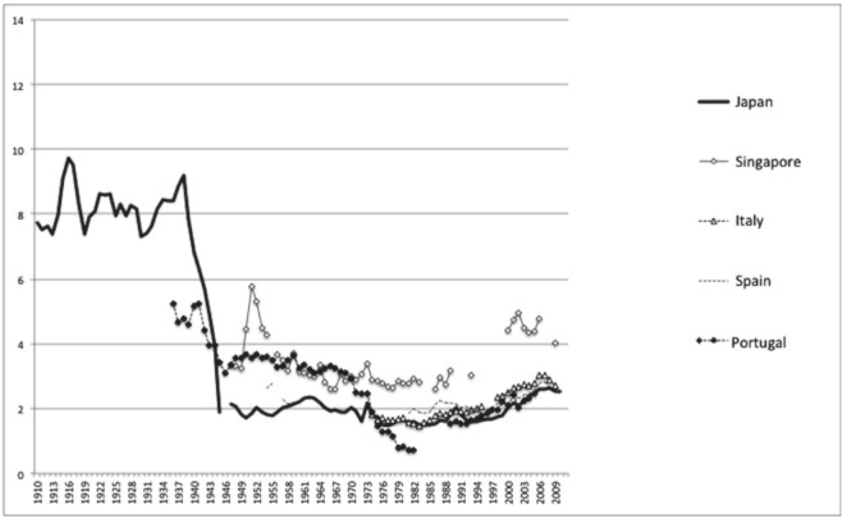

Fig. 2 continued

US (where over 35,000 live), then China (5,000), Germany, Switzerland and Japan, closely followed by the UK and France (Keating et al. 2012).

Parallel to the growth in the top income share has been the growth in the (more broadly based) profit share of national income in national accounts, when counterposed to the 'wages share'. Ellis and Smith (2007) examined profit share data for twenty OECD nations and found that the profit share was below its long term average over 1965–1983, but started rising in 1976 and especially 1982, to reach its highest level at 2005, the end of the dataset. In Australia the profit share relative to wages has risen substantially since 1983 and especially since 1996, and reached record levels in 2010 (Australian Bureau of Statistics, 5206.0). Even more so than in most OECD countries, the labour income share there has 'decoupled' from productivity (Cowgill 2013). That said, within the top one percent, major changes have occurred in the composition of sources of income. In the US, as Citigroup's Kapur et al. (2005, p. 5) point out:

> *While in the early twentieth century capital income was the big chunk for the top 0.1 % of households, the resurgence in their fortunes since the mid-eighties was mainly from oversized salaries. The rich in the US went from coupon-clipping, dividend-receiving rentiers to a Managerial Aristocracy indulged by their shareholders.*

Through the 1950s and 1960s, only 40 % of income for the top one percent was sourced from salaries. By the late 1980s and 1990s this portion was over 60 % (ibid). Relatedly, Krugman (2011) cited data indicating that most of the 0.1 % 'are corporate bigwigs and financial wheeler-dealers', with 43 % of the super-elite being 'executives at nonfinancial companies, 18 % are in finance and another 12 % are lawyers or in real estate'. That is, a large contribution to the growth in the financial elite's share since the 1980s has been the growth of

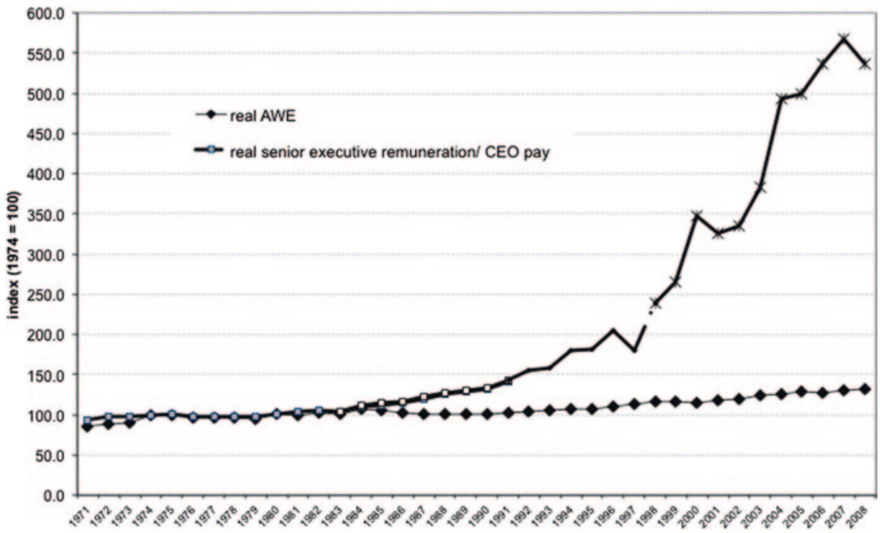

Fig. 3 Relative growth in executive remuneration, linked series, Australia, 1971–2008. *Sources* calculated as a spliced data series for CEO pay using Noble Lowndes Cullen Egan Dell 1992 (for 1971–1991), Kryger 1999 (for 1991–1998) and Egan 2009 (for 1998–2008); earnings and prices indices data from Australian bureau of statistics 6302.0, 6401.0. Further details in Peetz 2009

executive salaries—an observation also made, for Australia, by Atkinson and Leigh (2007)—and of salaries in finance capital. Thus the growth in the profit share in national accounts understates the extent to which the beneficiaries of capital gain, as executive and financial salaries are recorded as 'wages, salaries and supplements' in national accounts. There is probably also a shift in rent capture *within* the top groups underway, from minor shareholders towards CEOs, directors and senior financiers and executives as the power of the latter groups increase.

The changing share of the top one percent parallels the pattern of executive pay in the US. The ratio of senior executive remuneration to average earnings in the US declined slowly (by a total of 13 %) between the 1950s and 1970s, but then grew by 560 % from the 1980s to 2000–2003 (Frydman and Saks 2005). For Australia, a linked index of growth in real CEO pay and real average earnings is shown in Fig. 3. It shows stability in the ratio of CEO pay to average earnings through the 1970s but then a divergence commencing around 1985, such that CEO pay grew at nearly three times the rate of average earnings.

3 Behind the Resurgence of the One Percent

Rising inequality has been attributed to a number of factors. One of the more common reasons given is an increase in returns for skill, associated with the rise of skill-based technological change (SBTC). Yet technology has been improving almost non-stop since the industrial revolution, so it is not obvious on the surface why the technology changes of the post 1980s period should reverse the gains in equity over the preceding half century: something special is meant to be associated with the computer technology of the post 1980 period. Card and DiNardo (2002) examined the relevant US evidence and found that the timing and direction of a number of measures of wage inequality were inconsistent with the SBTC explanation. Moreover, rising skill differentials could hardly be used to explain the growing gap between the one percent and the rest. Meanwhile, productivity growth across the developed world has slowed down, not accelerated, since the 1970s (Organisation for Economic Cooperation and Development 2010) so even if SBTC drives productivity and hence incomes, there should be slower, not faster, relative growth of skill-dependent income shares in recent years.

But what about the skill levels of financiers and senior executives? Can increases there explain the growing share of the 1 %? If this were the case then we could expect a high degree of correlation between earnings and skill at those levels, which in turn would require a high degree of correlation between skill demonstrated in one year and skill demonstrated in the following year. (If the correlation is low, and good results cannot be reproduced from 1 year to the next, then we can conclude that what is proclaimed to be 'skill' is in all likelihood 'luck'). As a benchmark, for example, students who undertook two successive undergraduate courses in industrial relations at Griffith University, observed across three pairs of courses, showed an average correlations of $r = 0.75$ ($n = 37$) between their marks in the two courses, reflecting the fact that some level of skill is consistently used by students in submitting assessment items. Yet a study of the performance of investment advisers over an 8 year period showed zero correlation between their performance in any two successive years (Kahneman 2011). That is, the performance (and pay) of these financiers reflected luck, not skill. Likewise, several studies suggest that performance of investment funds over one period does not predict performance in the next period, and that 'actively managed' investment funds perform no better than others that simply track an index of stocks (Standard and Poor's 2006; Fortin and Michelson 1999; Philips 2011; Ferri 2010). More generally, there is widespread evidence that the pay of CEOs and directors does not consistently correlate positively with performance, and can sometimes correlate negatively with it (Firth et al. 1999; Shields et al. 2003, 2004; Yernack 2005; RiskMetrics Australia 2009). Nor can the emergence of some 'international labour market' for elite skills in place of nation-constrained markets be blamed for the explosion of top level incomes: if such a market had emerged, there would be a convergence of top income levels between the US and elsewhere, hence top income share growth would be lower in the US than in other nations.

One significant factor that must be considered is the countervailing strength of the union movement. Card and DiNardo (2002) attribute part of this increase in US wage inequality to declining unionism. Unions ensure that some share of what would otherwise be surplus is appropriated by workers rather than by capital. The US union movement is one of the weakest amongst developing countries and that nation is one where the share of income going to the top has increased the most. Within that country, a very strong negative relationship exists between the share of the top one percent, and the rate of union density. That can be seen in Panel A of Fig. 4, depicting the two variables over the period 1917–2011. As density rose in and following the 1930s, the top share declined; as density fell from the 1970s, the top share rose. The correlation between the two variables is r = −0.78. We would expect there would be some lag between changes in union density and the full effects on top income shares, and with a 4 year lag on top income share, the correlation is r = −0.86. However, union density is not something that autonomously rises and declines; it does so in response to other factors. So it is feasible that the factors that shape union density also shape top income shares both directly and, through the impacts of unionism, indirectly. This interpretation is given weight by Panels B and C that respectively concern Australia (where it has been necessary to create a linked series for union density) and Canada. In Australia, the top share gradually declined through the mid part of the twentieth century as density oscillated between 40 and 55 %. After density started its decline in the early 1980s, the top share rose. The correlation is smaller at −0.19 (no lag) or −0.29 (4 year lag) the lower correlation, only partly due to some erratic outliers. In Canada, the correlation is stronger (r = −0.81 with no lag, −0.77 with 4 year lag) and the top share drops as unionism rises in the 1940s, but the increase in the top share from the 1980s seems disproportionate to the small decline in overall density. However Canada was unusual in that public sector density rose substantially through the 1960s to the 1980s, as workers gained access to the right to unionise in an expanding public sector, whereas private sector density fell markedly (from 32 % in 1970 to 18 % in 2008). It is in the private sector that the elite generates its income; private sector density correlates better with top income shares.

The common thread behind the trends in union density and top income shares that we see is the dominant economic paradigms: in the postwar period in particular, the Keynesian compromise; and from the late 1970s and early 1980s onwards, the rise and dominance of market liberal or 'neoliberal' economic practice and ideology (symbolized by the elections of Thatcher and Reagan in the key Anglosphere economies). Neoliberalism (commonly seen as encompassing free trade, free markets, privatisation, lower tax and small government) saw the emergence of public policies aimed at restricting union activism and of a new employer hostility towards organised labour, especially in the Anglosphere (Peetz 1998). It saw the erosion of the progressive taxation system as the top 1 % paid less tax on their income and (in Australia) no longer paid tax on inherited wealth. (Changes in tax rates are not reflected in the charts on pre-tax income, but they are in effect reflected in the data on wealth.) Pre-tax (and post-tax) inequality rose more in countries with larger falls in top marginal tax rates (Alvaredo et al. 2013a). Commitment to neoliberal politics helped polarise the distribution of wealth between rich and very rich; and rich and poor in the Anglosphere and Australia (Atkinson and Leigh 2010). As Ajay Kapur said (when interviewed in Frank 2011) 'normally, there is a very tight correlation between deregulation and a plutonomy. You had periods of deregulation in the 1920s and in the 1980s and those created plutonomies'. Related to this political process has been financialisation, 'whereby financial markets, financial institutions, and financial elites gain greater influence

(a)

(b)

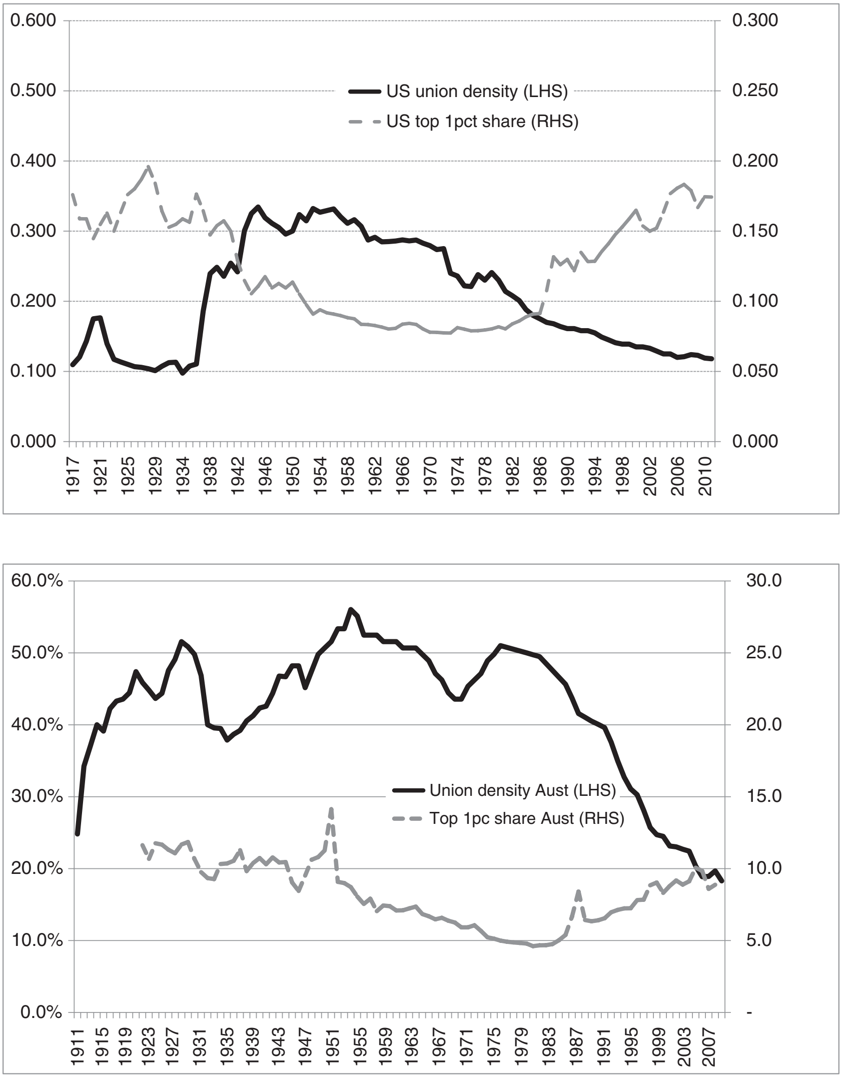

Fig. 4 Union density and share of the top one percent, selected anglosphere countries. **a** Panel A: United States. **b** Panel B: Australia. **c** Panel C: Canada. *Sources* Alvaredo et al. 2013b; ABS cat Nos 6323.0, 6325.0 and 6310.0; http://public.tableausoftware.com/shared/MKYGKY76J?:display_count=yes; Eidlin 2012

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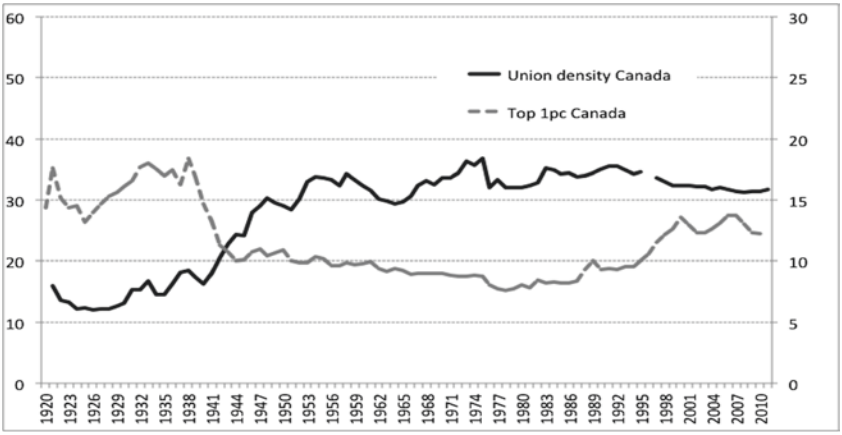

Fig. 4 continued

over economic policy and economic outcomes', transforming 'the functioning of economic systems at both the macro and micro levels' in ways that change or elevate 'the significance of the financial sector relative to the real sector [and] transfer income from the real sector to the financial sector' (Palley 2007, p. 2). The profits of the finance sector and incomes of its senior employees have risen disproportionately (Freeman 2010). Within the finance sector, which has also come to control investment funds on behalf of many smaller and state investors, ownership and control has itself become more concentrated in the hands of a small number of very stable shareholders, including such firms of US-based Black Rock, which under CEO Larry Fink controls over 6 % of all shares in the world's 300 largest listed corporations and dominates shareholdings in the US, Canada and Germany (Peetz and Murray 2012). The position of the very top finance capital shareholders was relatively stable and even consolidated through the global financial crisis (Peetz and Murray 2012).

As power of the 1 % has increased, modes of income generation have altered to reinforce its wealth and power. The markets for executive remuneration bear little resemblance to neoclassical textbook models. Pay here is principally determined by corporate size, not performance, and negotiated between different members of the same class in a context where: CEO pay is heavily influenced by relative pay deprivation (Runciman 1972); norms and corporate status shape CEO pay; CEOs can extract greater rents when they possess (male-centered) social capital; and institutions such as pay committees, remuneration advisers and bonus incentives emerge to facilitate the upward movement of CEO pay (Peetz 2010).

Whatever the mechanism through which growth of the top income shares is explained; it cannot be attributed to the wishes of society. When asked what they think *should* be the share of wealth held by the top quintile, Americans on average say ‘32 %’ (it is actually almost 85 %), and they wish the bottom quintile to hold 10 % (their holdings are one hundredth of this, at 0.1 %) (Norton and Ariely 2010). On this and many other matters there is a major gap between what people want and the neoliberal policies delivered by the state (Murray and Peetz 2010; Stilwell and Primrose 2009).

4 Effects, Resistance and Policy Responses

The effects of the growth of inordinate top income and wealth within the capitalist class are too numerous (Wilkinson and Pickett 2009) to cover in the space available here—we can just point to a few issues: the low rate of inter-generational mobility in countries with high top shares (despite the mythology that ‘anyone can do anything in America’) (Krueger 2012; Brunori et al. 2013); the disappointing rate of OECD productivity growth despite the promise of free market neoliberation (OECD 2010); declining median household income in the US, despite a rising average, as income is appropriated at the top; higher rates of child poverty in countries with high top income shares (Mishel et al. 2009; Stilwell and Jordan 2007); and worse health and social problems where inequality is higher (Wilkinson and Pickett 2009).

But one effect that is worth explicit mention is the resistance to financialisation. Since the financial crisis in particular, resistance to the 1 % has increased. This included the ‘Occupy’ movement, beginning in late 2011 when rallies were held ‘in more than 900 cities in Europe, Africa and Asia, as well as in the United States’ (Adam 2011, p. 1). People and tents inhabited public and non-public spaces around cities and in front of financial institutions thought to be responsible for the financial crisis. The Occupy movement spread to eighty-two countries (Aljezeera 2011). Social media played an increasing role in resistance actions, for example, an *Occupy Wall Street* webpage was reckoned to have mobilised thousands of people via the internet, Twitter, Facebook and Meetup (Berkowitz 2011). Writers and theoreticians (for example Michael Hardt—see Hardt and Negri 2000) responded to this call and assisted Occupy actions. ‘*Adbusters’* was another anti-globalization action, an activist magazine with circulation of 120,000 and boasting ‘a global network of artists, activists, writers, pranksters, students, educators and entrepreneurs who want to advance the new social activist movement of the information age’ (KPFA 2011). Yet despite initial gains, the Occupy movement subsequently lost momentum and publicity. A broader form of resistance than this, more grounded in labour, would be necessary to apply genuine pressure for reform.

In response to the resurgence of the 1 %, several aspects of reform suggest themselves, especially in the area of taxation. These include the re-establishment of higher rates of marginal taxation for high-income earners and inheritance or wealth taxation. One of the more immediate solutions to make capitalism operate more rationally is the ‘Tobin Tax’ or financial transaction tax (FTT): an extremely small tax on wholesale financial transactions (such as ‘trading of currencies, stocks, bonds, derivatives and interest rate securities'—Jubilee Foundation 2011), originally designed by leading Keynesian economist James Tobin. The FTT has received substantial support from the European economies but unified opposition from Anglosphere governments of all persuasions, despite the impact that financial instability has had on all countries. While taxation enables the state to recoup some of the income and wealth captured by the top group, a change in the forces that led to that group's extended dominance would require reconsideration of some of the privatisation and deregulation measures of the past three decades, especially in finance but also in some other aspects of the economy—reforms which, as mentioned, failed to deliver on productivity growth (Quiggin 2006, 2010).

5 A Return to Class

The Citigroup team's analysis was at once brilliant and naïve: brilliant for its dissection of growing inequality of wealth, income and power in the Anglophone countries of the West, and naïve in conceiving that the new system of plutonomy was sustainable. They failed to predict the global financial crisis that unregulated financialisation would shortly create, and dismissed the relevance of the economic fortunes of the 'multitudinous many' for the operation of the economy as a whole. We can identify no discussion of this concept on the Citigroup website since the global financial crisis, and Citigroup issued 'takedown' notices to bloggers and websites that posted copies of the report (Patrick 2011). But if Citigroup had followed a plutonomy investment model, that did not help it: that corporation faced collapse in the 2008 financial crisis and received over $45 billion in bailout assistance, eventually recovered by taxpayers (ProPublica 2013).

That financial crisis points to the importance of class, and to how subsidies to the rich provide no vaccination, or antidote, to the crises of neoliberalism. Instead crisis reveals the importance of investment in the public sphere, of giving attention to the growing environmental problems and of dealing with workplace stresses and the widening disparities of wealth (Stilwell 2009, p. 7). Stilwell (2006, p. 342) gave a comprehensive overview of class, leaning on Erik Olin Wright's (1979, 1997) updated version of Marx (1951, Chap. 17, p. 6), who had focused on three classes (workers, petit bourgeoisie and capitalists). Stilwell added 'small employers' and 'semi autonomous wage earners'. The body of empirical evidence (Carroll 2010; Robinson 2004; Murray and Scott 2012) suggests it may be desirable to also show another entrant: transnational capitalists (e.g. leading individuals in global financial corporations) who operate across national borders with multiple residences, and who wield large amounts of power over nation state economies despite (or because of) crises of capital. Stilwell (2009) graphically depicts the relations between classes, and the emergence of new ones over time, in a form we have reproduced and expanded in Fig. 5: in the right hand side and upper part of that figure we have added our depiction of the emergence of globalised production and a transnational capitalist class. For completeness, that schema also

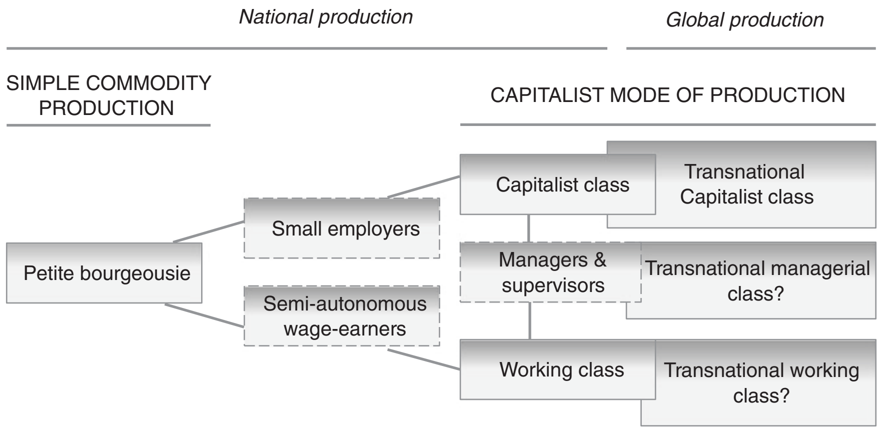

Fig. 5 Transnational capitalists and consequent class formation. *Source* adapted from Stilwell 2009

provisionally includes transnational management (Sklair 2001) and transnational labour (Struna 2009), but debates around those are beyond the scope of this paper. Stilwell sees new patterns of capital accumulation as providing qualitative changes ‘from classical imperialism to its modern form as ‘imperialism without colonies’ (Stilwell 2006, p. 127) with urban centres as the conduits of finance capitals rapid transmission.

6 Conclusion

The one percent broadly comprises CEOs, key senior executives and top financier-speculators, and includes some leading finance sector CEOs and executives who pursue “a class project of capitalist globalization” (Robinson and Harris 2000, p. 22). There are others who are within the one percent on income or wealth grounds and who play key supporting roles (e.g. top lawyers) or who have transitory positions but no role in the maintenance of capitalism (e.g. entertainers, sportspeople). In some respects (for example, through the mobility of finance capital), the one percent crosses international boundaries. The polarisation of wealth, and the consequent shares of income and wealth held by the one percent, and related measures such as the level of CEO remuneration and the share of profits over wages in the national accounts, have all grown in the period of neoliberalism since the 1980s (Stilwell 2009; Stilwell and Jordan 2007), in sharp contrast to the post-war Keynesian compromise that saw all these stable or slowly decreasing as the working class made gradual gains. There has been a dramatic (though incomplete) increase in the globalisation of financial capital and its fluidity (Stilwell 2006, p. 247). Now plutonomies—economies dominated by the very wealthiest sections of capital—are developing, especially in the Anglosphere, where the one percent was only temporarily set back by the crisis of capital that rocked everyone else from 2008. Income and wealth within the one percent is increasingly being concentrated within the 0.1 % and collective ownership by finance capital is becoming more concentrated within a relatively small group of finance capitalists.

We give the last words to Ajay Kapur who, when questioned about his inability to adequately foresee the global financial crisis, said 'the financial crisis came and went, and the plutonomy has survived intact and probably even gotten stronger… I think the plutonomy has built upon itself and it has deep roots now. One of the main reasons you get a plutonomy is you have capital-friendly governments and I think that is still in place. Across the political spectrum it is very tough to destabilize or reverse the nexus of the plutonomists and politicians and policy makers' (in Frank 2011). These words can continue to alert us to work to be done.

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Part V
Economic Policies

The Neoliberal Emperor has No Clothes: Long Live the Emperor

Jane Kelsey

Abstract Long before the global financial crisis Frank Stilwell was urging the left to develop and debate alternatives to neoliberalism. The post-2007 crisis prompted claims, including from former Australian Prime Minister Kevin Rudd, that neoliberalism had failed. For a fleeting optimistic moment the mantra of TINA—there is no alternative—seemed vulnerable. Instead, the neoliberal/economic rationalist agenda has been resuscitated with a vengeance in many countries. There has been particular complacency that Australia and New Zealand came through the global financial crisis relatively unscathed and there is no need to rethink the neoliberal model of the past three decades. This chapter examines the reasons for the resilience of neoliberalism and the obstacles to a socially just alternative. It assumes the inter-relationship of financialisation, as the prevailing mode of accumulation, and neoliberalism as the regime that advances, sustains and rescues it. It argues that neoliberalsim has become deeply embedded in Australia and New Zealand through an integrated and mutually regime of meta-regulation, which includes enforceable international treaty reinforcing obligations. Importantly, however, that regime takes different forms in different countries, which affects the prospects for escaping the neoliberal paradigm at a time of crisis. The chapter compares Australia's more institutionalised and pragmatic approach to New Zealand's reliance on legislative fiat and contract and concludes, counter-intuitively, that neoliberalism is more deeply embedded in Australia than New Zealand. However, the future directions of both countries are deeply interrelated. To break through this barrier requires, amongst other preconditions, a comprehensive counter-strategy to analyse, expose and replace the regime of embedded neoliberalism.

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1 Introduction

Frank Stilwell's book *Changing Track*, published in 2000 at the peak of the dot.com bubble and years before the global financial crisis (GFC), sought to spur debate about 'a new political economic direction for Australia'. Stilwell recognised 'it is far from obvious what form it should take', but urged 'social scientists to start seriously exploring a broader array of possibilities' (Stilwell 2000, 6).

Following the GFC, there is a special urgency for critical academics and public intellectuals to break through the ideological barriers, eschewing both romanticism and sectarianism, to advance a progressive and socially just transformation from the current paradigm. The brief window of opportunity following the GFC closed very quickly, making a mockery of Kevin Rudd's premature obituary that 'the neoliberal emperor has no clothes' and that 'the great neoliberal experiment' had failed (Rudd 2010, 85). The paradigm remains deeply embedded and aggressively resurgent in highly financialised economies like Australia and New Zealand.

The central theme of this chapter is that neoliberalism has become deeply embedded through a complex, normative and resilient regime. This raises three related questions: given developments in Europe and elsewhere, how will the governments of Australia and New Zealand respond to a future financial crisis that impacts much more heavily and directly than the GFC; to what extent would embedded neoliberalism prevent the pursuit of alternatives in that post-crisis context; and what role can public intellectuals play in creating the pre-conditions to move to a socially progressive paradigm?

The first section draws on insights from the political economy of law to help explain the resilience of the neoliberal regime when the financialised mode of accumulation that it supports is in crisis. That argument is developed with reference to the embedding function of legal ideology and the techniques of meta-regulation and economic constitutionalism.

That leads into the central argument of this chapter: the need to look beyond the common features and contradictions of neoliberalism internationally to assess the power and vulnerability of different neoliberal regimes in specific countries, which in turn affects the potential for change. New Zealand's ideological and instrumentalist style of neoliberalism, based on legislative fiat and contract, is contrasted with Australia's substantive focus on productivity, use of institutionalised and systemic mechanisms, more conciliatory political style and cross-party, state-federal consensus. That comparison leads to the counter-intuitive conclusion that Australia's style of neoliberalism is more deeply embedded than New Zealand's.

The penultimate section looks beyond national borders to consider the extent to which significant national differences are conflated through global, regional and bilateral economic treaties. In particular, the Trans-Pacific Partnership agreement currently being negotiated between twelve parties, including Australia and New Zealand, aims to incorporate instruments of meta-regulation into a binding treaty that would become enforceable in private extra-territorial tribunals.

The chapter concludes with some reflections on what might be needed to break down these embedding mechanisms and open the way for genuine transformation.

2 Stilwell's Challenge to Build Alternatives

To engage effectively with Stilwell's challenge requires a sophisticated understanding of how neoliberalism achieved and maintains the status of orthodoxy, and the barriers which that poses to genuine transformation. In *Changing Track* Stilwell warned not to underestimate the impediments, pointing to 'economic interests, institutional structures and the prevailing ideologies which shape and constrain what can be done' (Stilwell 2000, 11). He identified four features as fundamental to developing a progressive alternative: critique, vision, strategy and organisation. Satisfying the first two features would be relatively easy: there is abundant critique, and no shortage of policy instruments for pursuing the vision of a more secure, egalitarian, sustainable and ethical socio-economic system. The strategy and political organisation for transformation are more difficult, given the capture of public institutions, closure of debate, and weaknesses and fracturing of left politics. Stilwell was more sanguine than this author about the potential for social movements to finesse the standoff between social democratic and socialist party politics.

While broadly agreeing with Stilwell's assessment, this chapter suggests that he and many others tend to under-estimate the cumulative power of the neoliberal regime to sustain the financialisation of capital accumulation, especially in times of crisis, and the difficulty of replacing neoliberal policies with progressive alternatives. The broad framework draws on Gill's schema of social structures of accumulation and the regime of accumulation that facilitates and stabilises those structures (Gill 2003, 93–94). The degree to which both Australia and New Zealand are structurally dependent on the FIRE economy (Foster 2008, 13)—finance, insurance and real estate—as the prevailing mode of wealth creation means the state cannot allow financialisation to fail (Bertram 2009; Quiggin 2010).

There is an abundant literature from diverse perspectives on how this transpired through the transition from industrial to finance-led capitalism since the 1970s (Harvey 2010; Quiggin 1996; Roubini and Mihm 2010). There is less forensic analysis of how neoliberalism effectively constrains the state from realigning the regulation of capital, labour, natural resources and information to favour non-market or social objectives, and conducts rescue missions at times of crisis. This chapter therefore focuses on the role of neoliberalism as the regime of accumulation, how it has systematically immersed the social, commercial and public domains more perilously into the fragile and unstable economy of FIRE and what barriers need to be overcome to achieve a progressive transformation.

Early analysts of structural adjustment in the 1980s identified two phases: a raft of changes to policy and regulation that initiated the economic transformation; and the consolidation of new paradigm through a coherent policy, regulatory and institutional regime (Haggard and Kaufman 1992, 19). That first phase has been extensively documented, including in Australia and New Zealand (e.g. Pusey 1991; Kelsey 1995). The rise of neoliberalism from the mid-1970s progressively weakened the state-centred regime that had sustained industrial capitalism during the twentieth century and reconfigured it to privilege economic norms and rules that restrict the scope of state intervention and give primacy to efficiency through competitive global markets–a theory not necessarily represented in practice. While specific components, such as corporatisation and results based public finance, often started as experimental and evolved over time, the overall project has always had clear and consistent objectives: to lock in the gains for capital and lock out or depoliticise the forces that challenge it. (Gill 2002, 48; cf Jones 2012)

Most critical accounts, including this author's, have tended to focus on the 'who, what, how' and a rather shallow version of the 'why'. The standard storyline treats the neoliberal platform as an accumulation of ideologically consistent, but discrete policies of fiscal austerity, monetarism, competition policy, labour market deregulation, privatisation, financial deregulation, contractualisation of the public sector, and so on. Some link that agenda to the Trilateral Commission (Marchak 1991, Chap. 5); others see these policies as experimental adaptations of fashionable theories, which converged to become known as the Washington Consensus (Kelsey 1995).

There are two problems with this standard narrative: it does not explain first, how these policies, regulations and institutions have consistently worked to sustain financialisation and second, the extraordinary resilience of neoliberalism as the restabilising mechanism at times of crisis. Clearly ideological shifts, élite and technocratic capture, privatisation of policymaking, and socio-cultural adaptation are all contributing factors. Law itself is a much less obvious but arguably more potent mechanism. Law is ideology. The legal form of statutes, regulations, treaties and their associated institutions enjoy intrinsic legitimacy through their origins in the state and presumed neutrality and independence.

The myth of the withering of the state has been a powerful and seductive illusion that shielded the state's role as the midwife of financialisation. Each policy and regulation has its own function in the regime. That may generate criticism and sometimes resistance. But the broader legal and institutional framework has effectively contained crises that affect individual policy areas, such as financial industry self-regulation, monetarist strategies of an independent central bank, failed privatisations, or a public spending blowout. The complexity or 'thickness' of the overall regime, combined with the boundaries imposed by specific legislation and contractual terms, have effectively quarantined dysfunctional elements from infecting the others. For 30 years now, neoliberal regimes have proved sufficiently coherent and interconnected as a whole that they can survive the acute breakdown of an individual element and create a supportive environment for its rehabilitation.

3 Embedded Neoliberalism

Not all regulatory mechanisms and institutions are equal. The most potent are those used to implement systemic policies, such as central banks' monetary authority, fiscal responsibility laws, 'best practice' risk-tolerant regulation, National Competition Policy, results-based public finance and free trade and investment treaties. Over several decades each of these has assumed a normative status and imposed direct and indirect disciplines that compel governments to comply with particular aspects of neoliberal orthodoxy. But their real strength lies in their cumulative power as a regime whose whole is much greater than the sum of its parts.

Where does that strength come from? If neoliberalism had lacked roots it would not have been fit for purpose. Future governments can, in theory, reverse any domestic policies. Hence, it is necessary to embed those aspects of the neoliberal regime that are essential to financialisation. 'Embedding' is used here in a very particular sense to describe a complex, mutually reinforcing regime of regulatory instruments and associated institutions that support financialisation through complementary ideological tenets, contractual relationships, organising principles, technical tools, incentives and enforcement mechanisms.

A distinction can be made between two kinds of embedding mechanisms, referred to here as 'meta-regulation' and 'economic constitutionalism'.

'Meta-regulation' describes higher-level normative instruments that set the parameters for more specific policies, laws and governmental actions. Rather than addressing every policy and regulation individually, the process of regulation itself is regulated (Morgan 1999, 50). Centrally imposed rules circumscribe the process and criteria for decisions, and often who should make and participate in them. This ensures that the presumption of pro-market governance becomes institutionalised and embedded within everyday routines of governmental policymaking. Governments must make decisions within those constraints unless they can change the meta-rule. These instruments take various forms, but are primarily statutes, federal-state agreements, executive directives and international treaties.

In New Zealand especially, meta-regulation has been complemented by the more overtly ideological 'economic constitutionalism'. As with a political constitution, this refers to high-level normative legal instruments that pre-commit governments to maintain policies and practices in perpetuity. Even if the political party in government changes, it will be compelled to operate within these prescribed parameters.

James Buchanan, a key player in the Mont Pelerin society, founded the school of 'constitutional economics' in the 1970s (Buchanan 1990). Building on emergent public choice theory, Buchanan argued that economists and political scientists had neglected the political-governmental institutions through which economic policy must be implemented. New rules were needed to constrain the short run political expediency that Keynesian economics had unleashed through a rediscovery of classical political economy and contractarian political philosophy (Buchanan 1977, 1990, 10).

From the early 1960s Milton Freidman championed a monetary constitution that would dictate the state's powers and duties with respect to monetary policy so as to protect the value of wealth from erosion by inflation (Friedman 1962). A complementary rationale advocates for a fiscal constitution, both to avert the risk that fiscal policy is used to provide a substitute for monetary expansion and because taxation is theft (Buchanan and Wagner 1978; Brennan and Buchanan 2000). The notion of a regulatory constitution, espoused most vigorously by Richard Epstein, seeks to guarantee protection of private property from regulatory takings (Epstein 2000).

In their ideal quasi-constitutional regime, the ‘fundamentals’ of monetary and fiscal policy and private property rights are quarantined from political interference through special legislative and institutional arrangements: an independent central bank that is focused exclusively on price stability; statutory obligations to maintain fiscal discipline and low debt, with increased taxes and spending authorised through referenda; and legal rights to compensation for regulatory takings (without the caveat of ‘on just terms’ in Section 51(xxxi) of the Australian Constitution).

The ideology of both meta-regulation and economic constitutionalism creates ‘a capacity to replace fact with fiction, to close the door on further inquiry and so to be that which we cannot go beyond in our legal understanding’ (Kerruish 1991, 124). This has several consequences. First, these instruments are accepted as normative, so no one looks too closely at whether they actually achieve their stated objectives or at the selective criteria and partisan methodologies that are used to proclaim success (Quiggin 2005). Their failures, dysfunctions, impracticality and even non-compliance are tolerated or ignored (Carroll 2010, 115).

Second, these techniques achieve ideological closure. A norm or institution may still be contested, but any such challenge is *ipso facto* outside the ‘legitimate’ discourse within which it operates. Dissidents risk derision, even when they can articulate a credible alternative platform. The regime cannot be subverted from within.

Third, these meta-rules share normative characteristics. Attempting to change any one of them is a challenge to the regime. But even if one were to be amended significantly or even abandoned, the broader regime would remain intact. Achieving a paradigm shift requires a systematic and comprehensive assault on the many elements that comprise the whole.

4 Neoliberal Meta-Regulation

The potency of this regime makes it essential to understand the anatomy of individual instruments and the common embedding techniques they deploy. The following analysis uses New Zealand examples.

The simplest disciplinary mechanism is their normative discourse. The state’s obligations are clothed in seemingly neutral, but ideologically loaded vocabulary such as fiscal and regulatory *responsibility*, price *stability*, *free* trade, *least burdensome* measures, competitive *neutrality*, *cost-benefit* analysis, and the *soundness* of the financial system. What government wants to be declared, or forced to declare itself to be, irresponsible, promoting instability, inefficient, or adopting unsound practices?

More explicitly, statutory objectives require governments to give primacy to neoliberal objectives, which are often supported by more specific principles and the explicit naming and ordering of relevant considerations. The primary function of the Reserve Bank of New Zealand (Section 8) is ‘to formulate and implement monetary policy directed to the economic objective of achieving and maintaining stability in the general level of prices'. The Fiscal Responsibility Act 1994 (later incorporated into the Public Finance Act 1989) set out principles that require *inter alia* 'prudent' public debt levels to be achieved and maintained by ensuring fiscal surpluses, on average, the prudent management of the Crown's fiscal risks, and providing buffers against adverse effects on the Crown's net worth.

New Zealand's proposed Regulatory Responsibility Bill had a long list of principles, leading with the requirement that 'Acts and regulations do not diminish, or have the effect of diminishing, personal security liberty, and, except as subject to this Act, freedom of contract and right to property' (Clause 6). Likewise, they must 'not unnecessarily limit' and 'where applicable enlarge' individual choice and freedom of action, and the scope for voluntary cooperation'. In the interim, the Cabinet directive on 'Better Regulation, Less Regulation' has maintained similar normative language.

The principal objective of New Zealand's State-owned Enterprises (SOE) Act 1986 is 'to operate as a successful business *and to this end'* be as profitable and efficient as a comparable private sector business, be a 'good employer' and 'exhibit a sense of social responsibility by *having regard to* the interests of the community in which it operates and by *endeavouring* to accommodate and encourage these *when able to do so'* (Section 4).

Even laws that retain references to old public service norms are hybrids. The Public Finance Act 1989 promises a framework for parliamentary scrutiny of government expenditure, assets and liabilities, reporting obligations on ministers and state entities, and safeguarding of public assets; but it also establishes lines of responsibility for 'effective and efficient management' of public financial resources and financial management incentives and accountabilities (Section 1A).

Narrow classical contracts have replaced the relational contractualism traditionally found in public sector as the basis for public financing, public sector management and performance, monetary policy settings, conduct of state-owned enterprises, and much more. Contract is an ideological device that circumscribes the permissible sphere of activities and excludes third parties and extraneous considerations or 'externalities'.

Contractualism favours techniques like metrics, ratings and audit that draw their legitimacy from the accounting, mathematics and economics disciplines. Tools like output classes, key performance indicators, accrual accounting and fiscal projections make the norms operational. These techniques are imbued with scientific qualities of certainty, precision and objectivity that disguise their highly subjective and ideological content. Their technical form makes them accessible to an exclusive club of public and private sector experts with the specialist skills to engage the detail, and largely precludes critical review—even by parliamentarians whose constitutional function is to approve the expenditure of public funds or are formally tasked with their oversight (Newberry and Pallot 2006).

A further mode of discipline is to require politicians and policy makers to confess their non-compliance. Most strong neoliberal instruments have some inbuilt flexibility that acts as a shock absorber where compliance could have untenable economic, social or political costs. Under Section 12 of New Zealand's Reserve Bank Act 1989, the Minister of Finance through Order in Council can direct the Bank to implement monetary policy in pursuit of an economic objective other than price stability, for 1 year, renewable once; this action must be gazetted and tabled in Parliament.

Similarly, the Fiscal Responsibility Act 1994 allows Parliament to approve temporary deviations, conditional on the Minister of Finance specifying the target date to return to the norm. Under the SOE Act 1986 (Section 7) the government can require an enterprise to undertake non-commercial activities through an explicit contract and subsidy. The stalled Regulatory Responsibility Bill would have allowed governments temporarily to deviate from the principles of regulatory responsibility, but the Minister for Economic Development would have to explain by notice in the Gazette the reasons, duration and pathway back to responsible regulation (Clause 6(5)).

Almost all these supervision and surveillance mechanisms are located in the ideologically partisan economic agencies of government. The broadening of treasury functions from fiscal to economic policy, and its status as a 'control agency', means New Zealand's Treasury serves gatekeeping roles between the bureaucracy and politicians. Performance metrics also makes them the logical overseers of other mechanisms, such as the Treasury-based Regulatory Impact Analysis Team that evaluates regulatory impact statements. The Governor of the independent central bank is insulated from the influence of ministers, Parliament and other government agencies, including the Treasury.

Free trade and investment agreements impose a raft of disciplinary mechanisms: reporting, reviews, self-notifications and requests by other state parties for consultations. If these fail to satisfy the concerns, the state can elevate the dispute to a formal hearing in an extra-territorial tribunal comprised of trade and investment practitioners and academics or former trade diplomats. Financial and reputational costs and the risk of commercial sanctions provide a disincentive to pursue a contested policy or law. Foreign investors can also pursue claims directly against the governments where they allege that new policies, actions or regulations have breached special guarantees in the agreement and significantly reduce their value or profitability. These disputes can be pursued in lengthy, expensive and private proceedings before ad hoc investment tribunals that have become notorious for their legal adventurism and pro-investor bias (Eberhardt and Olivet 2012). Threats of such disputes are often designed to have a chilling effect on a government's policy decisions.

A final element makes a mockery of the public choice rationale that underpinned New Zealand's neoliberalism. Far from eradicating the influence of vested interests, the neoliberal revolution has stacked the decks with self-interested individuals and firms on performance pay or contract, ideological fellow travellers and commercial beneficiaries, who advise, operate, audit and 'enforce' the pro-market rules within and outside government. They are also strategically placed to ring the fire alarm at the slightest whiff of deviation.

5 Comparing Australia and New Zealand

The more prescriptive the neoliberal legal instruments and the tighter the disciplines they impose on government to conform within those parameters, the greater the potential for dysfunction. Intuitively, such a regime should be less sustainable in a time of crisis than one that is more pragmatic and flexible. That makes it important to understand the specific forms and content of the mechanisms adopted in individual countries, the context in which they were created, by whom, and how they operate.

As Stilwell pointed out, globalisation intensifies the connections which link capital, labour and states. Governments do not have free-floating political choices about their economic policies—but they can and do respond differently to changing economic conditions (Stilwell 2000, 33). Why is it that nations in Europe are drowning under austerity politics, while Iceland pursued a more ethical politics of social solidarity with a modicum of success (Stefansson 2014) These responses are clearly influenced by national characteristics, economic configurations, culture and politics. But the substance, form and embeddedness of their neoliberal regime is also a vital factor that shapes how a government responds to crisis—as evidenced in the European Union by the tension between regional governance structures and meta-regulatory instruments like the Growth and Stability Pact, and national polities and their socio-economic priorities (Oberdorfer 2012).

Given the deep economic integration of New Zealand into Australia, especially in finance, a major crisis in either country will reverberate across the Tasman. That makes it essential to examine more explicitly the similarities, differences and inter-relationships in the two countries' embedding mechanisms. (see Easton and Gerritson 1996; Castles et al. 2006).

Three decades ago, 'the lucky country' (Australia) and 'Godzone' (New Zealand) were in the vanguard of a radical transformation in the global political economy. Many on the intellectual left were shell-shocked as the core pillars of Keynesian welfarism were shunted aside by an ideology and practice that was seen as radical, experimental and extreme (Easton 1993; Stilwell 1993). Today, it has become orthodox, normal and embedded in both the everyday workings of government and our daily lives—despite a massive rise in inequality, insecurity and private debt and strong residual attachments to pre-neoliberal values (Pusey 2010).

Comparisons of Trans-Tasman experiences with neoliberalism often treated them as variations on a theme (e.g. Castles et al. 1996), reflecting the common influence of fashionable theories, personnel exchanges, intimately connected think tanks, direct policy transfer, and diffused learning from institutions like the OECD. Both countries addressed the same broad menu of Washington Consensus policies, although the speed and sequencing varied. Each started with moves that directly facilitated the shift from industralisation to financialisation. Floating of the currency, removal of capital controls, deregulation of financial markets, restructuring and privatisation of the finance sector, as well as trade liberalisation, unleashed a Wild West mentality in both countries and dramatic collapses of the share and property markets in the late 1980s and early 1990s (Jesson 1999; Quiggin 1996, Chap. 7).

Yet there have been stark differences in politics, processes and outcomes. Tim Hazledine and John Quiggin contrast Australia's 'more cautious, piecemeal, consensus based approach' over several decades with New Zealand's adoption of 'a radical, rapid, "purist" platform' (Hazledine and Quiggin 2006, 145). These differences flow through to the form and content of the neoliberal regime and to how robust or susceptible it is to transformation at a time of crisis.

6 New Zealand

The 'New Zealand model' was largely experimental, driven by an ideological commitment that applied theories of agency, public choice, transaction-cost economics, new institutional economics and new public management to the real world. Successive Labour and National governments enjoyed a carte blanche for 3-year terms thanks to the unitary political system with a unicameral parliament elected under a first-past-the-post system. The thin machinery of government in such a small country also accounts for the extraordinary influence of a small cadre of public officials and private individuals whose politics were confrontational and openly contemptuous of electoral democracy.

New Zealand's neoliberalism relied on blunt legal instruments to force radical structural change. All the major pillars were erected in the first decade: the State-owned Enterprises Act 1986, the State Sector Act 1988, Public Finance Act 1989, the New Zealand Reserve Bank Act 1989 and the Fiscal Responsibility Act 1994. They were accompanied by the ideologically driven privatisation of state assets, effective removal of restrictions on trade and foreign investment, and extensive deregulation of financial, labour and utilities markets.

Both the major parties, Labour and National, made these radical changes without an electoral mandate. Their arrogance generated a backlash that culminated in the advent of mixed-member proportional representation (MMP) at the 1996 election. By then the economic transformation was complete. A bipartisan consensus of Labour and National treated the quasi-constitutional pillars as unquestioned orthodoxy. Paradoxically, the rise of third parties and coalition politics made it more difficult (initially) to introduce further radical policies of any kind, a stasis that also protected the neoliberal regime.

The coalition government of Labour and the left-wing Alliance from 1999 to 2002 was the most radical in the three decades of neoliberalism. The Alliance was formed in 1991 from the New Labour Party, the Greens, Mana Motuhake and the New Democrats. Their very effective parliamentary party pressed their sometimes-reluctant Labour counterparts to adopt policies to temper labour market deregulation, introduce paid parental leave, raise the top income tax rate and establish state-owned Kiwibank. But this was fiddling at the edges. The Alliance imploded and Labour settled into a short-term political management strategy.

The next 6 years of Labour's Third Way politics deepened the financialisation of the New Zealand economy and private debt as a share of household income (Bertram 2009). Labour maintained a risk-tolerant approach to the regulation of financial markets and industry and introduced regulatory impact assessments that favoured light-handed regulation (Seuffert and Kelsey 2010). A number of free trade and investment treaties were concluded, including with China.

Favourable cyclical conditions generated fiscal surpluses and allowed public debt to be virtually eliminated, so compliance with the fiscal responsibility law was a non-issue. Monetary policy was more fraught. The Reserve Bank's inflation targeting through interest rates fuelled speculative trading in the currency, an over-valued exchange rate that damaged exports industries and an overheated property market. Finance minister Cullen toyed with using the temporary power to deviate from the pure price stability objective, but there was no serious suggestion that Labour might amend the Reserve Bank Act. Neoliberalism emerged from Labour's three terms more firmly embedded than it was in 1999.

Since Labour's loss and the election of a National-led coalition in 2008 the old-style New Zealand model has been resurrected. National played down its own radicalism in the first term. But it agreed to a number of extreme initiatives under a confidence and supply agreement with the Act Party (originally the Association of Consumers and Taxpayers), which was founded in 1993 by disaffected activists who believed that Labour and National had sold out the libertarian dream. Slightly muted versions of Act's policies have been adopted, including the 'Better Regulation, Less Regulation' Cabinet directive, the establishment of a Productivity Commission, and introduction of charter schools, and public private partnerships for school and hospital facilities. Although these echo mechanisms already in place in Australia, their rationale and function is more narrowly ideological.

There is no sign that neoliberalism is under threat in New Zealand. The national-led government maintained a large majority in the polls even though some of its policies, especially privatisation and mining, were very unpopular. When a stronger and more assertive Green Party challenged aspects of the 'orthodoxy', notably by promoting monetary easing, it was pilloried for 'voodoo economics' (NBR staff 2012) and subsequently backed off on proposals (Small 2013). An internal tussle within Labour over its direction generated proposals for greater flexibility within the current neoliberal regime, but nothing radical. If there is a major financial crisis in the foreseeable future, the conditions in New Zealand are therefore ripe for an EU-style repressive neoliberalism—even without the external pressure that would come from the International Monetary Fund (IMF) and credit rating agencies and internal pressures from strategically placed fire alarms.

7 Australia

The politics and focus of Australia's neoliberalism are very different. There are four features that, perhaps counter-intuitively, appear to make it more deeply embedded than New Zealand's.

The first is Australia's *substantive* focus on the real economy, productivity and global competitiveness compared to New Zealand's doctrinaire commitment to small government and liberating the 'invisible hand' of the market.

The contrast between the Australian and New Zealand approach to monetary policy is striking. Australia initially addressed inflation through the Prices and Incomes Accord from 1983 to 1990. Although the focus of monetary policy shifted to price stability, Section 10 of Australia's Reserve Bank Act retained the broad duty to ensure that its monetary and banking policy 'is directed to the greatest advantage of the people of Australia' and exercised in a manner that will best contribute to currency stability, maintenance of full employment and economic prosperity and welfare.

New Zealand's exclusive focus on price stability adopted in 1986 and bound into law in 1989 operates through a web of inter-related contracts between the Minister and the Governor, and the Governor and the independent Board. This model was a world first and hailed by neoliberal cheerleaders as a trailblazer for other countries, until its deficiencies were recognised. The Reserve Bank of Australia was at times scathing of its New Zealand counterpart's formulaic approach. For most of the formative years, the Bank's independent governor Don Brash stood guard over the 'monetary constitution'.

A second stark contrast relates to the centrality of National Competition Policy in Australia. There is no questioning the neoliberal credentials of the Hilmer Commission's report (Hilmer 1993), the National Competition Policy framework or the Productivity Commission. The rationale was unadulterated ideology—that pure competition should take precedence over any competing values and that competitive markets would deliver not only a thriving economy, but also employment and social wellbeing and protect the public interest. As John Quiggin shows, the net benefits a decade later had failed to reach even half the estimated 5.5 % gains to the national economy, even when they were manipulated to include the entire micro-economic reform programme, which itself is unsustainable (Quiggin 2005; see also Quiggin 1996, 213–218).

However, the point is that Australia's National Competition Policy did actually engage with the real economy. New Zealand has had no counterpart until recently. For some years the Commerce Act embodied, and Commerce Commission embraced, a contestability approach to competition that allowed effective monopolies to operate (Kelsey 1995, 91–92). That approach mellowed, but the Commission's mandate remained narrowly focused on market dominance.

When New Zealand did move to consider the glaring productivity gap with Australia in 2009, it was another ideologically driven exercise. The 2025 Taskforce was established as part of the Act-National coalition deal. Its terms of reference were to recommend ways to close the income gap with Australia through raising the productivity growth rate by 3 % a year or more. The Taskforce was chaired by Don Brash, who was Reserve Bank Governor from 1988 to 2002, and leader of the National Party from 2003 to 2006 and the Act Party for seven months in 2011. Another member, Bryce Wilkinson, was the Business Roundtable's principal ideologue on 'quasi-constitutionalism' and one of the architects of the Treasury's blueprint *Economic Management* in 1984 (New Zealand Treasury 1984). The Taskforce's solutions included cuts to government spending, assets sales and public–private partnerships, further deregulation, a taxpayers' bill of rights, an independent Productivity Commission and passing the Regulatory Responsibility Bill (2025 Taskforce 2010, 139–146).

Australia's second distinctive feature is the greater emphasis on *institutionalised frameworks and systemic processes* for regulation. The institutional approach is epitomised by the pivotal role of the Productivity Commission and its legislated mandate to pursue an ideologically circumscribed, long-term work programme. This was a conscious strategy. When the Hilmer Commission discussed the approach to 'competitive neutrality' of state business activities, it consciously preferred a cooperative approach to one that relied on a national law that would prohibit government agencies from competing against private firms unless they met the competitive neutrality principles (Hilmer 1993, 307).

This systemic approach allowed the expansion of 'productivity' from a focus on human capital, competition and regulatory reform to a National Reform Agenda under Rudd that encompassed health and ageing, climate change and water, housing, and indigenous reform. As Carroll and Head observe the reform agenda 'was no longer a vehicle primarily for microeconomic and regulatory reform, but aspired to becoming an increasingly sophisticated, permanent, organisational focus for nation-wide economic, social and institutional reforms' (Carroll and Head 2010, 416).

Australia's Productivity Commission also maintains political independence. Its research report on Australia's bilateral and regional trade agreements in 2012 was strongly critical of their costs and benefits, especially of the 2005 Australia US Free Trade Agreement, and the non-transparent negotiating process (Australian Government Productivity Commission 2010). However, the analysis remained firmly within the ideological paradigm, with the Commission arguing that Australia should focus on unilateral liberalisation and multilateralism at the WTO.

New Zealand's neoliberalism has relied on legislative fiat and contract, rather than institutions. The Labour government began the first serious moves to establish a Productivity Commission in the mid-2000s, partly as a belated attempt to address the economy's lack of vitality and partly as a compromise to placate the Act Party and Business Roundtable for blocking their Regulatory Responsibility Bill.

The confidence and supply agreement between Act and National in 2008 included a commitment to establish their version of the Commission, which came into existence in 2009. Two of the first three commissioners were Graham Scott, Secretary to the Treasury during the crucial years 1986–1993 and a former Act party candidate, and Murray Sherwin, former Deputy Governor of the Reserve Bank. Its initial terms of reference addressed government priorities to break down resistance to expanding Auckland's geographical borders, in the name of 'affordable housing', and streamlining international freight transport. Subsequent remits targeted local government regulation and productivity in the service sector.

There is a similar divergence in the approach to systemic regulatory reform. Both countries require regulatory impact analyses (RIA) that favour light-handed and risk-tolerant regulation. Australia's emerged out of the Hilmer report as another tool to enhance competitiveness, and became institutionalised through the Commonwealth Office of Best Practice Regulation in Department of Finance and Deregulation. The 2007 'best practice guidelines' work from a presumption against new regulation and that regulation should only restrict competition where this is necessary to achieve the objective and the benefits of restricting competition outweigh the costs (Council of Australian Governments 2007). The guidelines explicitly cross-reference to the National Competition Policy.

The approach to 'regulatory responsibility' in New Zealand was more ideological and controversial. As noted earlier, the Business Roundtable, and later the Act Party, have been promoting a 'quasi-constitutional' Regulatory Responsibility Bill since 1994. Its statutory principles favoured no or light-handed regulation, required an overhaul of the existing stock of regulation, and mandated compensation for regulatory takings. Government measures would be subject to judicial declarations of non-compliance with key principles. The extremism of the proposed disciplines, its constitutional rhetoric and the assault on parliamentary sovereignty and the independence of the courts generated strong opposition.

Act's private member's bill was drawn from the ballot in 2006, and was comprehensively denounced by eminent lawyers, academics and public policy practitioners (Policy Quarterly 2010). The select committee recommended it not proceed. Act's coalition deal with National in 2008 created a regulatory reform portfolio and led to a taskforce that predictably recommended the original Bill proceed forthwith (Scott 2009). Resistance continued. A toned down version of Act's bill, drafted by the Treasury, was endorsed in the 2011 coalition arrangement and sits ominously in the Parliament. If passed, it could become the first of the 'economic constitutional' instruments to be repealed under a change of government.

In the meantime, National had introduced a requirement for use of RIAs in 1998, subject to soft oversight (Gill 2011). In 2005 Labour strengthened both the obligations and review mechanism as part of its commitment to reducing the 'regulatory burden' on business. Consistent with the 2008 coalition agreement, National and Act co-issued a more ideologically infused Cabinet Directive on 'Better Regulation, Less Regulation' in August 2009 (English and Hide 2009; Kelsey 2010a).

It is interesting that, despite the ideological commitment to these processes in both countries, official evaluations of these disciplines show a similarly poor level of compliance (Borthwick and Milliner 2012; Castalia 2012).

The third divergence is in *attitudes to government*. The commitment to bargained consensus in Australia from the time of the Hawke government meant a more pragmatic neoliberalism that sought to maximise political buy-in from elected governments and the populace (Hazledine and Quiggin 2006, 145–147). The Liberals stepped up the ideological pace from 1996 with an overt commitment to small government and consumer choice, but it never matched New Zealand's radicalism. Howard's Charter of Budget Honesty Act 1998 uses similar rhetoric and techniques to New Zealand's Fiscal Responsibility Act 1994. In practice, favourable economic conditions saw public debt effectively eliminated by 2006, satisfying a key indicator of 'fiscal responsibility'. Future budget surpluses were quarantined in the Future Fund. But Howard's version of fiscal responsibility was still tempered–for example, opting to adjust income tax thresholds rather than giving tax cuts to the rich, as occurred repeatedly in New Zealand (Fenna 2007).

Howard's 'conservative conservatism' (Fenna 2007, 347) must have frustrated libertarian think tanks like the Centre for Independent Studies, although they clearly remained influential. The New Zealand Business Roundtable was the driving force behind the New Zealand's neoliberalism. It was a tireless advocate of economic constitutionalism, as was its parliamentary alter ego the Act Party. Despite an overtly hostile attitude to majoritarian politics, described as 'despotic democracy' (Wilkinson 2001, 169), Act's marginal parliamentary presence under MMP allowed it to leverage the adoption of several extreme initiatives.

Different attitudes to democratic politics are also evident in the design of neoliberal mechanisms. New Zealand's Public Finance Act 1989 and Australia's Financial Management and Accountability Act 1997 both dictate the financing, accounting and reporting techniques that govern the state sector. New Zealand's public finance regime was designed around narrow, short-term and highly prescriptive contractual outputs, Australia's on more malleable outcomes. The difference reflects the ideological application of economic constitutionalism, the direct application of public choice and agency theory in New Zealand, and the associated hostility to democratic politics. As Hood observes, the late 1980s reforms in New Zealand 'were aimed at separating policy setting and service provision (on the grounds that Ministers were not equipped to be managers), while the Australian Commonwealth government took measures intended to strengthen the capacity of Ministers to manage' (Hood 1995, 99).

Highlighting Australian governments' political astuteness and sensitivity to the role of governments does not imply any greater democratic accountability and participation. As John Quiggin observed in relation to National Competition Policy: 'National Competition Policy is a comprehensive program, which has been imposed from the top levels of government without any consultation with those affected, and which is not subject to significant democratic accountability or control' (Quiggin 1998, 5). A classic form of meta-regulation, it establishes general requirements that must be satisfied by any government policy. When combined with short deadlines for the assessment of policies, the comprehensive nature of National Competition Policy creates significant difficulties for groups concerned with the outcomes of the policy process. In the past, policies affecting a particular sector of the economy would normally have been formulated in consultation with groups most directly concerned, including producers, workers and consumer organisations. But those groups are considered to be vested interests who should be excluded from the policy process. The only legitimate interest recognised is that of consumers, who are assumed to be protected best by competition, rather than by consultation.

The fourth major difference reflects Australia's *federal structure*. This made formal institutional arrangements, oversight, coordination and monitoring more necessary and significant than for New Zealand's unitary and unicameral system. The creation of the Council of Australian Governments (COAG) in 1992 set in train mechanisms to secure buy-in over several decades. Collective decisions, participatory institutions, and funding transfers through state grants and then by GST served to stabilise and normalise the regime. The mandate of the COAG Reform Council to provide policy advice on the implementation of the National Competition Policy, which in turn was linked to the Productivity Commission's work, created an integrated network that functionally embedded the neoliberal paradigm.

The fact that governments fail to comply with their obligations under the Agenda a large part of the time (Carroll and Head 2010, 420), just as they fail to meet the standards required for regulatory impact assessments does not seem to affect their legitimacy.

Australia uses sophisticated meta-regulation, which has become deeply embedded through a combination of pragmatic policies, laws, institutions and regulatory oversight that is backed by a cross-party, federal-state consensus. Carroll and Head wrote in 2010 that 'institutional frameworks for strategic cooperation for major issues have been built and continue to evolve, providing a necessary organisational and management capacity [that is] likely to provide a solid foundation for weathering political and economic storms' (Carroll and Head 2010, 422). Quiggin depicted the transfer of power in Australia much more bluntly: 'It is, of course, open to the Commonwealth Parliament to amend or repeal The Competition Policy Reform Act. But apart from this theoretical possibility, it does not matter whether policy changes required under National Competition Policy have majority public support or, indeed, any public support at all' (Quiggin 1998, 6).

8 Globalisation Embeds Neoliberalism

In *Changing Track* Stilwell stressed that globalisation and neoliberalism are intimately related but they need to be treated as analytically distinct. While that is true, it is also important to recognise how globalisation and neoliberalism merge within the legal domain of international economic treaties and institutional arrangements.

Since the 1980s the term 'free trade agreement' has been used as branding for a growing raft of international economic agreements that have little to do with old-fashioned commodity trade. They operate as a highly evolved form of meta-regulation. The rules impose ever-expanding 'disciplines' on governments, binding them to implement and/or maintain many core elements of the neoliberal regime. Champions of these agreements often invoke the allegory of Ulysses, urging governments to tie 'themselves to the mast to escape the siren like calls of pressure groups' that seek a different direction (Hoekman and Kostecki 1995, 25). Both major parties in Australia and New Zealand have championed these treaties as an act of faith.

The compartmentalisation of academic disciplines, and even specialisations within law, means few critical analysts understand the vast scope of these instruments. The World Trade Organization, established in 1995, moved far beyond the traditional guarantees of market access and non-discrimination in commodity trade and associated rules on quarantine, product standards and labelling. Building on the Australia New Zealand Closer Economic Relations Agreement (CER) services protocol in 1989, and similar developments under the North American Free Trade Agreement (NAFTA) governments bound themselves to marketisation, liberalisation and deregulation of services and related investments, and free movement of capital. Special rules tied the hands of governments in regulating financial services and investments, including toxic 'innovations', the size of institutions and their range of activities, activities of credit rating agencies, and other regulatory features that fuelled the GFC (Kelsey 2011). New rules also imposed strong protections for monopoly intellectual property rights.

The WTO's 'disciplines' have been expanded further in bilateral and regional arrangements to include government procurement, competition, e-commerce and sectoral regulation, such as telecommunications and courier services. They also routinely contain investment chapters that prevent governments from imposing special restrictions on the entry or activities of foreign investors. Those investors also receive privileged protection against domestic policy and regulation that might significantly reduce their value or profitability. Two streams of investment disciplines, in trade agreements and in bilateral investment treaties, have become integrated within a single binding instrument, although many pre-existing investment agreements continue to operate in parallel.

States that are party to these agreements can enforce the rules in supranational tribunals, forcing governments to retreat from the offending policy or face sanctions against their exports for failure to comply. In many cases, foreign investors can also enforce their special protections directly against governments in ad hoc arbitral tribunals where the judges are often practicing investment lawyers, and which lack effective rules on conflicts of interest, due process, precedent or appeals (Eberhardt and Olivet 2012).

Closer to home, integration under the Trans-Tasman CER agreement has become progressively more intense through common standard setting agencies, mutual recognition arrangements for professional qualifications and product regimes. Most recently an investment protocol commits both governments to reduce further the already minimal vetting mechanisms for cross-border investment. The saving grace is that CER is not enforceable, unless the obligations are incorporated into domestic law—as happened in 1998 with Australia's local content rules for broadcasting (Kelsey 2008, 232–233).

The CER agreement is often touted as a gold standard precedent for other countries. In 2012 the Australian and New Zealand Productivity Commissions released a joint report whose recommendations predictably included further reductions in regulatory and other barriers to trade in goods and services, foreign investment and movement of people (Australian Government Productivity Commission and New Zealand Productivity Commission 2012). Significantly, this report was intended as the centerpiece for the summit of the two Prime Ministers to celebrate the thirtieth anniversary of CER in February 2013, but it was not referred to in the formal communiqué. This may reflect the underlying tensions between the neoliberal strategies of the two countries, and wariness from Australia about the social and political implications of increasing the economic and regulatory integration of New Zealand into Australia.

That gap could still close. Australia and New Zealand are two of twelve countries that are negotiating behind closed doors for a new Trans-Pacific Partnership Agreement (TPPA),[1] which is promoted as a twenty-first century agreement that reaches further behind the border than any has before (Kelsey 2010b). In addition to unimpeded cross-border flows of capital, goods, services and information, the TPPA aims to frame how governments make their domestic policy and regulatory decisions and impose more extensive rules to constrain the substance of those decisions. These 'disciplines' would, in practice, empower commercial players and advance their interests, and marginalise competing national priorities, advocates and agencies, including democratic political institutions. It is this additional dimension that makes the TPPA a serious threat to national control over decision-making processes and institutions (Kelsey 2013).

The TPPA could largely obliterate the difference between Australia and New Zealand in key aspects of meta-regulation. The leaked chapter on regulatory coherence, if adopted, would require all parties to adopt the 'best practice regulation' approaches that Australia, New Zealand and the US already require, but frequently fail to meet. In tandem with a chapter on 'transparency', the regulatory coherence chapter would expand the rights of affected commercial interests to participate in regulatory processes. In negotiations on another novel chapter dealing with state enterprises, Australia has tried to break the deadlock over an aggressive text tabled by the United States by proposing its own competitive neutrality principles as an alternative; if agreed, Australia's National Competition Policy approach to state enterprises could become binding on all eleven parties for the indefinite future, including New Zealand.

These chapters would cross-fertilise with rules that protect foreign investors from new regulatory measures that have a substantial negative impact on their value or profitability. Investors from TPPA countries—principally litigious US firms—could sue governments for alleged breaches in offshore investment tribunals seeking compensation and compound interest. A leaked version of the text in 2012 showed New Zealand had agreed to the investor-state dispute mechanism, but Australia had not; that position is uncertain following the 2013 election. The parties aimed to conclude these negotiations in late 2013. That will not happen, but if and when they are concluded, the TPPA will constitute the ultimate embedding mechanism.

[1] Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States of America, Vietnam.

9 Conclusion

Stilwell invoked Gramsci's famous maxim 'pessimism of the intellect, optimism of the will' (Stilwell 2000, 18). In that spirit, this conclusion reflects on what might make a difference if New Zealand and Australia were suddenly confronted with a crisis akin to that which confronted Argentina in the early 2000s.

In *Changing Track* Stilwell observed that 'the unevenness of globalisation opens up some possibilities for different political responses'. (Stillwell 2000, 36–37) He described Australia as a semi-peripheral nation that has potentially greater scope to shape its terms of engagement with the international economy, including its domestic policies, than major powers that are more deeply integrated through the EU or NAFTA, or poorer nations with limited practical autonomy. The same could be said of New Zealand, although it is more peripheral.

But the analysis in this chapter suggests that Australia's consensus-building pragmatism and reliance on institutions has created a more deeply embedded regime than New Zealand's, which relies on blunt legal instruments. New Zealand has a recognised tendency towards radical swings (James 1986, 9). Despite MMP, we still have a thin unitary, unicameral political system and the debt-laden economy is fragile and vulnerable. A severe financial crisis could conceivably see these meta-regulatory and quasi-constitutional devices turned on their heads.

The prospects for such a paradigm shift in New Zealand may depend on three things. First, the grip of financialisation and the dependence on cheap and ready credit means there will be resistance to any significant change, unless the gains outweigh the costs. The scale of social and economic catastrophe and associated political unrest would have to be sufficient to drown out the fire alarms from the credit rating agencies, international institutions and financiers, foreign and domestic corporations, mainstream media and élites. There would also need to be sufficient prior understanding of the anatomy of the neoliberal pillars that need to be replaced and viable forms and mechanisms for doing so. If there is not a vibrant, or at least credible, debate about alternatives to the 'fundamentals', both New Zealand and Australia seem destined to follow the 'orthodox' prescription, although Australia might pursue a more significant short-term fiscal deviation, as with the GFC, followed by a return to business as usual.

Second, the space that Stilwell saw in 2000 has narrowed due to international trade and investment treaties and will shut down further if the TPPA is signed. However, it is possible to stare down other states and foreign investors who seek to enforce these agreements and see who blinks first. Argentina faces billions of dollars in legal challenges and awards by investment tribunals for actions taken in response to its financial crisis in 2001 (Peterson 2011). To date, the government has been resolute in refusing to pay. But that again assumes a level of desperation and sufficiently robust domestic dissent to sustain the government's resolve.

The third and pivotal question for New Zealand is whether the economy and regulatory regime are so deeply integrated into Australia's that it could not exercise any greater domestic autonomy that it theoretically retains. The EU has shown how meta-regulation and economic constitutionalism at a supra-national level can protect financialisation by ensuring the 'fundamentals' remain in place and are reinforced. That is clearly unsustainable, but despite repeated crises there is still no evident breakdown in the neoliberal regime.

This may be considered unduly pessimistic, and those who think that popular resistance should open the door to a new, progressive future may be frustrated with the focus on such detail. But, as noted at the beginning, it is essential to put romanticism aside. The prospects for stripping the emperor of his neoliberal clothes in either Australia or New Zealand requires, amongst other preconditions, a comprehensive counter-strategy to analyse, expose and replace embedded neoliberalism.

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The Primacy of Politics: Stilwell, the Accord and the Critique of the State

Elizabeth Humphrys

Abstract This paper re-evaluates Frank Stilwell's still unmatched, detailed intellectual engagement with the Australian Labor Party and Australian Council of Trade Union's Accord. Stilwell's was an indispensible critique of the Accord's failure to fulfil expectations that it would provide a political-economic solution to both the economic crisis that ended the long boom, and the Left's resulting impasse. Stilwell's key contribution was to pose sharply the necessity of a political response to the crisis—of the economy, politics and the Left—when competing radical (including Marxist) analyses failed to respond to this challenge adequately. From this recognition, the analysis asks how we might extend Stilwell's work on the Accord from the vantage point of today's (post)-neoliberal era. It seeks to open up the question of the state in relation to the Accord, and to consider how progressive and working class movements related to it. The chapter proceeds from analysis that there was a protracted assimilation of the unions and labour into capitalist state imperatives via the Accord. Furthermore, that this incorporation into a hegemonic state project cannot be separated from the implementation of neoliberalism in Australia—a process ultimately counter to the interests of labour and which contributed to the political defeat of the working class movement.

1 Introduction

> *What lessons arise from the experience of the Accord? … It is evidently a time for some fundamental soul-searching, if the labour movement is to reassert itself as a significant force for progressive economic and social change.*
>
> Frank Stilwell in The Accord: Contemporary Capitalist Contradictions, pp. 280–281

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We are confronted today by an international economic collapse unprecedented since the Great Depression. The situation shows few signs of abating, and most governments are tackling it via austerity and savage attacks on labour. All indications are that ruling classes around the world will seek to further require the working class to bear the brunt of efforts to restore stable capitalist accumulation. Dissent to this path, to an approach of forcing ordinary people to shoulder the costs of the crisis, can be found in many corners. It is on the streets and in the workplaces of Greece, in the square protests of the *indignados* in Spain, at Occupy Wall Street, and in a large variety of other spaces. Dissent has also been vocalised by Left academics and commentators as they seek alternative economic solutions and a different political resolution. They argue that the response to the previous crisis of the 1970s—the introduction of neoliberalism—failed to resolve capitalism's cycle of boom and bust and resulted in growing inequality within and between nations. Further, they contend, the process of neoliberalisation has increased volatility and chaos at the heart of the economic system.

It is in this context that the work of Frank Stilwell in formulating responses to the economic crisis of the 1970s, finds renewed significance. At the end of the long boom, as oil shocks reverberated around the globe and stagflation took hold, Stilwell turned his attention to alternative economic strategies. In particular he analysed and evaluated the Accord agreements between the Australian Labor Party (ALP) and the Australian Council of Trade Unions (ACTU) (1982, 1986, 1993, 2000a, 2000b), in place from 1983–1996. His work asked two related questions: 'Can a strategy be formulated which does not require the working class to bear the costs of the capitalist crisis and the associated restructuring?' and 'What is the role of economic policy in an alternative economic strategy?' (1982). Stilwell was focussed on taking a different path to the monetarism and austerity of the Australian Liberal Party under prime minister Malcolm Fraser, and to that of the 'new Right' under the likes of Margaret Thatcher and Ronald Reagan elsewhere. His work on the Accord, which extended over most of the next two decades, remains an unsurpassed detailed intellectual engagement with these questions.

In appraising Stilwell's work, and the related interventions of contemporaneous Left writers, two issues loom large: What *political* response was necessary in the midst of the 1970s crisis, and where is agency for progressive social transformation located? Progressive voices and movements must, as Stilwell argues clearly, pose political solutions to economic crisis. But they must also appreciate how the state seeks to subdue, neutralise and incorporate those movements. This is something Stilwell describes concretely in terms of the empirical evidence of the Accord period, detailing the subjugation of the progressive policy elements of the Accord and the turn to neoliberalism. But because of his theoretical presuppositions he does not, in my view, satisfactorily elucidate the underlying dynamics related to the role of the state in this process. It is to a potential alternative, and Marxist, approach to politics and the state—one that provides a different path to Stilwell's statist preferences—that this paper turns when concluding.

2 The Accord Era

The Accord was a series of arrangements between the ALP and the unions, commencing with an agreement signed in February 1983 just prior to the federal election. The Accord was implemented by five successive ALP governments, from 1983 to 1996, under the leadership of Bob Hawke and Paul Keating. The process transformed the national economy and political landscape through wage setting, industrial relations changes, union and award restructuring, and various other policy decisions. Over its lifetime the Accord proved a particularly lasting, flexible, and adaptive framework, despite constant warnings of its impending demise (Stilwell 1986; Singleton 1990).

Despite the Accord's original promise to enact progressive reform on issues as broad as prices, taxation, and social security, it was ultimately relatively narrowly focussed on wages. Further, it did not achieve its core aims of maintaining real wages and restoring full employment over time (ALP and ACTU 2000). Whether this was a result of the Accord directly or its contradictory relationship to the wider neoliberal agenda of the Hawke and Keating governments continues to be debated (Stilwell 2000b). Alongside the 'formal' Accord was what some have called the 'informal' aspect of the agreement; an expression of support for the ALP to govern and the willingness of the unions to significantly compromise their political objectives to ensure 'their' government remained in power (Bramble and Kuhn 1999; Cahill 2008). The 'effect of both the formal and informal aspects of the Accord was to manage the neoliberal transformation of state and economy by tying the leadership of the labour movement to this process' (Cahill 2008).

As the Accord period progressed, Stilwell considered the 'contrast between [its] policy commitments and [its] policy in practice' (1986). In the end, he concluded that very little was achieved by the Accord and that wages policy was 'integrated into a quite different program of austerity and regressive distribution' (1993). It was a period that saw the floating of the dollar, relaxation of entry of foreign banks, cutting of tariffs, privatisation and deregulation of public assets and agencies, the introduction of enterprise bargaining, the extension of free trade agreements, competition policy, wage increases based on productivity, welfare 'targeting', and direct attacks on dissident unions. For these reasons the Accord's legacy remains one hotly debated by both political economists and the wider community, and yet 'there is little evidence that the fundamentally anti-labour character of [the] economic policy orientation has been acknowledged' (ibid.).

Stilwell's account of the Accord clearly detailed its failure to fulfil widespread expectations that it would provide a political-economic solution to both the economic crisis and the Left's resulting impasse. He did this through exposing the Accord's limitations in comparison to his more thoroughgoing approach to alternative economic strategy, which sought a socialist transformation of Australian society. By proposing a coherent program of concrete policy measures, his other contribution was to pose sharply the necessity of a *political* response to the crisis at a time when competing Marxist critiques failed to respond to this challenge adequately.

For example, while Marxist analyses usefully raised a series of complications in approaches like Stilwell's, such as the tendency to Left nationalism (Kuhn 1982a; Bramble 2004) or an unproblematised view of the trade union bureaucracy (Bramble 2000; Bramble and Kuhn 2009), they tended to be silent on any positive radical engagement with official politics—seeing it as opposed to 'real industrial and movement struggles' (Kuhn 1982a). In positively stressing Stilwell's emphasis on the 'primacy of politics', however, one cannot ignore the problem of the state and how progressive and working class movements related to it. This is important because the Accord involved a protracted assimilation of the unions and their members into capitalist (neoliberal) state imperatives.

3 An Alternative Economic Strategy?

The end of the long boom and the rise of a New Right provoked a search on the Left—among progressive activists, trade unionists and political organisations—for an alternative strategy to resolve the economic turmoil. This process took place along two paths. Firstly, via a recognition of the failure of Keynesian solutions to resolve stagflation, but also a rejection of the embryonic neoliberal policy direction that sought to resolve the crisis in the interests of capital. Secondly, through seeing the moment of crisis as an opportunity to attempt wider structural change to the political economy of Australia that would be in the longer term interests of the working class (via more comprehensive changes to taxation, pensions, social services and workplaces). Stilwell emphasised the need for a positive program to achieve this and identified the need for a radical 'transformation to an economy based on production for use and democratic control … (i.e. a socialist economy)' (1982). He proposed a series of policy initiatives including: the extension of public ownership, the creation of industrial democracy, central economic planning, expanded government expenditure, a wealth tax, price controls, income redistribution, policy controls on foreign investment, and the institution of further import controls. He saw these proposals as needing to be embedded in a social justice framework in order to begin to address 'unequality' and 'alienation' (ibid.). Stilwell was not alone in proposing such strategies as, for example, the Amalgamated Metal Workers and Shipwrights Union (AMWSU) promoted the alternative economic perspectives of British politician and economist Stuart Holland and produced and distributed the booklets *Australia Uprooted* and *A People's Economic Program*.

It was in this context that the Accord emerged as the product of two intersecting processes. On the one hand, the Accord was an economic program promoted by politicians and their advisors inside the ALP. The project was not one of radical transformation but intended to restore stable capital accumulation, end industrial conflict, and address inflation by holding down wages. This was a process *from above*, which sought to incorporate the trade union leadership into its agenda. It saw the industrial conflict of the 1970s not as a marker of working class strength, but as undesirable social division and a brake on economic restructuring. As Bob Hawke (1979) said near the end of his term as President of the ACTU, 'Australia stands poised on the threshold of the 1980s more divided within itself, more uncertain of the future, more prone to internal conflict, than at any other period in its history'.

On the other hand, the Accord was influenced by processes *from below*, reflecting attempts by Stilwell and other academics, parts of the Left of the ALP and various trade unions (in particular the AMWSU and the Building Workers Industrial Union) to promote and seek alternative economic solutions that would not see the working class pay for the crisis (Stilwell 1986; Bramble 2000). Such projects argued that militancy had only taken the labour movement so far in the economic downturn of the 1970s, and that almost a decade of struggle had not maintained working class living standards. These thinkers argued that an exclusively industrial strategy would be insufficient to resolve the economic impasse and that it was important to seek a concrete political project, an alternative economic strategy. However, such efforts were largely conceived as projects that would place pressure on and gain influence within the state via a progressive government (Scalmer and Irving 1999). That is, the election of an ALP government with a progressive social and economic platform would solve the question of the state's usual hostility to the labour movement and progressive social change. Furthermore, such a turn away from militancy tended to underplay (and even dismiss) the role of a prolonged period of high levels of industrial struggle in shifting the political terrain to one where ideas of workers' control, opposition to capitalist imperatives, and even the need for socialist transformation could gain such a wide hearing inside the labour movement.

4 The State in Question

In this context, Stilwell approached the question of the state by seeing it as a set of institutions mediating between capital and labour, but currently politically dominated by people and parties tied to the interests of private capital. While Stilwell acknowledged the role of the state as 'particularly problematic' (1982), he rejected the view that this meant the best path was to abstain from attempting to transform the composition and behaviour of the state. He pointed to the way that industrial struggles and social movements are vulnerable to defeat when the state and capital act in synergy, instead arguing that developing alternative state policy and programs in a holistic (rather than piecemeal) manner is needed. His argument drew on revisionist Marxist critiques of the state in capitalist society such as Miliband's (1965, 2009), but rejected a more orthodox revolutionary Marxist position—arguing such an approach was overly instrumental and class reductionist (Stilwell 1986). For Stilwell the state had contradictory functions and could be turned into an agent of progressive reform in the right hands, at least in the medium term. The state could be reshaped by winning positions within it, or, in the circumstances of the early 1980s, through gaining an agreement in the form of the Accord—thus acquiring a seat at the table.

This contrasted sharply with the position articulated by Rick Kuhn (1982a), in part in critique of Stilwell, who argued that the capitalist state is not amenable to being captured to act in the interests of the exploited class. For Kuhn, an alternative economic program of the type that Stilwell proposed mistakenly looked to the agency of the state itself rather than the need to mobilise organized workers to be the agents and subjects of change. He argued such a strategy would fail not only to deliver a transition to socialism but, in a period of serious crisis, would be incapable of ensuring progressive reform without wider social action given any incumbent government would be required to protect the interests of capital. Thus, while the Accord was realised through an ALP election victory and the unions gained unparalleled access to running state policy, politics almost immediately moved to the right—towards the rapid implementation of wage restraint and a gamut of regressive neoliberal reforms.

Stilwell's own work provided ample evidence to confirm the warnings and analysis of Kuhn and other Marxists of where the Accord would lead (Kuhn 1982a; Minns 1989; Bramble and Kuhn 1999, 2010; Bramble 2000; Lavelle 2005). However, an accurate prediction of where the Accord might lead—based on an analysis of the capitalist state at variance with that of Stilwell's—does not settle the question. This is because it does not directly address the impasse faced by the strategy of union militancy by the early 1980s, and therefore addresses the question of politics too abstractly.

Marxist analysis of the Accord emphasised the need to continue social and labour struggle, or to reinvigorate it once it fell away, and argued for revolutionary politics aimed at replacing the current capitalist social relations. Yet in such analysis there was little sense of what the concrete, positive political project should be in the absence of a revolutionary, insurrectionary moment. Nor was there a clear argument as to how the working class should act politically (as opposed to how it *shouldn't*) in the context of the Accord posing the question of entering the existing state as the solution to the crisis—a situation where neither the Fraser government (from above) nor union resistance (from below) had been able to score decisive victories. The Marxist case lacked specificity and concreteness, which opened the way for those with *political* projects—even reformist ones—to remain unchallenged.

For Kuhn the central problem of strategy was 'one of galvanising the working class into action' (1982b) so that they could learn from their own experience in the struggle. Thus, in Kuhn's view, 'the Australian Telecommunications Employees' Association's wage campaign in 1981 was an infinitely superior lesson on the role of the Arbitration Commission and the possibilities for pursuing claims despite it than any newspaper article or radical lecture' (ibid.). While this may be a valid criticism of politics understood as propagandistic education, it does not address how, even at the height of struggle, concrete political questions are constantly being posed and contested. When any working class project goes beyond narrow 'economic' limits set by the capital-labour relationship at the point of production, there is a tendency for workers' aspirations to run up against the reality of political society and the state. Therefore, the question of resolving a crisis of capitalism in a way that favours workers necessarily entails confronting the political, and therefore the state. It is not enough to simply point to the need for more struggle or 'rank and file revolt' (Bramble 2000), as there is also a need to deal with how politics looms in the carrying out of those struggles.

5 Conclusion

The Marxist critiques of the Accord I have referred to above were framed around a false binary—that the choice was between unions and subaltern groups entering the capitalist state, or such groups organising 'from below' but not directly engaging with official politics in any meaningful sense. In answer to the question 'Where's the politics?', Kuhn argues:

> *A political organisation is necessary to coordinate activity in particular areas of work and amongst different fields of political involvement. Such an organisation is quite different from a political party like the ALP. Its primary orientation is to struggle, wherever it occurs. … In a revolutionary situation, when a new workers' state coexists with the capitalist state, the party is a means of smashing the state of the ruling class* (1982a).

Yet this is an eternal approach and does not indicate what politics can bridge the existing non-revolutionary situation and one where state power is within grasp. Far from being a response to the impasse of industrial militancy that marked the pre-Accord years, it puts questions of political demands, tactics and strategic orientation to one side to instead focus on an abstract organisational formula and a call for 'more struggle' in the process of achieving it.

Stilwell argues for a politics that sees campaigning for reforms as a part of a wider, more comprehensive transformation of society. Yet he sees those struggles as occurring within the state and to be led by the state. Such an approach is immediately confronted with the question of where political agency, an agency capable transforming society, resides. For a Marxist approach to meet the challenge set out systematically in Stilwell's work, it would need to develop a politics that engages with the reality of the state as a set of social relations—as the expression and result of the class antagonisms in that define capitalist society. At the same time, the lesson of the Accord era is that it cannot rely on the agency of the state to act on behalf of social movements and the working class. In the crisis of the 1970s, as it is today in the midst of the contemporary economic collapse, the question must be answered concretely: How does the majority of society impose its will on the capitalist state in the here and now, as well as work to bring about the more fundamental and revolutionary changes needed to ensure a safe, peaceful and sustainable world?

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The Taxation of Capital in Australia: Should it be Lower?

David Richardson

Abstract Australia has experienced a largely one-sided 'debate' on the case for cutting the taxes faced by business, especially the company tax. The arguments are put forcefully by business people and their lobby groups and those views find echoes in official thinking such as the Henry review of taxation in Australia. This chapter attempts to critique the arguments used for cutting the company tax rate. It points out that in the early post war period the company tax rate was in fact much higher than it is now at 30 cents in the dollar. Yet that period recorded a much better performance in terms of standard measures such as economic growth and unemployment rates. We also find that in terms of economic theory the case against the company tax is very weak and relies on unrealistic views of the world. Many of the arguments such as those that relate to international competition for investment are inconsistent with the facts; the flow of investment into Australia from countries with tax rates lower than the Australian rate is a good example.

1 Introduction

Some years ago Stilwell and Ansari (Stilwell and Ansari 2003) wrote:

> *Capitalism is an economic system of production, exchange and distribution based on the use of economic power to distribute the wealth that is generated through productive labour. So exploring the question 'who gets what?' is a recurrent theme in political economy* (p. 143).

In present day Australia 36 % of the economy involves government spending financed by roughly matching taxation.[1] This then raises the interesting question-how does the

[1] Spending figures includes 2012–2013 estimates for general government cash payments for operating activities at all levels of government together with purchases of new non-financial assets (public investment) from ABS (2012c) and GDP is from ABS (2012a) and updated using forecast growth in the budget papers (Australian Government, 2012).

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operation of the Australian state fit into the question of 'who gets what?' Should we would expect the economic power exercised in the private sector to be reflected in the operation and control of the public sector. In the same article just quoted Stilwell and Ansari observe that there are a number of measures that could be used to counter the 'yet more blatantly unequal society' however, 'any such redistributive measures go against the interest of the principal wealth-holders who could be expected to defend their economically privileged position' (p. 156). To defend their economically privileged position the wealth-holders must influence how the state works.

Business has been calling for lower company tax rates and others argue that the income on various forms of investment should be taxed more lightly. This is part of an agenda similar to that pursued by the top one per cent in the US. The aim is to lighten tax on the rich and increase it on those who work for a living, including through increases in the GST. It is often also argued that reductions in the corporate tax rate are necessary to create employment, increase investment and deliver a range of other benefits to the Australian community. A simple google search on news items for 'company tax' brings up 40 million results and as you scroll through them it is hard to find anyone suggesting higher tax rates or even defending the status quo. However, despite the widespread support for cutting company taxes, particularly among the business community, the theoretical and empirical case for such an expensive change in policy is weak.

The most influential argument for lower taxes on capital in Australia has been the Henry Report into taxation in Australia. It justifies its case by appealing to the logic of neoclassical economics. This chapter outlines the neoclassical position which is based on households having to decide how to allocate their income between consumption now and consumption later. In this model wealth is merely the resources households carry over into future periods to support themselves in retirement etc. All outcomes in this economy reflect the decisions individuals make to allocate their scarce resources over time. We are less likely for example to want to tax inheritances that are made by workers who have carefully saved their income to support their children. The same goes for individuals' efforts to support themselves in retirement.

When confronted with the facts this model falls down. Annual savings are puny compared with total wealth so there is no way that wealth can be 'explained' by workers squirreling away some of their income for a rainy day. Instead the pattern and distribution of wealth in Australia is consistent with one determined by inherited wealth and, in some cases, luck. Especially at the top end of town, hard work and other ideological props have little to do with the ownership of Australia's wealth.

Other awkward facts are the high company and top marginal rates of personal taxation we had in the first couple of post war decades combined with lower unemployment and higher economic growth. Now tax rates are lower yet the economic scorecard looks worse.

There are other arguments used in Henry and elsewhere that are used to justify low rate rates on companies and other forms of property income. These arguments tend to be more pragmatic; for example, a high tax on companies will discourage foreign investment in Australia. Those arguments are debunked and contrasted with the views of others, such as Nobel prize winner, Stiglitz who argues company tax is a non-distorting and efficient tax.

Equity considerations rarely make it into the discussions about company tax. However it is worth making the point that some of the recent discussion of company tax completely neglects the role of company tax in the overall progressivity of the tax system and the need for a company tax high enough to deter the use of the corporate form as a tax avoidance device by high income earners. Indeed, ever since the Barwick High Court it has been imperative that the company and top personal tax rates be aligned as closely as possible to counter tax avoidance.[2]

This chapter begins with a brief historical overview of the company tax rates in Australia and compares them with the economic conditions of the time. Given the arguments we hear from business, we would be excused for thinking that lower taxes on companies must be accompanied by better economic conditions and vice versa. That is fairly easy to check.

2 A Brief History of Corporate Tax Rates in Australia

From 1940 to 1987 the corporate tax rate was fairly stable in Australia, fluctuating within the range 45–49 % (although there was a lower rate 42.5 per cent applying to the first $10,000 of profit in 1974). Since 2001 the corporate tax rate has been 30 per cent. According to many participants in the debate there should have been some benefits to the Australian economy as a result of the lower taxation. The most commonly cited benefits are higher job creation and investment.[3]

There is, however, no clear evidence of such benefits. For example, since 2001 with a 30 % company tax rate the unemployment rate has averaged 5.2 %. Between 1950 and 1987 when the company tax rate was 45–49 % the average unemployment rate was 3.3 %.[4] In any case the promise of job creation on the part of business does not count for much when official policy seems to be to hold unemployment around 5 %. That is, given that monetary policy is used to stabilise the unemployment rate at around 5 % it is unclear how a lower corporate tax rate could lead to an increase in employment above the level of 'full employment' determined by the RBA.

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[2] Prior to the Barwick Court the tax office could look behind artificial contrivances that were clearly designed for tax avoidance. The government has just released an exposure draft of legislation designed to counter tax avoidance. It remains to be seen how effective those initiatives may be.

[3] Most of the rates reported in this paragraph come from the historic tables reported in Australian Taxation Office (2012) and where necessary those figures were supplemented by Australian Bureau of Statistics (various years).

[4] Historic figures on the Australian economy are taken from the Reserve Bank of Australia historic tables (Reserve Bank of Australia no date) and more recent figures are based on ABS figures (ABS 2012a and 2012d).

Investment and other economic variables have hardly improved much either since Australia lowered its corporate tax rate to 30 %. Indeed, between 1960 and 1987 with high company taxes, investment in the private sector averaged 20.7 % of GDP while in the period since 2001 it was 22.1 %. The increase of one per cent of GDP in private investment is more than accounted for by the privatisations of public utilities and the mining boom.

Real economic growth averaged 3.8 % between 1960 and 1987 but fell to 3.1 % in the period since 2001. If there is any truth in the proposition that lower company tax is good for the economy the effect has been too weak to make a noticeable difference in the macroeconomic data.

3 Theoretical Arguments

We now turn to the theoretical argument that cutting the corporate tax rate is good for the macro economy. The obvious point to make about company tax is that it is levied on profits. Before being liable for any tax the company has to have covered all expenses including notional expenses such as the allowance for depreciation and amortisation as well as any capital write downs. No matter what the rate of company tax, it is only paid when the business has covered expenses. As Nobel Prize winning economist Joseph Stiglitz explains it 'if it were profitable to hire a worker or buy a new machine before the tax, it would still be profitable to do so after the tax…what is so striking about claims to the contrary is that they fly in the face of elementary economics: no investment, no job that was profitable before the tax increase, will be unprofitable afterward' (Stiglitz 2012).

Stiglitz put the argument more formally in various academic papers but the point remains. Indeed, he says:

> *From an efficiency point of view, the whole corporate profits tax structure is just like a lump sum tax on corporations* (Stiglitz 1973, p. 33).

A lump sum tax is typically considered by economists to be optimal from an efficiency perspective because it has to be paid no matter what and so should not affect how the individual will react to other incentives in the economic environment. While a tax on labour income may or may not change the individual's work effort, a tax that has to be paid no matter what will not change the incentive facing the individual.

In the case of a corporate entity, the essential argument is that investment will take place until the return on the marginal investment is just equal to the cost of capital and that will be true whether or not the company needs to borrow or can meet the investment cost out of retained earnings. Increases in the company tax rate will reduce the after tax return on the investment but will increase the value of interest deductions (or increase the tax on returns from keeping retained earnings in the bank). It is still profitable for the company to keep investing until that point. Hence Stiglitz says that the company tax 'is an infra-marginal tax on the return to capital (or pure profits) in the corporate sector' (Stiglitz 1973, p. 26).

The marginal condition (invest until returns just equal the cost of capital) is unaffected by the company tax rate. In principle that means the company tax rate can be increased substantially without altering corporate behaviour. Stiglitz criticises those who assert that the corporate tax rate introduces an inefficiency by increasing target rates of return on the part of investors. As he says 'they confuse the average with marginal cost of capital' (Stiglitz 1973, p. 33).

The review of the Australian Tax system by the then Secretary of Treasury, Ken Henry (the Henry review, Henry 2008) saw the tax on economic rent as being a very good tax because it taxes the inherent profitability of a particular resource. However, the review seems unaware that the analogous argument applies to profit earned in the corporate sector. Just like a resource rent the company tax rate can be quite high without affecting the incentive to invest and, hence, without affecting behaviour. We will later examine the Henry view in more detail. For the moment we turn to the econometric evidence where, fortunately the US Congressional Research Service has recently done the work and reviewed the empirical evidence that might or might not support claims to the effect that lower company tax rates increase economic growth, boost employment and the like (Gravelle and Hungerford 2011). It generally debunks the notion that lower company taxes are beneficial in the ways usually suggested.

If the business interests and others who advocate cutting corporate tax rates were just motivated by the impact on employment and investment then as Stiglitz points out there are 'more precise ways to tweak the tax code than an across-the-board cut: [such as] lowering the tax on firms that created jobs and invested …and raising taxes on those that didn't. Such a policy would raise revenues and provide incentives for more investment and job creation' (Stiglitz 2012, p. 222).

By contrast many other taxes are payable whether or not the company makes a profit. For example, the iron ore royalty rate in Western Australia will soon be 7.5 % of the value of the iron ore mined. If the mining company receives $100 a tonne, pays $7.50 in royalties and has expenses of $95/tonne it will run at a loss. There is no way a profit related tax can make a profitable enterprise unprofitable.

Nevertheless there is a view that because foreign capital in particular is thought to be very mobile it would cause least distortion if it were taxed more lightly than other sources of income. Land and mineral resources are at the other extreme of mobility and a hence thought to be a very good tax base. This is a large topic that is taken up below.

Before leaving the theoretical discussion it is important to look at the intellectual underpinings of the Henry Report on the taxation of capital. The Henry Report wants to tax labour income much more heavily than 'unearned income'. Unearned income is income from investments as opposed to personal exertion. The Henry Report wants that income to be discounted by 40 % compared with the earnings of someone who works for a living. Henry made it clear in a number of speeches during the review that he had in mind a model in which people earn an income and have to decide how to allocate it between present and future consumption.

For the Henry review the question about taxing unearned income is one of how to tax 'savings'. All property income is seen as a tax on savings. The Henry model is typical of the models economists use to try to understand how households allocate their income over their lifetime. The household's only source of income is the income they earn from working and their problem is to allocate income over their whole life, including retirement. That is reflected in the way the Henry Report talks about the tax on savings as is reflected in the following quotes.

> *…individuals make an initial choice about how much to save. This is affected by several factors, ranging from holding some funds to pay for everyday needs or some 'lumpy' purchases such as a vehicle, through to decisions to save for a future family home or for retirement. Much of the analysis of savings and investment is based on an analysis of incentives between spending earnings now (consumption) and deferring that spending to some future point in time (saving)* (Henry 2008, p. 248).

Henry refers to an article by Atkinson and Stiglitz (1976) which is based on the finding the optimal tax arrangement for a household needing to decide how to allocate income now between present consumption and savings to finance future consumption.

The ideological justification for lower taxes on unearned income is clear in the way the Henry Report refers to the 'taxation of income from saving'. The Review shows how by taxing the income on savings, someone who puts away some savings has it greatly reduced after 45 years as a result of taxation of the interest compared with the hypothetical alternative of zero tax and compounding the interest savings.

Henry portrays the process of investment and the acquisition of wealth in Australia as the result of hardworking individuals salting away their hard-earned, delaying consumption today for consumption on a rainy day later in their lives. Tax on that investment income is frustrating that process. The idea that wealth in Australia is deferred consumption on the part of households saving for retirement is frankly bizarre. By far the bulk of wealth in Australia is old wealth that will persist well beyond the current generation and the facts show that any current accumulations by households are a small fraction of total wealth.

For example, household savings over the last decade averaged $38.5 billion (ABS 2012a) per annum and some of that will be savings on the part of unincorporated business. The total capital stock in Australia is worth $9,247 billion.[5] The latter figure does not come about as a result of a bunch of workers saving part of their income for use in retirement. In fact total savings in Australia averaged $301 billion over the last decade.[6] So household savings have averaged 13 % of total savings in the Australian economy. Evidently the story told by the Henry Review refers to a small part of the issue when it uses the analogy of workers' savings as the basis for not taxing the income on wealth or taxing it lightly.

Imagine an economy in which everyone starts out with nothing, there are no pre-existing employers and workers' savings out of their wages is the only form of creating wealth. Then we get the Henry Report's vision and its justification for discounting the taxation on unearned income. That story, whereby wealth is merely workers' savings, cannot really handle the real world of inherited wealth and savings and investment decisions made in board rooms, not around the kitchen table.

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[5] That is the value of total non-financial assets at 30 June 2012 (ABS 2012a).

[6] Savings for the whole economy is defined as GDP less total consumption using ABS (2012a).

But having said that, our system by and large does lightly tax those vehicles that ordinary working people are likely to invest in, for example, superannuation and housing.[7] Other investment incomes are taxed at roughly ordinary rates when received by individuals. We seem to have stumbled on some sort of rough justice even if there may be scope for change around the edges. We have to be careful not to upset that rough justice by following Henry's recommendations.

The intellectual influence behind the Henry model is also very apparent when the Henry Report talks about the potential taxation of inheritance. For example the report says:

> *A tax on bequests should not be levied at very high rates. People should not be unduly deterred from saving to leave bequests. A substantial tax-free threshold combined with a low flat rate beyond that point would be an appropriate structure for a bequest tax* (Henry 2008, p. 137).

Again it is assumed that wealth that can be bequeathed arises from savings and an inheritance tax may well 'deter' some saving. In Australia the distribution of wealth is very unequal. The top 20 % of wealth holders own 62 % of the wealth while the top 10 % own 41 % of the wealth. The higher we go the greater is the discrepancy between the share of wealth and share of population.[8] Hence there are 24,200 households, or 0.3 % of households with wealth of $10 million or more who would own at least 8 % of Australia's wealth assuming their average wealth is $20 million. Putting this another way, the

- Top 20 % own wealth equal to three times their population share,
- Top 10 % own wealth equal to four times their population share,
- Top 1 % own wealth equal to 15 times their population share, while the
- Top 0.3 % own wealth equal to 28 times their population share.

It is difficult to imagine these sorts of inequalities at the top end being generated by people deciding to put aside some of their wage earnings to leave it to their children (or other favoured beneficiaries). Indeed, modelling shows that the distribution of wealth found in modern advanced economies conforms to patterns in which the main drivers are inheritance and chance and both of these are 'factors having nothing to do with the capital owner's legitimate economic contributions'. However, inheritance is obviously a factor involved in the concentration of wealth at the top of the distribution and, critically, the perpetuation of the concentration of wealth over generations.

The Henry Review raises the issue 'double taxation' in relation to inheritance taxes. Double taxation refers to taxing the original income and then later taxing it when it is bequeathed. That is a reference to the view that households who leave

[7] Note that the tax concessions for funds going into these assets and the earnings on them are subject to abuse by high income earners. For example, most of the concessions for superannuation go to the rich who are unlikely to need help saving for retirement and instead tend to use super as just another tax avoidance scheme (Denniss and Richardson 2012).

[8] These and similar figures are taken from, or based on ABS (2011) and all wealth estimates relate to 2009–2010.

bequests must have allocated their lifetime income so as to leave something to their children. Again the issue is couched as households having to allocate scarce resources over their life time and deciding whether or not to leave some for the children. But if chance and inheritance are the main causal factors in the high concentration of wealth at the top then the concern for double taxation should disappear.

4 International Tax Competition

International tax competition is a favourite argument of the business interests who advocate lower taxes on companies. An important strain of the argument is concerned with Australia's attraction as an investment destination relative to the rest of the world. The idea is that the various countries are competing for investment and that the most competitive will win. This assumes that all potential investors collectively have limited investment budgets and will go to only the most profitable host nation.

The business view seems to reflect a 'pool of investable funds thesis': if you increase the pool of funds in the hands of business it will spend more and investment and job creation will follow. The thesis seems to be that there are limited funds available for investment and a lower company tax would mean more available for investment. Some big problems with this thesis are:

- Many companies pass on the bulk of their profits to their shareholders.
- At the moment many corporations are supposed to be flush with funds but investment has slowed outside the mining industry.
- Reluctance to lend on the part of financial institutions seems the main constraint on investment.

In practice we observe for example mining companies investing in projects in many countries at once, even though the fiscal and other attractions are vastly different. Mining companies with investment projects in Australia also have undertakings in Africa, the Gulf of Mexico, and so on. So long as a project meets the Stiglitz marginal condition a company that did not go ahead would be voluntarily ignoring a profit opportunity.

In practice we find a good deal of foreign investment in Australia from Asian countries with much lower company tax rates, in apparent contradiction of the argument that we would be 'losing out' to those economies. In 2011 China was the third highest foreign investor in Australia by value while India was 5th; Singapore was 6th, Thailand 12th, and Malaysia 14th (Foreign Investment Review Board 2012). The simple point is that Australia attracts investments originating in the very economies that are supposed to have more competitive taxation systems.

Of course when examining the source of the stock of foreign investment in Australia by far the largest investors are the US at 27 %, UK at 23 %, Japan at 6 %, Singapore, Netherlands, Switzerland and Hong Kong at 2 % each.[9]

[9] After that there are a large number with one per cent or less. See ABS (2012b).

John Quiggin (2012) makes the point that attracting foreign investment to increase Australian GDP does not necessarily improve the lot of anyone in Australia. He uses the example of a foreign company that sets up a plant in Australia, bringing $1 billion of its own capital. He supposes that the business is capital-intensive and that the impact on employment is trivial. To continue in his words:

> *Suppose that the business yields the standard return on capital obtained in the international market, say 8 %. Then it's easy to see that annual GDP has increased by 8 % of $1 billion, or $80 million. How about net national income? The $80 million in capital income all flows overseas, so the impact on NNI [net national income] is a big round zero.*
>
> *Which measure should matter to Australian policymakers? The answer—pretty clearly—is that the presence or absence of the plant makes no difference to the economic welfare of anyone in Australia, so NNI gives the right answer and GDP the wrong one.*
>
> *Of course, the stylised example isn't perfectly accurate. Increased capital investment may lead to higher demand for labour and therefore to higher wages for Australians. But these indirect effects will be an order of magnitude smaller than the effects on GDP, and may be offset partially or completely (for example, if the increased demand is met by increasing immigration)* (Quiggin 2012).

This argument is very important when we consider the huge capital intensive projects associated with the mining boom. Many of the projects have 100 % foreign ownership and very little in the way of local employment or other input purchases. These projects impose costs on the rest of Australia via Gregory effects but imply limited benefits for Australia. For example, the proposal for a floating liquid natural gas plant for the Browse gas field (rather than the development of James Price Point) would mean most of the capital expenditure would be offshore and there would be minimal employment in the production phase. If the bulk of the profit also goes offshore then very little of the activity generated by such projects remain in Australia. Even without taking environmental aspects into account, many of these projects are tipping the balance.

In addition to all these problems with the international arguments it is also worth noting that the evidence does not stack up. Analysis by the Congressional Research Service showed there was no convincing empirical evidence that suggested international capital flows were influenced by corporate tax rates. The differences among OECD rates tend to be so small as to hardly matter compared with other factors.

Of course none of this addresses the international tax avoidance issue. A multinational operating in a number of countries will attempt to shift its profit to where it is taxed most lightly. When talking about tax avoidance the threat is not other OECD countries that may have company tax rates plus or minus five points around the Australian rate. Instead the tax havens often have no tax at all. To the extent that international tax avoidance is rampant it tends to make a lot of the argument rather beside the point. International tax avoidance could be addressed by lowering tax rates but that seems to be throwing the baby out with the bathwater. In the meantime the OECD is trying to address international tax avoidance. And it may be worth considering other possibilities such as taxing income received by Australian entities in tax havens (see Gravelle 2010). The other point to make here is that international tax avoidance (and evasion) does not appear to change where a company undertakes its business, it merely changes where it declares its profit comes from. This is clear in the following comment from the US Congressional Research Service referring to Google's operations:

> *An example is the "double Irish, Dutch sandwich" method that has been used by some U.S. firms, which, as exposed in news articles, has been used by Google. In this arrangement, the U.S. firm transfers its intangible asset to an Irish holding company. This company has a subsidiary sales company that sells advertising (the source of Google's revenues) to Europe. However, sandwiched between the Irish holding company and the Irish sales subsidiary is a Dutch subsidiary, which collects royalties from the sales subsidiary and transfer them to the Irish holding company. The Irish holding company claims company management (and tax home) in Bermuda, with a 0 % tax rate, for purposes of the corporate income tax. This scheme allows the Irish operation to avoid the even the lower Irish tax of 12.5 %, and also, by using the Dutch sandwich, to avoid Irish withholding taxes (which are not due on payments to European Union companies)* (Gravelle 2013*).*

Given Google's behaviour it would not make sense to suggest its operations are influenced by the various tax rates around the world. The places where a company like Google declares its profit need have no relationship with where it actually operates.

Double taxation agreements and the taxation of company profits
Australia has double taxation agreements with 44 other countries with which Australia tends to have a good deal of economic contact. Those agreements require that where a country taxes a resident on income derived from the other country (the source country) it is required to give a credit against tax in the source country levied against the same income. Hence if profit of \$100 earned in Australia is taxed at \$30 in Australia and then received by a taxpayer in the US, that taxpayer will get credit for the tax paid in Australia. The US federal company tax rate is 35 % so US federal government would levy a tax of \$5 on the profit.

For the other companies that Australia is able to tax there is an important pragmatic argument for not reducing Australia's tax rate so long as it is at or around the rate of many of our foreign investment source countries. Australia has a double tax agreement with most countries in the world so that the same income is not taxed twice (see box). That is not raised in the report but it means that tax not collected in Australia often just goes to the foreign taxation authorities. This is best seen in an example. Take a US-owned company earning \$100 million in Australia which is subject to 30 % tax or \$30 million. That income is also taxed in the US at 35 cents in the dollar by the federal level. However, the double tax agreement means that the US company gets credit in the US for any tax paid in Australia. That credit is applied against any US tax that would otherwise be payable in respect of that income. So after the American company USXZ paid company tax of \$30 million in Australia its US (Federal) tax liability of the equivalent of \$35 million is reduced by \$30 million. If Australia now reduces its tax to 25 % USXZ will pay a \$25 million in Australia, which is credited against its US tax liability, but that means an extra A\$5 million will be payable in the US.

The US Treasury wins at the expense of the Australian tax system, just because Australia has lowered its tax rate. This example shows that where a country has a tax rate greater or equal to the Australian rate, a reduction in the Australian rate merely shifts revenue into the foreign treasury. For a company based in New York paying 40 % company tax (including the 5 % State company tax), changes in the Australian rate will not affect their decision-making.

5 The Company Tax Rate is Really a Tax on Wages (?)

A common view is that if company taxes are increased companies will respond and pass them on through higher prices and in turn reduce real wages below what they would have been (Hepworth and Uren 2012). In the public finance literature this possibility is known as the tax incidence issue and raises the possibility that tax may be levied on one class of entity but passed on and is actually borne by another set of entities. Hence company tax is at the expense of workers and evidence has been produced to that effect. The US Congressional Research Service heavily criticised those studies and showed their results were unrealistic. Nevertheless the Henry review quotes them or similar studies (Australian Government 2008).

Henry cites some of the overseas studies suggesting they are applicable to Australia. For example it cites three studies and the first finds ‘that a 1 % increase in the corporate tax rate is associated with a close to one per cent drop in wage rates’. This does not seem reasonable given the magnitudes involved. If the company tax rate were higher by 1 % in 2011–2012 it would have increased collections by $2.2 billion. Wages (compensation of employees in the national accounts) were $708 billion and 1 % of that is $7.1 billion. This suggests that the impact on wages is over three times the impact on company tax.

The second study ‘estimates that a 10 % point increase in the corporate tax rate reduces annual gross wages by 7 %’. That would increase company taxes by $22.5 billion and reduce wages by $49.6 billion.

The third study estimates ‘that around 75 % of any increase in source-based taxes on corporate income is passed onto workers in lower wages in the long run’. That estimate is at least consistent with some company taxes being passed on eventually in real wage reductions. It is of course notoriously difficult to undertake econometric studies that successfully model the relevant structures of the economy and isolate the role of particular explanatory variables. Even if one could trust those studies they do not necessarily apply to the Australian tax structure. But we can have a look at Australian experience.

As mentioned above, from 1940 to 1987 the corporate tax rate was fairly stable within the range 45–49 % but since 2001 the rate has been 30 %. If the corporate tax is at the expense of labour then the reduction in corporate tax should have reduced pre-tax profit and so shifted the distribution of income away from profit towards wages and salaries. That is easy to check. On the ABS (2012a) figures from 1960 to 1987 the wages share (compensation of employees) of total factor income was 57 % when the corporate tax rate was at least 45 %. The average profit share (corporate profit plus mixed income earned by small business) was 43 or 24 % after the notional 45 % corporate tax rate.

Since 2001 the corporate tax rate has fallen to 30 % and so, if the thesis were correct, we might expect the wages share to increase to 66 %. That would preserve a 24 % going to after tax profit. But what happened? The wages share since 2001 has fallen to 54 %, contradicting the argument put by Treasury. Of course we would not want to put the opposite argument either.

In the meantime the spokespeople for business know the market and tell it how it is, for example, Australian Industry Group chief Heather Ridout (McLeod 2010; ABC 2012) and Australian Chamber of Commerce and Industry chief Peter Anderson (ACCI 2010) in arguing for lower company taxation do not invoke public finance theorists to say that the tax cuts will be passed on to consumers or workers. Rather, in their more realistic understanding of the world, business will keep the tax cuts but, we are reassured, all will be fine because business will reinvest the money and thereby increase capital investment and employ more people.

6 Complications of Imputation

It is important that dividend imputation be incorporated into the analysis of company tax rates in Australia. Indeed, during a surge in company tax receipts the Budget Papers commented:

> *Australia's imputation system may provide some incentive for companies to pay tax in Australia in order to maximise franking credits. In effect, the corporate tax system operates in part as a withholding system for tax due at the shareholder level. Indeed, in recent years the growth of franking credits claimed at the shareholder level has broadly matched the growth in company tax* (Australian Government 2004).

Business interests keep telling us that Australia's company tax rate has been uncompetitive. For example, the recent business tax review published a graph that showed Australia's 30 % company tax rate was one of the highest among OECD countries. Of course those comparisons do not include the effects of imputation.

Table 1 provides recent figures for the company tax rate in some selected countries but it also examines what happens to a dollar of taxable corporate income by the time it is received in the hands of investors on the top marginal tax rate in that country. Where relevant, the company tax rate is that applying on company profits that is distributed to shareholders.[10] The column headed 'Overall top personal income tax rate plus company tax rate' is the effective tax rate applying to company income by the time it is received in the hands of the individual shareholder. For many countries full or partial imputation applies and there are other mechanisms used to reduce the combined impact of company and personal tax. For example, many countries have preferential tax rates for dividend income.

[10] Some countries also tax profits differently depending on whether or not they have been distributed to shareholders. Australia used to have an additional tax on undistributed profits. The thinking was that while companies would want to retain some profits they should also pass dividends to shareholders who would be taxed at the personal tax rate. Retained earnings should not be a tax avoidance vehicle. That was before the imputation system.

Table 1 Company tax rates and impact on personal returns

Country	Company tax rate (%)	Overall top personal income tax rate plus company tax rate (%)
France	34.43	59.4
United States	39.1	52.1
United Kingdom	24	51.4
Korea	24.2	51
Germany	30.175	48.6
Ireland	12.5	48.4
Norway	28	48.2
Canada	26.1	47.9
Australia	*30*	*46.5*
Japan	39.54	45.6
Italy	27.5	42
Switzerland	21.17	36.9
New Zealand	28	33

Source OECD spread sheet (2012), overall statutory tax rate on dividend income

What is 'imputation'?

The design of Australia's company and personal taxation systems aims to prevent the so-called double taxation of dividends. The double taxation of dividends occurred before imputation as a result of the interaction of the company and the personal income tax systems. A company that earns a profit is liable to pay company tax. It may then pay a dividend to its shareholders who are also liable to pay tax. That meant that the final after-tax income of the shareholder might be a small proportion of the original profit.

The imputation system makes refunds to individual taxpayers to reflect the tax paid by the company and imputed to the individual. In practice every $70 received as a dividend by an Australian income taxpayer is taken to be $100 in working out the personal tax liability but $30 is credited against the individual's tax liability. That may well entitle the taxpayer to a cash rebate. But it effectively means that the company income is ultimately taxed at just the individual taxpayer's marginal tax rate.

The amount credited against the individual's tax liability is referred to as a franking credit. Companies that pay tax maintain a franking credit account out of which they can declare a franked dividend, so long as the franking credit account maintains a positive balance.In addition to individuals, trusts, partnerships and super funds are also eligible to claim franking credits. Companies too can earn imputation credits on any franked dividends they receive.

Note that franking credits are only available to offset against Australian tax liabilities

Table 1 clearly shows that it is misleading to compare just the company tax rate across countries. When ranked by company tax rates Australia is equal seventh out of 34 countries with a 30 % tax rate and there are 25 countries with lower rates. However, the data are entirely different if we examine the implied personal tax on company income, the overall top personal income tax rate plus company tax rate. On that basis Australia is ranked 15th highest with 19 countries below Australia. Of those 19 countries six are within 5 % points of Australia. Countries which are a major source of foreign investment in Australia, such as the UK and US, have much higher taxation on company profits by the time they are taxed in the hands of the taxpayer. The perception that Australia taxes company profits relatively highly disappears if imputation is taken into account.

Obviously other factors are important. The Swiss mining company Xstrata is a major investor in Australia but the Swiss overall tax on profits at 36.9 % is much lower than Australia's at 46.5 %. Similarly we have never had any trouble attracting investment from New Zealand even though their corporate tax rate is lower than Australia's.

As far as the individual (Australian) shareholder is concerned, holding a share in an Australian company and receiving the imputation credits is equivalent to the hypothetical situation in which the company pays no tax. In effect the present Australian company tax is effectively just a tax on undistributed profits, at least as far as Australian shareholders are concerned. In fact it acts like an undistributed profits tax that may well be refunded when and if the retained profits are returned to the shareholder.

The Australian company tax is also a tax on foreign shareholders since they do not receive franking credits.

7 What is All the Fuss About?

Given that imputation means company tax is irrelevant to shareholders, the owners of the company, it is worthwhile asking what all the fuss has been about. Since it is the personal tax rate, not the corporate tax rate that determines the tax paid by shareholders it is curious that many business people talk about the need to cut corporate tax rate as if imputation were irrelevant.

It is not clear that managers are necessarily speaking on behalf of shareholders when they argue for lower taxes. This may well be a case of the principal-agent problem which refers to the possibility that the incentives facing the parties are misaligned as often occurs when there is a separation of ownership and control of the modern corporation. Hence the Australian shareholder receives imputation credits on any income received as dividends and so should not be concerned about the tax paid by companies—especially widely-owned companies.

However, the incentives facing CEOs are different to those facing shareholders. We are used to judging company performance by the size of after-tax profits and management incentive payment arrangements are likely to be related to after-tax profit.

Perhaps more importantly, company management seems to be obsessed with growth in company assets—also likely to be a factor involved in determining management pay. The higher is company tax the less funds that are available to reinvest back into the business even though the company tax is returned to Australian shareholders through imputation but that takes resources away from the control of the corporate sector. On the other hand a manager that can grow the company is likely to be rewarded with higher bonuses.

Despite the value of franking credits to shareholders, companies often have huge accumulated franking credits that are unused. At the end of 2009–2010 franking credit balances were $205 billion and they increased by $8.1 billion that year. That year included the global financial crisis, however in 2008–2009 companies accumulated an additional $18.8 billion in their franking balances (Australian Taxation Office 2012). From the shareholders' point of view that is a waste—idle franking credits do not earn interest and can only be used against dividend payments. We have recently seen BHP Billiton and other resource company shareholders make that point (Binsted, Searle and Poljak). On the other hand management would prefer to retain profits in the company rather than give them out as dividends to shareholders.

Of course the incentive is different in private companies where there is a strong incentive for high income owners to keep funds within the company where they attract a lower tax than when distributed to the owner. In principle the funds are eventually passed on to the owners but while in the company they compound away at after-company-tax rates of return rather than lower after-tax returns in private hands.

It is also worth pointing out that individuals and other entities eligible to claim imputation credits could suffer from a cut in company tax and therefore a cut in franking credits if their marginal tax rate is below the company tax rate. That would be the case unless the company increased its dividend payout rate to compensate.

Of course some foreign shareholders unambiguously benefit from lower company taxes in Australia if they come from a tax jurisdiction with a lower tax rate than the Australian company tax rate and no obligation to pay the difference between the Australian corporate tax rate and their domestic tax rate, see the discussion on double tax agreements below.

We used to have a much healthier debate about the role of foreign investment in Australia. We are about to see massive investments in LNG for example that will be foreign owned and with minimal labour content. Most of the revenue will go abroad. Access to foreign capital is supposed to expand opportunities in Australia, however, foreign capital does not mean that it is easier to find skilled labour for construction, fast-track environmental approvals, put more traffic through the ports and the other problems miners apparently face.

That also alerts us to the likelihood that at the end of the boom foreign investment will dry up but high foreign ownership will mean that profits keep flowing abroad. The flow of profits out of Australia will offset the increase in mining exports that the current investment makes possible.

Recently the Business Tax Review floundered because they could not reach an agreed position on the tax concessions that could be abolished to pay for lower tax cuts. While Keating's company tax cuts in the 1980s were financed by such measures as the introduction of capital gains tax and fringe benefits tax. However, the recent business tax review clearly revealed that the banks, for example, were happy to abolish the investment allowance which they hardly use, but capital intensive business such as mining enjoy the benefits of these subsidies and objected vehemently to their removal.

It is important to note that in principle company tax concessions are worthless with imputation. A company that pays lower tax accumulates fewer franking credits and so there is less of the latter to give out to shareholders. However, in practice companies only pay out a fraction of their profits to their 'owners' and many tend to accumulate unwanted franking credits. But their retained earnings are likely to be higher as a result of the concessions.

It is easy to find the gross payments of company tax in the budget papers but not the figures for franking credits. Why the figures are 'buried' in the budget papers is not known. Franking credits would be included within the individual taxation figures—they would be netted out against taxation paid by individuals. That figure includes trusts and partnerships. There would be a similar treatment for superannuation funds. The Budget Papers have never given an estimate of the value of franking credits to our knowledge. However, Tax Office figures show that franking credits received by taxpayers are \$24.0 billion for 2009–2010, the latest figures we have (Australian Taxation Office 2012). That incidentally is 46 % of company tax collections implying 46 % of company tax is given back to the company's owners. It should be noted here that Stilwell (2000) forcefully advocated getting rid of the imputation system which would have increased tax revenues by \$24 billion in 2009–2010.

Incidentally franking credits are not included as tax concessions in the annual taxation expenditure statements. Rather, the imputation system is taken to be part of the benchmark arrangements for individual and company tax system and tax concessions are measured against those benchmarks. This is not an excuse for not reporting them in the budget papers. Note for example, that capital gain taxation is part of the benchmark but they are reported in the budget papers.

Given the value of the imputation system in Australia we need to understand who receives dividends. This is an important question because one of the important rationales for company taxation is its role as a 'backstop for the personal tax'. The idea is that by taxing corporate income high income earners at least pay something, even though avoidance and evasion often takes place via the corporate structure. This of course assumes high income earners are the main beneficiaries of corporate income. The later can be tested.

The latest tax office figures relate to 2009–2010 and give total income as well as income received as dividends. Those figures are summarised in Table 2.

Table 2 provides some interesting data but it does have some quirks such as the relatively high proportion of dividends received by those with a taxable income of less than \$10,000. However, our main interest here is the dividend incomes

Table 2 Taxpayers and dividend income

	Share of dividends (%)	Share of taxpayers (%)
Non-taxable and below $10,000	7.66	26.65
$10,000–50,000	11.92	40.27
$50,000–100,000	20.01	25.89
$100,000–150,000	11.43	4.51
$150,000–250,000	13.75	1.84
$250,000 and above	35.24	0.82
Total	100.0	100.0
Memo item: Taxpayers $1 m plus	14.99	0.06

Source Australian Taxation Office (2012)

received by the highest income earners. Of those people who lodged a tax return there were less than one per cent who earned $250,000 or more but they received 35.24 % of all the dividends. The next highest bracket, $150,000 to $250,000, is less than two per cent of the population and receives almost 14 % of the dividends. If we sum all those with income over $100,000 we have 7.2 % of the population receiving 60.4 % of the dividends.

For those earning $1 million or more it is interesting to note that they are just 0.06 % of taxpayers, 2,160 people, who earned 14.99 % of dividends!

Not only is it true that the rich receive most of the dividends but it should be noted that 84 % of dividends are received by those on $40,000 or above. Above $37,000 the marginal tax rate exceeds the company tax rate. Tax avoidance considerations are relevant for all these people.

8 Conclusions

A simple google shows that the news articles on company tax is dominated by calls for cuts in taxation with little support for the status quo, let alone support for tax increases. The argument is invariably along the lines that lower tax rates are associated with higher investment, employment and economic growth. Australia can be used as a natural experiment since company tax rates were in the 45–49 % range in the period 1940–1987 but went down to 30 % in the 2001 tax changes. In the second period economic growth was lower, unemployment was higher and investment too close to call.

The theoretical arguments seem clear cut and we quoted Joe Stiglitz to the effect that a firm will do the same thing whether it tries to maximise pre-tax or post-tax profits. By contrast the influential Henry Review of Taxation is based on a view that taxing capital income is tantamount to punishing workers who try to allocate their income over time. We showed this view is naïve in that it assumes that all capital in Australia is the result of workers squirrelling away their income for a rainy day. However, this type of savings can account for only a small fraction of the total wealth in Australia and the income that flows from it.

We then examined the arguments that assume we are in an international competition for capital and that tax rates are an important part of that competition. We showed the evidence is weak or non-existent. Among other things, a good deal of investment into Australia comes from countries with lower tax rates than the Australian rate. Even if the 'high' tax rates in Australia did deter some investment it is not clear that there would be net costs to Australia. There may be a loss of GDP, which includes the domestic impact of foreign investment but would have at best a minor impact on national income which, by definition excludes income earned by foreigners. Lowering the Australian tax rate would also have the effect of increasing the tax take in the case of multinationals from the US and other jurisdictions that have higher tax rates than Australia. That is a consequence of the various double tax agreements Australia has with the rest of the world.

Another argument sometimes used is that corporate taxes merely reduce wages. That should mean that when the company tax was 45–49 % the wages share of national income should have been smaller than it is now with 12 years of a 30 % company tax rate. In fact the opposite is true. Treasury has cited studies to support the idea that corporate taxes reduce wages. However, the results in those studies seem silly, implying a dollar increase in company taxes gives a two or more dollar cut in wages!

A good deal of attention in this chapter is given to the Australian dividend imputation system. Many of the arguments we encounter do not even discuss the complications of the imputation system. As it happens if we widen the focus to include imputation then we should be comparing Australia's tax system as it affects the ultimate owners of capital. Imputation credits taxpayers with dividend income for company tax said to be paid on the shareholders' behalf. When adjustment is made for imputation in Australia and we compare like with like, the tax on capital is much lower relative to other countries than company taxes alone would suggest. The imputation system throws up some other quirks. For example, a tax concession for business may reduce company tax, but to the extent less franking credits are generated, the company owner is often no better off.

'Cut company taxes' is something that has been said loudly and often enough that it seems to have become accepted almost without question. It is a simple proposition, 'cut company tax and we will be better off'. As it happens this proposition is almost as wrong as it is simple.

An earlier draft of this chapter was given to the conference in honour of Frank Stilwell's life time work and contribution to the understanding of political economy. He made some remarks at the conference to the effect that we need to distinguish between the critique of capitalism and the critique of our understanding of capitalism. This chapter has attempted to advance the latter to some extent by criticising the view of capitalism behind the popular and academic advocates of tax relief for capital. Those views and the policy implications that flow from them are either not supported and are often contradicted by logic and the facts.

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Part VI
Cities and Regions

‘A Challenging Task’: Political Economy in/of the Urban Age

Brendan Gleeson

Abstract The arrival of an ‘urban age’ is trumpeted by global institutions and, increasingly, by popular and expert commentary. The heralds announce an era of new human possibility, of vast creative and economic potential liberated by urbanization. The banners of ‘revolution’ (Brugmann) and ‘triumph’ (Glaeser) have been unfurled by the leading exponents of new urban enthusiasm. And yet this dawn chorus neglects the darkening clouds of reaction and threat that gather on the new urban horizon. The gloom of recrudescence contrasts with the bright motif of revolution. In knowledge and ‘expertise’, graves thought closed are reopening: positivism and its kindred ideologies (scientism, naturalism, and empiricism) are reawakening especially in new assessments of the urban condition. In politics, neo-liberalism, which Harvey explains as a class project not intellectual schema, seems to have survived repeated censure and contradiction. ‘Neo-liberal urbanism’ (Hodson and Marvin) remains steadfast. In environmentalism, critique and progression seem stalled by an impressively adaptive capitalist political economy that continues to overcome natural barriers to realization (e.g. peak oil). It is a paradox perhaps that capitalism, the most potent historical force for change, depends heavily on recrudescence for political and ideological continuity: the revival and reinstatement of philosophies and frames that bury or obscure its underlying political economy. Whilst political economic interrogation of the sort advanced by Stilwell now seems a diminished force, its cause and rationale have surely never been stronger. In an urban age marked by profound human endangerment, the case for renewal of political economic scholarship is compelling. This chapter makes this case and sketches out some markers and imperatives for political economic enquiry in an urban ‘World at Risk’ (Beck).

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1 Introduction

The arrival of an ‘urban age’ is trumpeted by global institutions and, increasingly, by popular and expert commentary. A new conversation welcomes the fact that humanity is now preponderantly an urban species, *homo urbanis*. For the past 7 or more years, the United Nations has broadcast the message of a new urban ascendancy. The major transnational institutions have accorded greater significance to cities and their challenges (OECD 2010; World Bank 2010; UN Habitat 2011; UNICEF 2012).

A parade of new popular literature—‘urbanology’ (Gleeson 2012)—noisily acclaims the arrival of the urban age. The heralds announce an era of new human possibility, of vast creative and economic potential liberated by urbanisation. The banners of ‘revolution’ (Brugmann 2009) and ‘triumph’ (Glaeser 2011) have been unfurled by the leading exponents of new urban enthusiasm. And yet this dawn chorus neglects the darkening clouds of reaction and threat that gather on the new urban horizon. The gloom of recrudescence contrasts with the bright motif of revolution. In knowledge and ‘expertise’, graves thought closed are reopening: positivism and its kindred ideologies (scientism, naturalism, and empiricism) are reawakening in new assessments of the urban condition. It is surely no accident that critical social science is a diminished force in contemporary human discussion (Sayer 2009, 2011).

In politics, neo-liberalism remains ascendant globally and in Australia (Brett 2013). As recrudescence of historically discredited economic liberalism, its first emergence and political triumphs from the 1970s onwards seems remarkable. In recent years, neo-liberalism has survived repeated political censure (e.g. Rudd 2009) despite manifest contradictions and failings, especially and most spectacularly the Global Financial Crisis. ‘Neo-liberal urbanism’ remains steadfast (Harvey 2012a; Hodson and Marvin 2010). In environmentalism, critique and progression seem stalled by an impressively adaptive capitalist political economy that continues to overcome natural barriers to realisation, such as ‘peak oil’ (Monbiot 2012). It is a paradox that capitalism, the most potent historical force for change, depends heavily on ideological recrudescence for political continuity: the revival and reinstatement of philosophies and frames that obscure or legitimise its underlying political economy. Political economy may be understood as a branch of critical social science that has, *inter alia*, sought to expose and oppose such legitimation in formal knowledge.

There is evidence in the new urban commentaries of legitimation of political projects—notably neo-liberalism and technocracy—that are patently hostile to progressive cause and more generally to human prospect. This ideological rationalisation proceeds at two levels, both epistemologically (positivism, scientism, etc.) and through published social analysis and commentary. Whilst political economic interrogation of the sort advanced by Stilwell (1974, 1978, 1980, 1993, 2002) now seems a diminished force, its cause and rationale have surely never been stronger. In an urban age marked by profound and dangerous contradictions arising from capitalist growth, the case for renewal of political economic scholarship is compelling. A first cause for revived political economy may be to reveal and resist the tendency to naturalise the structures and tendencies that have created an urban ‘World at Risk’ (Beck 2009).

This chapter contributes to this project in two ways. It first interrogates the new urban commentaries to highlight and explain their immanent tendency to rationalise neo-liberalism and the reform projects that reinforce it, notably technocratic governance and managerialism. The chapter then sketches out some markers and imperatives for political economic enquiry in an urban age characterised by grave endangerment of the natural and social orders. The argument is presented in three parts. The first examines the context for recrudescence in knowledge and human conversation generally by briefly essaying the demise of critical social science and of political economy. The focus is on the Australian case, where, arguably, the *social scientific influence* of political economy has dwindled in the past 20 years. The next part critically examines the assertions from urbanology and the new ‘urban physics’ with a view to exposing and explaining their regressive potential. The chapter concludes by briefly essaying the prospects for an alternative critical science in the urban age, and a new Australian urban political economy.

2 Radical Social Science and Urban Political Economy

The starting point for this analysis is critical social science, the broad epistemological ‘landscape’ that harbours a variety of progressive forms of inquiry, including political economy. In this spectrum, critique of social forms ranges from minimalist to radical; political economy aligned with the latter (Stilwell 1974, p. 1). As Sayer explains, the shared and starting premise for all critical science is the “reduction of illusion…[and] the denaturalization of social forms” (2009, p. 769). This necessitates criticism of societal forms themselves and thus distinguishes critical from positive or traditional social science. All critical social explanation steadfastly opposes naturalism, and its kindred creeds (positivism, scientism, behaviourism) and tendencies (historicism, determinism, empiricism). These settings are held to be regressive because, by naturalising social forms and history, they restrain and ration possibilities for human realisation and flourishing (Sayer 2011).

Radical approaches (marxism, feminism, green theory) insist on *explanatory* not merely revelatory critique. They strive “not only to identify false beliefs and the practices they inform but why those false beliefs are held” (Sayer 2009, p. 770). Radical inquiry inevitably exposes and problematises power relations and thereby opposes social domination and any structures that limit human flourishing or natural integrity (Bhaskar 1998). The radical commitment, however, is not merely to freedom as an end in itself—a quality of libertarian critique—but to the forging of new forms of social relation that acknowledge: first, the fact *and desirability* of human dependency; and second, the emancipatory potential of progressive *social* determination (Sayer 2009).

The political economy identified with radical social science has its roots in classical economic inquiry, but is identified with the marxian tradition that emerged from this. In the late twentieth century it was largely concerned with critical analysis of capitalist development, in particular "the distribution and accumulation of the economic surplus, and the efficacy or otherwise of political arrangements to promote accumulation" (Bottomore 1991, p. 427). Geographers contributed to its ontology and insight by interrogating the spatial economy of capitalism, marked by dynamic tendency to 'uneven development' (Smith 1984) and a drive to overcome spatial, including urban, barriers to realisation of value/profit (Harvey 1982). Urban political economy views urbanisation as an increasingly historically salient form of the capitalist spatial economy. Whilst according significance to spatial ontology, political economy remains implacably anti-determinist and opposed to the naturalisation of urban forms. Stilwell defined it thus:

> *[Urban political economy] recognises that, since urban problems often have their roots in general characteristics of the socio-economic system, they may not be soluble through policies of spatial regulation or redistribution alone. It is necessary to identify the structural basis of urban problems, exploring the relationship between general socio-economic processes and spatial form* (Stilwell 1993: 8–9).

Stilwell eloquently sums the case against what he earlier (Stilwell 1980, p. 11) termed 'spatial ideology' (and which radical geographers termed 'spatial fetishism'): the tendency to ascribe autonomous or natural powers to space. This positivist tendency inevitably diminishes the priority of social determination (Sheppard 2009). In 1973, Harvey stated the point succinctly:

> *Urbanism may be regarded as a particular form or patterning of the social process. This process unfolds in a spatially structured environment created by man. The city can therefore be regarded as a tangible built environment—an environment which is a social product* (1973: 196).

Through the 1980s, radical geography, influenced by Lefebvre (1991[1974]) committed to an ontology that insisted on a dialectical, mutually constitutive conception of social-spatial determination.

A strong discernible tradition of urban political economy emerged in Australia from the 1970s. Its leading exponents were Stilwell (1978, 1993, 2002), Berry (1979), Sandercock (Sandercock 1975; Sandercock and Berry 1983), Kemeny (1978) and McLoughlin (1992). One exposition by Sandercock[1] pointed to the strong, indeed defining, tendency to spatial determinism in urban planning thought and practice, in the 'anglo tradition' generally and certainly with strength through the Australian twentieth century experience (also Ravallion 1975, p. 18). Rising interest in environmental matters in the social sciences from the 1980s saw the emergence of a strand of urban political ecology, much of it explicitly drawn from, or at least influenced by, the political economy tradition (e.g. Keil 2003; Swyngedouw et al. 2006). There was limited development of urban political ecology in Australia (e.g. Stilwell 2000a; McManus 2005; Gleeson 2010). By the 1990s, the flow of Australian urban

[1] Chapter 2 in Sandercock and Berry (1983).

publications that were explicitly political economic in approach had dwindled very considerably, doubtless reflecting the wider demise in the Western academy of radical (especially marxian) economics and social theory (Harvey 2005).

Sayer, a leading analyst of the development of western critical social science (Sayer 1984), now finds the *entire* progressive tradition at low ebb (Sayer 2009, 2011). He believes it has sunk to a 'minimalism', marked by a residualised commitment to anti-naturalism and criticism (reduction of illusion), but lacking the animus for *critique* that exposes not only false beliefs but their genesis and ideological function. The authority and confidence of contemporary critical knowledge seems weakened by a range of corrosive influences, both long term and episodic: for example, the chronic enduring influence of positivism and the 'episode' of postmodernism which both, in contrasting ways, oppose a socially determined view of human progress (Eagleton 1996; Sayer 2009, 2011). At the same time, and paradoxically, evidence of human regress mounts inexorably (Beck 2009; Davis 2006). As key progressives, including Sayer (2011), Beck (2010) and Shove (2010), relate it, the shadow of a timid, relativised social science flickers weakly behind major human debates, including climate change and urbanisation.

What political economic and institutional changes have reframed the nature of social inquiry, to the disadvantage of critical explanation, including urban political economy? Arguably in the past three decades or so, the terms, possibilities and priorities of social and urban scholarship have been recast by four shifts:

1. The rise of neo-liberalism and its pervasive, if variegated, institutional influence, especially the increasing preference for aspatial social explanation and, allied to this, the gradual suppression of spatially informed social science, including and especially in economics (Barnes 2009; Harvey 2005).
2. New formations and reformations of knowledge within the social sciences themselves, including the 'long night' of postmodernism during the 1990s during which the terms and ambition of social explanation were radically challenged (Eagleton 1996). In Australia, Davison and Fincher (1998) explained postmodernism as a 'destabilising' force in urban studies that unsettled notions of public good and progress.
3. A heightening of aesthetic interest in urbanisation and urban knowledge, partly reflecting the influence of postmodernism (Sui 1999), but also of the neo-liberal 'urbanisms' (Hodson and Marvin 2010) that held increasing institutional and political sway from the 1980s.
4. Burgeoning institutional and cross-sectoral interest in urbanisation, especially from (i) an 'urbanology' which tends to enthusiastically support the status quo of a global, neo-liberal economy (Gleeson 2012) and (ii) a new 'urban physics' that seeks ostensibly to substitute scientific for social explanation and which tends to authorise a technocratic/managerial approach to urban governance.

The latter shift brings us to the present and the recent blossoming of urban conversations. In a climate of weakened critical social science, what new urban propositions are gaining traction? This question presupposes that what appears as new or 'revolutionary' may be reanimation of the older ideologies and frameworks.

How are the new urban conversations to be interpreted from the perspective of urban political ecology? As related above, urbanology and the new urban physics arguably both represent *and contribute to* the diminution of critical social explanation. In what ways are their claims hostile to the postulates of critical, including radical, social science? Are these 'new' urban conversations and aspirations freighted with the old: naturalism, spatial fetishism and, in particular, an underlying tendency to rationalise and legitimate the political economy of capitalism?

3 Urban Revolution or Recrudescence?

3.1 Urbanology

In the past 5 or so years, a new popular literature has emerged to welcome the 'urban age'. These offerings include *The Triumph of the city* by Harvard economist Ed Glaeser (2011) and *Welcome to the Urban Revolution* by the Canadian urban 'practitioner and thinker' Jeb Brugmann (2009). *Arrival City* (2010) by British-Canadian journalist Doug Saunders, exalts the rise of *Homo Urbanis* and the cities where the newest urban migrants gather. *Aerotropolis* is ordained as *The Way We'll Live Next* by Kasarda and Lindsay (2011). This urban literature is almost exclusively North American, mostly emanating from journalists, consultants and media savvy academics in business and economics schools.

The new 'urbanology' is a tide of interest and ambition flowing into broad readerships and constituencies that heretofore showed little interest in urban issues. The books have been generally favourably reviewed in key print media outlets that normally evince little interest in formal urban scholarship, including *The New York Review of Books*, *The New York Times*, *publisher's weekly*, and, in the UK, *The Independent, The Economist, The Evening Standard, The Financial Times* and *The Guardian*. saunders' *Arrival City* was released by nine national publishers around the globe and was judged "a remarkable achievement" by Britain's former Prime Minister, Gordon Brown. In Australia, the commentator Elizabeth Farrelly (2011) excitedly reported in *The Sydney Morning Herald* the enthusiasm of former Prime Minister Paul Keating and former opposition leader Malcom Turnbull for Glaeser's book. In broadening the appeal of urban issues, the new literature has furthered the work of popular urbanists, such as Florida (2011), and the evangelistic fervour of applied design movements, including 'new urbanism'.

4 The New Urban Physics

At the same time, interest in urban issues has flourished within the physical sciences. In October 2010, the influential physicists Luis Bettencourt and Geoffrey West published an article in the leading scientific journal, *Nature*, which presented

'A unified theory of urban living'. The theory's exposition needed rather less than two pages of the journal. The problem and its solution was epic in scale, "To combat the multiple threats facing humanity, a 'grand unified theory of sustainability' with cities and urbanization at its core must be developed" (Bettencourt and West 2010, p. 912). The authors identified the need for "… an integrated, quantitative, predictive, science-based understanding of the dynamics, growth and organization of cities" (Bettencourt and West 2010, p. 912). Empirical survey of urbanisation revealed that: "Surprisingly, size is the major determinant of most characteristics of a city; history, geography and design have secondary roles" (Bettencourt and West 2010, p. 912).

The 'unified theory' is textbook positivism. The influence of time and space, the fundaments of human social organisation, are found to be 'surprisingly' uninfluential variables in a theory of urbanism. It is the physical quantum of population that explains the quintessentially social phenomenon of urbanisation. Bettencourt and West believe that all can be explained through the idea—*indeed, the law*—of 'superlinear scaling', meaning that as city populations grow, their dynamism (measured variously) increases disproportionately but uniformly. The superlinear multiplier is 1.15—that is, for every 100 % of population growth, there is an increase of 115 % in socio-economic 'goods' and 'bads':

> *In a post-positivistic era (*Barnes 2009*), it might be expected that the bold assertion of naturalism on a leading human question—'urban living' no less—would draw critical comment from social scientists. Strange to relate, there is little evidence that it did. Kotkin in The New York Times was critical* (Lehrer 2010*,* MM46)*, but the mainstreams of urban scholarship seem to have ignored the 'unified theory'. Although obviously outside the realms of urban studies, Nature is a leading, widely discussed scientific outlet. The article's propositions have been further expounded by West in a number of public and broadly reported fora* (West 2011)*. They have been broadcast by the influential U.S. economist Paul Romer in international work promoting his econocratic model of urbanism, 'charter cities'.*[2]

In June 2012, *The Economist* lent its authoritative voice to the chorus of approval for the new urban physics. A piece entitled 'The laws of the city' proclaimed that 'A deluge of data makes cities laboratories for those seeking to run them better'. An indication of the possibilities for wider policy 'take up' emerged a few months later when the respected Australian social scientists, Withers and MacIntyre enthusiastically cited *The Economist*'s piece, and in particular, the superlinear 'finding', in an opinion editorial on Australian higher education in the influential *Australian Financial Review* (Withers and MacIntyre 2012).

[2] See http://chartercities.org/blog/160/geoffrey-west-on-scaling-phenomena-in-cities, accessed 13 March 2012.

5 The Shadow of Naturalism

A central issue for progressive knowledge is the potential for the new urban interest from the natural sciences and popular urbanology to redeploy some of the intellectual failings that were contested in the social sciences over the past half century—especially the errors of naturalism and its kindred guises; positivism and determinism. Whilst the 'new urban physics' seems boldly positivistic, it is evident on close inspection that the new urbanology also displays an inherent predilection for a naturally determined view of urbanisation. Taken together, however, as popular and policy conversation tends to do, the two influences avow a generally determinist view of urban change.

In a separate review (Gleeson 2012), I have explained at some length the naturalism that partly if clearly characterises the new urbanology. It runs as Arendt would have it, like a 'red thread' through voluminous urban commentary. Naturalism asserts a unity of method between the natural and social sciences—to the exclusion of social determination (Bhaskar 1998). The urbanologists' premises and projections frequently lean on naturalised abstractions about the overarching 'power' of the urban process. A totalising, law-bound view of urbanisation is never far from the surface of discussion. For example, Brugmann's (2009) chapter subtitles signal this faith in a knowable, if secreted, urban process: 'the hidden logic of global urban growth', 'the inevitable democracy of the city', 'the irrepressible economics of urban association'. He offers a unifying construct 'the city', that conveys,

> *…the merging of cities throughout the world into a single, converging system that is reordering the most basic dynamics of global ecology, politics, markets, and social life* (Brugmann, 2009: 24).

He is taken to task for this by Purcell (2011) who thinks his search for hidden laws neglects the obvious fact of social power. Provocatively, Glaeser offers the natural metaphor of the ant nest to offer a rather mechanistic view of human urbanisation: "Humans are an intensely social species that excels, like ants or gibbons, in producing things together. Just as ant colonies do things that are far beyond the abilities of isolated insects, cities achieve much more than isolated humans" (2011, p. 247).

The tendency to naturalism, and its determinations, is in apparent tension with the social concerns of the urbanologists. Brugmann, Saunders and Glaeser have ostensibly progressive values, each embracing social and ecological sustainability in different ways. The 'challenge' of global urban poverty is a central theme. Their frameworks, nonetheless, bear many determining assumptions: for example, Glaeser's (2011, p. 7) "near perfect correlations between urbanization and prosperity". They are not, however, unyieldingly deterministic. Glaeser (2011, p. 6), for example, acknowledges that whilst "The city has triumphed… sometimes city roads are paved to hell". Testimony to naturalism arises in the urbanologists' enthusiasm for physical density as a determining force (for good) in human relations. Glaeser (2011, p. 1) opens with: "cities are expanding enormously because urban density provides the clearest path from poverty to prosperity". Further, "human creativity is strong, especially when reinforced by urban density" (Glaeser 2011, p. 67).

The cheerful view of urban density as a shaping force contrasts with the scepticism of political economy, which disavows a determining view of spatial relations. Stilwell (1993) raised doubts about Australian enthusiasm for urban consolidation. He questioned the policy's efficacy and fairness, refusing its detachment from 'general' social and economic relationships. The doubt was even more strongly prosecuted by other critical Australian social scientists, notably Troy (1996). The new urban commentaries confirm these criticisms through a willingness to confer autonomous agency on physical geographic arrangements.

6 Recrudescence as Legitimation

The crypto-positivism evident in the new urbanology may conceivably reinforce the 'neo-liberal urbanism' that has plagued human urban life in recent decades (Hodson and Marvin 2010). The sympathies of urbanology certainly lie with market capitalism. Most of its contributors are consultant/advisors and their works tend to highlight and favour urban entrepreneurship. For example, the impressively credentialed Kasarda is Professor of Strategy and Entrepreneurship in the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill, and director of the Frank Hawkins Kenan Institute of Private Enterprise.

Brugmann's book invokes the seminal influence of French Marxian theorist Henri Lefebvre, in particular his influential 1970 work, *La révolution urbaine* (The Urban Revolution). And yet, Lefebvre's radical intellectual opposition to capitalist urbanism is dispensed with (along with theory itself) in favour of a belief in the power of a reformed market system to realise human potential. Purcell (2011) upbraids Brugmann for invoking but ultimately ignoring Lefebvre. He points to Brugmann's enthusiasm for urban entrepreneurship and a strong evident belief that the problems created by the neo-liberal order can be "solved by capitalist 'solutions'" (2011, p. 264).

Glaeser, the Harvard economist, works—with originality to be sure—within a strongly neo-classical economic framework. His scholarship signals the contribution of urbanology to a weakening of the aspatial economics that has ruled the Western academy in recent decades (Barnes 2009). But it equally flags the emergence of an 'econocratic urbanism' that tends to strongly legitimise the central postulates of the neo-liberal growth model. One part of this is to deny or underplay the scale and intensity of the failures of neo-liberal urbanism, especially manifest in the explosive spread of slum urbanisation (UNICEF 2012).

The (mostly) cheerful chorusing of economic (and thus city) growth rejects a paradox at the heart of the great urban migration. Indubitably a journey of hope, it ends for many in the purgatories of disappointment that ring developing cities. Despite the buoyancy of popular urbanology this dimension of modernisation is hard to explain as 'development'. Mike Davis' *Planet of Slums* (2006) argues that global urbanisation is 'taking us back to Dickens'.

Glaeser, on the other hand, scorns Rousseau's oft cited depiction of cities as 'the abyss of the human species'. Cities "…enable the collaboration that makes humanity shine most brightly" (Glaeser 2011, p. 247). Glaeser, Saunders and Brugmann acknowledge, *indeed tour*, urban slums, but tend to emerge with the view that they are conquerable, amendable and rich with possibility and insight. Indeed for Glaeser, "…there's a lot to like about urban poverty" (2011, p. 9). Brugmann recently scorned Davis' "slumdweller-as-lumpen-victim narrative" (2011, p. 276).

In an epoch aching with economic default and ecological threat it is not surprising that the urbanologists' sanguinity is warmly received. In Britain's *Guardian* newspaper, the science writer, Pearce (2010), applauded Saunders' news that the *Arrival City* was a flourishing migrant reception centre.

Optimism provides a badly needed progressive and optimistic narrative about our future. This is the perfect antidote to the doom-laden determinism of the last popular book on urbanisation, Mike Davis's planet of slums. While Davis produced a relentless cascade of terrifying facts, Saunders offers people, their hopes and dreams and triumphs.

The accusation of determinism is surprising, given the brash prescriptions of urbanology. Pearce perhaps means pessimism. Optimism of the will, expressed and recorded in slum biographies, is preferred to the gloomy statistical register. To put it briefly: anecdote as antidote to the pessimism of 'terrifying facts'. More than one billion people presently live in miserable, informal settings: the massive squatter camps and barrios ringing developing cities. Many are ageing, most are worsening. Eagleton writes:

> *Most of the megacities in the south of the globe are stinking slums rife with disease and overcrowding, and slum dwellers represent one-third of the global population. The urban poor more generally constitute at least one-half of the world's population* (2011: 163).

In an age threatened by the apocalypse of failing capitalism, the philosopher Žižek (2010) speaks of a central paradox in human sensibility: a will to 'normalise' endangerment which *strengthens* as the precipice of catastrophe is approached. For example,

> *The…passage from impossibility to normalization is clearly discernable in the way state powers and big capital relate to ecological threats like the melting of ice caps. Those very same politicians and managers who, until recently, dismissed fears of global warming as the apocalyptic scaremongering of ex-communists, or at least as based on insufficient evidence—and who thus assured us that there was no reason for panic…—are now all of a sudden treating global warming as a simple fact, as just another part of 'carrying on as usual'…*(2010: 329).

And so it is with much of the popular literature that urges embrace with the 'challenges' that imperil the human future. ('The challenge of urban poverty' for Glaeser (2011), p. 257). They speak with new entrepreneurial purpose—of opportunities to clear away sclerotic social structures and protections in quest of a greener capitalism or conversely, 'smarter environmentalism' (Glaeser 2011, p. 220). Ecological modernisation—including 'smart' or 'green' urbanism—offers a new and sustainable pathway for global capitalism.

Although not intentionally, the new urbanology may be acting in concert with the urge to normalise the 'apocalypse' as Žižek has described it. *The Triumph of the City* is set against the manifest failures of global capitalism. *The Urban Revolution* against the institutional and political paralysis that defines climate response, and so forth. The liberating power of *stadtluft* is the modern desire that runs deeply through urbanology. 'The Inevitable Democracy of the City', as Brugmann puts it. And yet only a historicist rendering could deny that this path of modernisation is ensnared by a failing of the natural and social systems upon which cities rely. Žižek: "The lesson of global warming is that the freedom of humankind was possible only against the background of stable natural parameters of life on earth…" (2010, pp. 332–3). What then are the possibilities for "…a more self-sustaining, ecological city system" (Brugmann 2009, p. 191) in the era of natural apocalypse? Harvey believes that there are no insuperable limits to the human metabolic relationship with nature, but that "…this does not mean that the barriers are not sometimes serious and that overcoming them can be achieved without going through some kind of general environmental crisis…" (2010, p. 76). Mounting evidence suggests that the compounding growth machine that drove three decades of furious economic globalisation has now encountered the barriers of natural default (Pelling et al. 2012).

Cities are surely pivotal to the human future, but their prospects are being defined by convulsive, co-dependent forces at the planetary scale not by immanent laws and the potential of unlocked riches. That is, a 'destiny of all things' shaped by co-evolution rather than by species transcendence. The urban age may bear the greatest paradox in human history, producing wild, hazardous, self-devouring or enslaving cityscapes that exhibit little relation to the vessels that bore the hopes and failures of modernity. Žižek believes that contemporary slums incubate revolution not innovation, anarchy not governance, radical transformation not *The Great Reset* (Florida 2011). Glaeser maintains that "…our urban future remains bright" (2011, p. 268) and yet *The Urban Revolution* may be the last act in the play of modernisation. History will not be extinguished but human prospects may be remade in unthinkable ways.

In contrast with the normalising impulse of urbanology, the emergent urban physics seems more inclined to the idea of structural change—at least in terms of urban administration. It ultimately seeks a predictable, 'resilient' world that is best managed by experts. Bettencourt and West make the point:

> *The difference between 'policy as usual' and policy led by a new quantitative understanding of cities may well be the choice between creating a "planet of slums" or finally achieving a sustainable, creative, prosperous, urbanized world expressing the best of the human spirit* (2010: 913).

The enthusiasm for technocratic management as the means for resolving intractable human problems seems not in doubt. Consider how the 'superlinear finding' has aroused the support of expert and influential commentary, including *The Economist* which reported Bettencourt and West's (2010) work as 'the laws of the city'. Purcell (2011) believes that Brugmann's work tends to give credence to the technocratic neo-liberal urbanism exemplified in IBM's 'Smart Cities' programme. The observation should be extended to urban physics where it applies with even more force. Sennett (2012) recently opposed the steady drift to technocratic urbanism, observing with understatement that "no one likes a city that's too smart". In a cautious public essay he raises the spectre of authoritarianism, "thanks to the digital revolution, at last life in cities can be brought under control. But is this a good thing?" (Sennett 2012).

In an imperilled world, Beck (2009) points to the ever heightening prospects for authoritarianism as a means for resolving intractable problems. Already, "Increasingly it is experts who are governing where politicians are nominally in charge" (Beck 2009, p. 110). Innocently or not, the expertise of urban physics stands ready to assist the cause of sound management. This looming prospect raises the spectre of Arendt's musings on the 'dream' of 'statistical uniformity' which she warned was "by no means a harmless scientific ideal" (1958, p. 44). For her, behaviourism, of the type advanced by urban physics, was an ideological cloak for 'pure administration', the technocratic mask of authoritarianism. Sensing resurgent scientism, Beck recalls the admonitions of critical philosophy,

> *Thus everything is turned on its head: what for Weber, Adorno and Foucault was a terrifying vision—the perfected surveillance rationality of the administered world—is a promise for those living in the present* (2009: 232).

7 A New Urban Political Economy for Australia?

First light on the urban age is dimmed by the spectres of recrudescence and regression. The influential new urban commentaries betray strong, if not unmediated, inclinations for positivism and naturalism; the scientific heralds of reaction. They also tend to legitimize political projects—notably neo-liberalism and technocracy—that are patently hostile to progressive cause and more generally to human prospect. Critical urban thinking is by no means extinguished (see Brenner 2012; Harvey 2012b) but struggles to make public headway against the nostrums of urbanology and of urban physics. In Australia, critical urban studies, let alone urban political economy, seems a diminished force with little obvious influence on public debate and institutional purpose. The wider expositions of Stilwell (1974, 1993, 2000b) on the urban question have no obvious present-day equivalents. Perversely, the twilight of urban political economy has coincided with ever starker evidence of worsening disequilibrium and injustice in Australian cities (Troy 2012). What is to be done?

A starting point is the regeneration of urban political economy as a scientific corpus; an institutional task whose imperatives need wider collegial deliberation. What follows is a brief set of speculations on the likely intellectual starting point for a renewed political economy that could restate the science and the cause of progressive urbanism. Given the state of contemporary scientific and popular discourses, and noting especially the influence of positivism and ‘normalisation’, the starting point for critical renewal is surely epistemological: to restate and re-prosecute the cause of anti-determinist and anti-naturalistic social knowledge. This work, however, needs to acknowledge and critically appraise the new understandings of human ecology that have emerged in an era marked by grave natural crisis. Following this is the manifest necessity of reanimating a progressive urban imagination that refuses the attempted closure of human prospect by neo-liberalism.

8 Renewal of Critical Epistemology

A new urban political economy cannot be conceived without revival of critical social science and its anti-naturalistic concept of knowledge (Sayer 2011). However, to oppose naturalism is not to deny Nature, the substrate and first materiality of human society. Urbanisation is an increasingly important part of this natural substrate. Beauregard writes: “To engage ‘the urban’ is to engage the materiality of human existence” (2012, p. 485). The cause of contemporary critical renewal must draw from the insights of social ecologies that emerged in Western sciences from the 1970s. In Australia, Stilwell (1992, 1993) was an early exponent of social ecology in urban political economy.

A globe imperilled by ecological risk demands a new willingness in social science to recognise and absorb the claims of environmentalism, and more challengingly, the constructs and testimony of natural science. In this sense, naturalism—viz., nature as an all determining force—must be counter-posed to naturalistic social science, which accepts the fact of determination, arising from the human encounter with ecology. For Bhaskar (1998), the point of critical social science is to seek emancipation from unwanted determinations, including surely what appear to be natural ordinations (e.g., resource scarcity). Some dependencies, such as human solidarity, are to be preserved not upturned on the road to emancipation.

The engagement between social sciences and modern ecology is now long standing. In 1998, Davison and Fincher found that environmentalism was a leading edge of urban social inquiry in Australia. Luke (2003, p. 11) has stated the case for “contemporary urbanism as public ecology”. Now, in a maturing encounter, and given further impetus by the speed and scale of ecological default, there are serious attempts at construct transfer from the natural to social sciences. The principal example is that of ‘resilience’, especially manifest in contemporary urban scholarship and policy discussion (Brown 2012). The idea and its scientific connotations are undeniably compelling in an age overshadowed by risk.

The new social scientific enthusiasm for resilience flags the danger of commonsensical application. As Simmie and Martin (2010, p. 42) observe with considerable understatement: “there are issues about abducting a model from one disciplinary field…to another…”. Has the rapid take up of the resilience marker in urban environmental advocacy short circuited the critical adjudicative processes that normally filter the movement of concepts across scientific fields? Evans finds a trail leading back to naturalism, citing the wider potential of resilience thinking to "depoliticise urban transition…by constraining governance within a technocratic mode that remains inured to the tropes of scientific legitimacy" (2011, p. 233). Brown's review shows the resilience trope used typically within international policy realms to "promote business as usual…a defence of the status quo" (2012, p. 47). Its prescriptive use is found to be "overwhelmingly technocratic and managerialist" (2012, p. 47). Further, the strong conceptual inclination for 'steady state' or adaptive social ontology in resilience thought (Pelling 2012) stands in obvious tension with political economy that takes disequilibrium and relentless, transformative change to be axiomatic features of capitalism. Thus political economy poses the idea that climate change represents not 'ecological perturbation' but a fundamental crisis of capitalism itself (Gleeson 2010; Pelling et al. 2012).

Urban political ecology is surely a stock for renewal of urban political economy. The challenge will be to avoid importation of epistemologies that contradict the dynamic, anti-historicist underpinnings of political economy. Mumford (1956) was early to recognise the salience of natural history to interpretation of human urbanisation. And yet, in an oft cited passage, he quickly surrendered that interpretive possibility to conventional wisdom, cast as the rule of 'blind forces'.

The blind forces of urbanization, flowing along the lines of least resistance, show no aptitude for creating an urban and industrial pattern that will be stable, self-sustaining, and self-renewing (1956, p. 397).

A brief for renewed urban political economy is surely to prosecute the explanatory potential of the critical human ecologies that have been forwarded in recent decades. The point is to expose the shaping, if not all determining, logic of capitalist political economy in the shifting metabolism of urbanisation (Swyngedouw 2009).

9 Renewal of Critical Urban Imaginaries

Finally, how to replenish the conceptual imagination of critical urban science, including political economy? Pusey has described how the dominance of neo-liberalism has stifled the Australian political imagination. The rule of the market was

> *…meant to bury deliberative politics…and to neutralise normative culture. To use Francis Fukuyama's phrase, it was meant to bring us to the end of history and even to kill the shaping influences of memory and history in national politics* (Pusey 2008: 27).

The cauterising of national political cultures has been observed more generally, especially in the 'Anglosphere' where neo-liberalism has held strongest sway (Harvey 2005). Swyngedouw (2009) laments the withering of the urban imaginary and the rise of the 'post-political city'. Imaginative exposition of social alternatives seems a necessary step towards renewal of progressive influence in wider human debates. Smith described the contemporary artefacts of progressive, indeed *revolutionary*, science: "Some tools are intellectual ideas; others are tools of the imagination about other possible worlds" (2010, p. 64).

In this respect the bravura of the new urban commentaries is to be admired. The broadcast journalism of urbanology has boldly asserted its values, eclectic as they may be, including preferences for entrepreneurialism, environmental sustainability, relentless innovation, human density and facilitative governance. The new urban physics has similarly disported confidence and predisposition, including for scientific management and technocracy. Both contributions, arguably, are also freighted with illusion and ideological service (intended or otherwise): to naturalism and to normalisation of the (disaster borne) status quo (Žižek 2010).

> *Brenner provides a new manifesto for critical urban science,*
>
> *Critical urban theory is…grounded on an antagonistic relationship not only to inherited urban knowledges, but more generally, to existing urban formations. It insists that another, more democratic, socially just, and sustainable form of urbanization is possible, even if such possibilities are being suppressed through dominant institutional arrangements, practices and ideologies. In short, critical urban theory involves the critique of ideology…and the critique of power, inequality, injustice, and exploitation, at once within and among cities* (2012: 11).

The short form is that critique opposes power that seeks to dominate and constrain human flourishing. As Sayer (2009, 2011) insists, it necessitates an *explicit* vision of what flourishing is, meaning an inclusive species wide prospect for human realisation and well-being. In the theatre of public debate it is not enough for critique to shout out objections to the bad. It must take the stage and present its vision of human good or suffer, as it has, invisibility and irrelevance.

Therein lays, perhaps, the central challenge for progressive science: to articulate the conceptual means for human urban aspiration. Beauregard (2012) recently upbraided social science for paying too much attention to the urban object and too little to its theorisation. His admonition seems borne out by contemporary urban debates, scholarly and popular, littered with new markers and labels—the many tags of urban classification, much of it fluttering free from the mainstreams of social theory. Instead, new cities are discovered and made to walk on thin conceptual legs. These rickety constructions of contemporaneity step over the deeper historical currents of social science.

Commentaries proclaim their visions of desirable urbanism in modish language: the entrepreneurial city; the smart city; the creative city; the knowledge city. The common wrapping is a bright universalism that masks the agonies of a failing world: "what exploitative compound growth is doing to all facets of life, human and otherwise, on planet earth" (Harvey 2012b, p. 274). None of these idylls surely stand the test of critique. All bear the illusions and desires of structures that have generated a world marked by urban misery for many (UNICEF 2012).

Arraigned against the urban signifiers of status quo are the fragmented ideals of social scientific urbanism: the cosmopolitan city (Sandercock 1998), the just city (Fainstein 2011); the green city (Low et al. 2004); the rebellious city (Harvey 2012a)—*disjecta membra* of progressive urban thought that float outside the popular consciousness. They are powerful, estimable pages of a new urban testimony.

How to bind them in an imaginary that refuses the doom of a darkening human ecology? In quest for a unifying, *not unitary*, ideal that declines the fatalism of a 'post-political age' and solicits new prospect for *homo urbanis*.

What human imaginary should critical social science present to an urban age? To restate Glaeser, *which city* should triumph in the human imagination? The progressive cause seeks an answer from urban political economy. In the midst of much that is new, this is perhaps to simply restate the historical purpose of political economy—to support the cause of human progress through critique and counter proposition. It is as Stilwell (1993, p. 9) observed, with characteristic understatement, "a challenging task".

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Part VII
A Green Economy

A Genuine 'Green' Economy Must be Ecologically Sustainable and Socially Just

Mark Diesendorf

Abstract The current global crises in the economic and financial system, climate change, other global environmental issues, peak oil and growing social inequity, indicate the need for radical changes in the economic system, in order to set it on the path towards ecologically sustainability and greater social justice. These changes would seek to create prosperity with greatly reduced throughput of energy and materials, reduced human appropriation of the land and of ecosystem productivity, and reduced human population. Drawing upon the $I = PAT$ framework, that expresses environmental impact in terms of population, consumption per person and technological impact, and drawing upon 'strong' definitions of sustainable development, this chapter proposes radical policy changes to make the economy serve the people and the natural environment upon which we all depend.

1 Introduction

Frank Stilwell (2011/12) recognises 'the need for a systematic restructuring of the economy on ecologically sustainable principles'. Among the research topics in the broad field of a 'green' economy he has addressed from a political economy perspective, are the marketisation of the economy (Stilwell 2011/12), climate policy (Spies Butcher and Stilwell 2009; Stilwell 2011/12), 'green collar' jobs (Pearce and Stilwell 2008) and land (Stilwell and Jordan 2004), all important environmental issues with a social justice dimension.

This chapter starts from a different framework, an environmental scientist's perspective on the topic of a 'green' economy. However, its conclusions overlap partially with those of Stilwell's political economy perspective. It starts from the

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scientific understanding that human society—whether pre-industrial, industrial or post-industrial—is totally dependent upon the natural environment.

Although the biosphere is made up of constantly changing components undergoing continuing processes, when seen from the time perspectives of individual species, it exhibits remarkably steady conditions favouring life. These conditions were created by millions of members of millions of other species that existed before humans arrived on the scene. The essential living processes that now sustain us continue to be maintained and run by populations of the millions of non-human species that are still here. These natural processes are energised by solar energy. They are not run or energised by us.

Specifically, we rely upon plants to capture solar energy by photosynthesis and convert it into a form that we can ingest, enabling our bodies to function and indeed powering almost all species and ecosystems on Earth. We rely on ecosystems of micro-organisms in our stomachs to digest the food we eat, extracting essential nutrients and enabling the storage of food energy in our bodies as carbohydrates and fats for current and future use. We rely on other species to provide the oxygen in the air that we breathe, also via photosynthesis. We rely on natural processes to provide an atmosphere with a sufficient concentration of greenhouse gases (GHGs) to provide a suitable temperature range for life. We depend upon nature to provide the great bio-geo-chemical cycles that enable us and the other species on Earth to exist and function: for example, the carbon cycle that, until recently, kept our climate in a balanced state; the cycle of the fluid of life, water; the cycle of nitrogen, an essential component of amino acids that form all proteins needed by living entities; and the cycle of the essential nutrient, phosphorus, that is a vital component of our bones and the molecule ATP that generates energy in our cells (Washington 2013).

Humans are interfering with all these systems and cycles, thus precipitating a series of environmental crises that are damaging our life support system, health, society and economy. The most critical is anthropogenic climate change, which is already impacting on human society and economy by increasing the frequency of extreme events–heat-waves, droughts, wild fires, floods and coastal inundation from a combination of rising sea-levels and storm surges. Climate change is also is partly responsible for the loss of biological diversity, including loss of marine life by acidification of the oceans and the bleaching of coral reefs; declining global food production; and possibly an increase in the frequency of severe storms (Potsdam Institute 2012).

Apart from global climate change, other serious environmental impacts of human activities, all with adverse economic impacts, include the loss of biodiversity by destruction of habitats and over-use of natural resources, especially forestry and fisheries; degradation of soils by over-use and erosion; widespread dissemination of toxic, carcinogenic and mutagenic chemicals; pollution of air and fresh water; and over-extraction of ground-water. As is the case with climate change, several of these impacts occur on a global scale and some may be irreversible on timescales of several millennia. They are reaching crises points (UCS 1992; Rockstrom et al. 2009; Barnovsky 2012). The potential collapse of human civilisation is now receiving serious discussion by some environmental NGOs and some writers (Diamond 2005; Gilding 2011; Al Gore homepage 2013), but little action by decision-makers.

Most neoclassical economists are unaware of the elementary science of human dependence upon nature and of the environmental, health, social and economic consequences of interfering with natural systems. Their models are based on the superficial understanding that food comes from a supermarket or, going slightly more deeply, from agriculture; that timber comes from timber yards or, one step further back, the forestry industry; that water comes from a tap or, taking a step back, from a dam; and that electricity comes from a socket in the wall or, slightly more sophisticated, from a power station. Rarely do they consider the limits on the natural resources that provide these vital inputs to human society and economy. Even the peak in global oil production, which is either imminent or already here (ASPO 2013), is dismissed or ignored by many neoclassical economists on the dubious grounds that 'the market will handle it'. They believe the unscientific notion that, if the price is right (and it rarely is), we can substitute human capital for nature. However, the great cycles and life on Earth have co-evolved over billions of years and it is hubris to claim that we can replace the essential services provided by natural systems—such as the atmosphere and climate, green plants and the great cycles—with synthetic 'drop-in' solutions (Washington 2013).

The natural environmental is the basis of the economy, which extracts resources from the environment, dumps wastes into it and uses unsustainably nature's essential life support systems. Therefore, environmental damage inevitably leads to economic damage. Despite this, the existing economic system places its highest priority on short-term profits for ecologically unsustainable businesses and industries that degrade the biosphere in the medium- and long-term and thus undermine the very existence of human civilisation.

This chapter first selects a broad framework for the diagnosis of the problem. It then outlines the argument that one of the major causes of the continuing destruction of our life-support systems is the current global economic system, which is governed by so-called 'market forces' and has embedded within it the fallacious notion that eternal economic growth is possible and feasible on a finite planet. In this situation, we argue that simply 'greening' the economy by fostering cleaner technologies and industries, although necessary, is far from sufficient. A new economy must be created that is ecologically sustainable and socially just. This new economy is called by some scholars a steady-state economy and the process of transition to it is called degrowth.

The steady-state economy has the properties of low, non-increasing throughput of materials and energy; a stable population; and a fair distribution of income and wealth. It is an economy that respects the finite biophysical capacity of the Earth (Daly and Farley 2010; Jackson 2009; Dietz and O'Neil 2013; CASSE 2013). Drawing upon the growing body of scholarly literature on this concept, we suggest some strategies and policies for commencing the transition. To implement them it is necessary to grapple with the power structures of government and big business. In that struggle we can draw upon the disciplines of political economy, to which Frank Stilwell has contributed a great deal, and political science.

2 Environmental Impact

$$\text{Environmental impact} = \text{population} \times \text{affluence} \times \text{technology}$$

A useful framework for understanding environmental impact is the well-known identity, first proposed by environmental scientist Paul Ehrlich and energy expert John Holdren,

$$I = PAT,$$

where I is environmental impact, P is population, A is consumption per person or 'affluence' and T is technology impact I/AP (Ehrlich and Holdren 1972). Each term on the right-hand-side is important: for example, doubling any one of the three terms doubles environmental impact. The identity also says that a small population with high consumption per person can have a similar impact to a large population with low consumption per person.

This disaggregation of environmental impact is useful, because each term can be addressed by a different set of policies: stabilising and then reducing population, especially in countries with high consumption per person; stabilising and then reducing consumption per person in regions where this is high; and transforming technology and associated industry to become clean and green.

Some approaches to the 'green' economy address only technology, although $I = PAT$ shows that this is not sufficient, even though it is necessary. Extraordinary technological progress has been made over the nineteenth and twentieth centuries, with achievements such as landing people on the moon and bringing them back. There is no doubt that technological change can assist the transition: for instance, there are now hour-by-hour computer simulations demonstrating that, in many countries and regions of the world, reliable 100 % renewable electricity supply is technically feasible and affordable, based on commercially available renewable energy technologies (Elliston et al. 2012, 2013; and references therein). Yet there are no technological solutions to the destruction of native forests, the decimation of fisheries and the degradation of soils, which are primarily political and economic issues. Even where clean technologies, such as energy efficient and renewable energy technologies, are commercially available to replace fossil fuels, only a few countries are implementing them on a large scale. Technologies do not develop of their own accord and their progress is not random. They must be chosen and financed, and these decisions are based on economic calculations and the political power of vested interests (Dickson 1974).

3 Market Forces Drive Unsustainable *PAT*

'Market forces' are a theoretical construct in which there are no definable forces in a physical sense. 'Market forces' in economics are the macroeconomic outcome of the sum total of millions of economic decisions and transactions made by individual firms and consumers in 'unconstrained' markets. Since most markets could not exist without laws and regulations to frame them and facilitate their operation, the notion of an unconstrained market is problematic. However, for the purposes this discussion, we consider that markets are unconstrained, or at best weakly constrained, in terms of controlling environmental impacts and fostering social justice.

One way that 'market forces' impact on the environment is by generating pressure for economic growth. Competition stimulates increased production. Even when large firms have few competitors, they must grow to increase the value of their shares. Firms support growth in production by advertising to increase consumption of their products. This growth in production and consumption is really environmentally unconstrained, because, even when there are regulations limiting polluting emissions from individual businesses, there is no constraint on the total emissions from all the polluting businesses. Furthermore, when environmental impacts are caused primarily by consumers rather than producers, the system also fails to constrain the impacts. For instance, most countries regulate the emissions from individual motor vehicles, without controlling the numbers of motor vehicles sold, and so the sum total of emissions and other adverse impacts increases. Thus, even when markets are regulated, 'market forces' can still operate to the detriment of the environment (Jacobs 1991, Chap. 2).

Pioneers of environmental economics have emphasized that an important causal factor of environmental destruction is the general failure of the current economic system to include the external costs of products in their prices (Pearce et al. 1989; Jacobs 1991). While this problem occurs in all economic systems, it is especially difficult to handle in a system dominated by 'market forces'. Negative externalities are often imposed on the poor, the politically powerless and future generations. The rural poor in particular are especially reliant on free ecosystem services damaged by environmental degradation. Producers and large consumers of environmentally damaging technologies strenuously lobby, advertise and use the media to oppose environmental tax reform that would include at least part of the external costs of their technologies in their prices.

Thus, in Australia, which is highly dependent upon coal-fired electricity, the big GHG polluting industries—such as fossil fuel producers, electricity generators and the motor vehicle, aluminium, steel and cement industries—oppose carbon pricing or only accept it reluctantly when they are exempted from paying it (Pearse 2007). Even in cases where a clean technology is becoming cost-effective, such as residential rooftop solar photovoltaic electricity in competition with retail electricity prices, some of these vested interests still oppose it, because it is challenging their current business model and market dominance (Sandiford 2012). As renewable energy sources come to play a greater role in large-scale electricity supply, a new way of operating the system and a new business model will be required—for instance, there will be no role for base-load power stations, which are too inflexible to balance the fluctuations in wind and solar power (Agora Energiewende 2013; Elliston et al. 2013).

A key component of the economic system, the financial industry, is also a causal factor of unsustainable economic growth. It does this by lending money it doesn't have, thus in effect creating money out of nothing (Das 2011). Spending this new interest-bearing debt-money expands economic activity and hence environmental impacts. The current global financial crisis has arisen because the debt has grown faster than the economy and cannot be repaid. Hence the financial services industry must be reigned in. Even in cases where loans are repaid, the interest serves to expand the economy. This means that the existing monetary system must be changed too in order to transition to a steady-state economy (Dietz and O'Neill 2013, Chap. 8).

In summary, the current economic system drives production and consumption, and hence economic growth, while ignoring ecological realities. It favours cheap and nasty technologies, whose huge negative externalities are unpriced, instead of clean technologies which are often more expensive, although they have low external costs. Economic interests also lobby for increased population, in order to increase markets. Thus, a slight 'greening' of technologies and industries, within the framework of environmental economics, will not be sufficient to protect the environment, health and ultimately the economy as well. The economic system must be radically changed in a way that addresses effectively all three drivers of environmental impact, *P*, *A* and *T*.

4 An Ecologically Sustainable, Socially Just Economy

A 'green' economy is interpreted by UNEP (2011) in terms of minor changes to the existing system, treated within the narrow framework of neoclassical environmental economics in which endless economic growth is assumed. This chapter chooses a stronger concept, redefining a 'green economy' as an economy that assists a society to become both ecologically sustainable and socially just. I suggest that such a society is one that develops according to the following key sustainable development principles or objectives, condensed and modified from Australia's National Strategy for Ecologically Sustainable Development or ESD (Commonwealth of Australia 1992):

- To enhance individual and community wellbeing.
- To provide for equity (equal opportunity in the basics) between and within generations.
- To protect biological diversity and maintain essential ecological processes and life support systems.
- To apply the Precautionary Principle, namely: 'Where there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation'.

Although these principles can be interpreted and applied in different ways by different interest groups, they offer a useful starting point for discussion and action. Concepts like 'green economy' and 'ecological sustainability' are inevitably contestable, just like justice, democracy and freedom. Contestability is not a good reason for avoiding them. Partly through discussion and debate of such concepts we can find pathways towards their achievement in spirit and real substance.

To assert the primacy of ecological sustainability and social justice over economic activity and thus require a strong concept of sustainability, the ESD principles chosen in this chapter omit the principles in the Australian National Strategy for ESD requiring 'the need to develop a strong, growing and diversified economy' and 'the need to … enhance international competitiveness', and the statement that 'No objective or principle should dominate over the others'. By deleting these elements of the National Strategy we avoid trade-offs between ecological sustainability and the demands of an unstable and destructive economic system. The principle 'To enhance individual and community well-being' should be sufficient to make it clear that an ecologically sustainable society is not conceived as one in poverty. It is not a failed growth economy. Diesendorf (2000) has proposed the following definition of strong sustainable development that makes the priorities explicit:

> *Sustainable development comprises types of social and economic development that protect and enhance the natural environment and social equity.*

'Development' is not equated to 'economic growth'. Instead it is to be interpreted as 'qualitative improvement in human well-being' and 'unfolding of human potential', descriptions attributed to Herman Daly. In poor countries, part of sustainable development may include economic growth, but in rich countries it may entail a reduction in economic activity (or 'degrowth', see below), especially in environmentally damaging and socially unjust activity. The above definition of sustainable development is consistent with David Pearce's concept of 'strong' sustainable development, which requires natural capital not to decrease, in contrast to 'weak' sustainable development, which only requires total (natural plus human-made) capital not to decrease (Pearce 1989, Chap. 2).

Like the above definition of sustainable development, the following definition by Griggs et al. 2013) avoids trade-offs between the natural environment, which is our life-support system, and economic development:

> *Sustainable development…[is] development that meets the needs of the present while safeguarding Earth's life-support system, on which the welfare of current and future generations depends.*

This definition has the additional advantage that it builds upon and improves the well-known Brundtland definition.

Both definitions of strong sustainable development recognise that the economy is a subset of the environment and so ecological sustainability acts as a constraint on the types of socio-economic development permitted. Although social justice is not mentioned explicitly in the Griggs et al. (2013) definition, it enters in the next step of their framework, which combines the Millennium Development Goals, which focus on reducing extreme poverty in poor countries, with conditions necessary to assure the stability of Earth's systems, to form a set of six Sustainable Development Goals. They mention in passing that 'none of this is possible without changes to the economic playing field' (Griggs et al. 2013), but do not pursue that any further.

As discussed in the introduction, the current global level and types of economic activity are unsustainable and are rapidly dragging human society and biodiversity into several environmental crises and possible socio-economic collapse. This entails that the 'strong' sustainable development pathway is the only one compatible with a sustainable future for people and the planet; the only one compatible with ecological realities. In biophysical terms, this means that humans must not limit their sustainable development strategies and policies to greening technology and industry, but must also reduce their use of energy, materials and land and, in the longer term, reduce their population. They must aim for, not only a clean economy, but also a lean economy (Sachs 2002). The notion that, on a finite planet, everyone can become continuously and endlessly richer in material terms, is a scientifically impossible fantasy. Since there are billions of low-income people who desperately need to increase their economic activity and the use of materials and energy that accompanies that growth, the rich must contract theirs (Sachs 2002). For everyone on this planet to have a material standard of living equivalent to that of the average North American would require the land of five planet Earths to provide the resources we use and absorb our wastes (Global Footprint Network 2013). Although this conclusion is not new, it is repeated here because many economists and decision-makers are in a state of denial about it. Contrary to scientific understanding, they maintain the fiction of development through economic growth for all, supported by the well-known metaphors of the eternally growing cake and the perpetually rising tide lifting all ships. In reality, the size of the cake is limited by the size of the oven and the rising tide overflows the harbour.

Ecologically sustainable, socially just development could follow a scenario similar to a generalisation of Contraction and Convergence, proposed by the Global Commons Institute (2013) for GHG emissions. In the latter approach,

> Contraction *refers to the 'full-term event' in which the future global total of GHG emissions from human sources is shrunk over time in a measured way to near zero-emissions within a specified time-frame…* Convergence *refers to the full international sharing of the emissions contraction-event, where the 'emissions-entitlements' for all countries result from them converging on the declining global per capita average of emissions arising under the contraction rate chosen.*

The poor countries would initially increase their per capita emissions while transforming their economies and technologies, so that they could subsequently run their economies with near zero per capita emissions. The rich countries would rapidly reduce their per capita emissions to near zero, while assisting the poor countries in their transition. Thus convergence would eventually be achieved at an agreed date such as 2050 with the economies of all countries functioning with the same per capita emissions. Although it seems idealistic, it may be the only pathway to avoid environmental disaster and socio-economic collapse.

An important proviso that is often overlooked in discussions of Contraction and Convergence is the need to ensure that the process does not give an incentive for further population growth. This could be done by calculating the per capita emissions on the basis of the populations of the countries at the beginning of the process.

Next we define *biophysical throughput* as the annual flow or throughput of materials and energy, together with the changes in land use and population. To generalize Contraction and Convergence from GHG emissions to all biophysical activity, we need several indicators additional to GHG emissions. For instance, Griggs et al. (2013) suggest six sustainable development goals, each of which would need one or more indicators. These six goals are:

1. Thriving lives and livelihoods.
2. Sustainable food security.
3. Sustainable water security.
4. Universal clean energy.
5. Healthy and productive ecosystems.
6. Governance for sustainable societies. (This includes some modest changes to the economic system.)

Reaching international agreement on generalized Contraction and Convergence would be very difficult. However, the process could be commenced through agreements on limited specific policies that nations could undertake individually or in groups.

The key challenge is to design a transition that reduces biophysical throughput while maintaining employment and avoiding a major recession or, in the words of the New Economics Foundation, 'how to share scarce planetary resources in ways that are just, sustainable and support the well-being of us all' (NEF 2009, p. 1). Since this appears to be impossible within the existing economic system, a radical change in the whole system needs to be undertaken. Commencing this change now can also be justified from the failure of the existing economic system, as exposed by the continuing Global Financial Crisis, as well as from the environmental crises.

Although the focus for the transition is on limiting the biophysical economy, at present that is closely linked to the monetary economy. Several studies show correlations between growth in the economy and growth in the use of materials and energy and in GHG emissions (Schandl and West 2012). While materials intensity (materials use per unit of GDP) and energy intensity (energy use per unit of GDP) of the global economy have decreased between 1980 and 2007, total materials and energy use have increased dramatically. In other words, the improvements in efficiency were swamped by the increase in the size of the economy (Dietz and O'Neil 2013, p. 37).

Conversely, a likely outcome of the transition will be reduced GDP. However, GDP is not an adequate indicator of economic well-being (Stiglitz and Fitoussi 2008). Furthermore, it has been argued strongly that economic growth is unnecessary for improving quality of life in the rich countries (Victor 2008; Jackson 2009). Hence GDP outcomes are not specified in the present biophysical approach. They are a by-product of limiting biophysical throughput. If GDP declines, the New Economics Foundation argues that this could be offset by increases in three kinds of value: environmental, individual and social (NEF 2009):

- Environmental value would come from mitigating climate change and avoiding trillions of dollars in the costs of climate impacts.
- Individual value would come from a progressive redistribution of incomes, 'giving more income to those individuals who need and value it most'.
- Social value would also be gained from redistribution of incomes, since there would be better outcomes in health, education, life expectancy and crime.

These benefits would arrive in both monetary and non-monetary forms.

To enable the transition we need to develop a shared vision of a desirable sustainable future that motivates widespread community support; scenarios for shifting society from the present situation of teetering on the brink of environmental and economic collapse to the envisioned sustainable future; practical targets for achieving these visions and scenarios; effective policies from governments and other stakeholders; capacity building through research, education, training, information and infrastructure (both physical and cultural); appropriate indicators of performance; and institutional changes to set in place the new economy and society (Diesendorf 2000).

The remainder of this chapter outlines some of policies needed to facilitate the transition to an ecologically sustainable and (more) socially just economy by rich countries. It is very much a preliminary discussion.

5 Policies for Transitioning to a Sustainable Economy

The policies proposed in this section have been chosen selectively from the literature on the ecologically sustainable, socially just economy, sometimes called the steady-state economy (Daly 1992; Victor 2008; Jackson 2009; NEF 2009; Dietz and O'Neil 2013), and from the transition process known as décroissance (degrowth) (Latouche 2010; Sekulova et al. 2013; Degrowth Website 2013). They can be drawn from all of the following types of policy:

- Pricing (e.g., environmental taxes, emissions trading, feed-in tariffs, renewable energy portfolio standards with tradable certificates);
- directed government funding (e.g., grants for research, development and demonstration and for essential infrastructure);
- regulations and standards (e.g., for energy efficiency, low toxicity and durability of consumer products);
- planning and design (for sustainable buildings, other products, and cities);
- education, training and information; and
- institutional change (e.g., to establish international caps on resources and wastes; to shape the market to meet goals of the transition; to manage the change process).

This section first focuses on policies for climate mitigation and then broadens out to policies for an ecologically sustainable and socially just society in general.

Different types of policy are appropriate for achieving different goals: for instance, regulations and standards are vital for making buildings more energy efficient, because there are severe market failures in that sector resulting, for example, from split incentives between landlord and tenant. Pricing in the form of feed-in-tariffs has been central in driving the expansion of the market for renewable energy in Europe, simultaneously bringing down the costs of these technologies. New institutions are essential to shape the market (e.g., to create a national market for energy service companies replacing energy supply companies) and to ensure that the policy changes are embedded in society.

To foster technological change in particular, different policies are needed for technologies at different stages of maturity. For instance, for commercially available technologies in mass production, such as solar photovoltaic modules and onshore wind power, it would be inappropriate to put most of the support into R&D, when the principal need is to expand the market. On the other hand, for hot rock or engineered geothermal power, which has not yet been demonstrated on a large scale, it would be inappropriate to put most resources into market stimulation. In going beyond technological change, some goals, such as ending growth in the biophysical economy and population, will need portfolios of various types of policy.

5.1 Policies for Climate Mitigation

The most urgent policies are those needed to mitigate global climate change. WBGU, the German Advisory Council on Global Change (2011, Fig. 3.2-1) calculates that, to keep global warming less than 2 °C above preindustrial temperature (which may not be safe) with a probability of 67 %, global GHG emissions would have to peak by 2020 and reach zero by 2040. According to the International Energy Agency, ‘If action to reduce CO_2 emissions is not taken before 2017, all the allowable CO_2 emissions would be locked-in by energy infrastructure existing at that time’ (IEA 2012, p. 3). If the peak occurs after 2020, the maximum reduction rate would have to exceed 9 % per year, an almost impossible challenge in the absence of widespread economic collapse. Thus we are living in the critical decade, in which we must turn around the current warming trajectory, which currently has roughly a 20 % likelihood of exceeding 4 °C by 2100 and a 10 % chance of exceeding 4 °C as early as the 2070s (Potsdam Institute 2012, p. 1). Climate mitigation must be an urgent, rapid and effective transition.

For a start, a cap on global emissions or on atmospheric concentrations of GHGs is needed. Widespread carbon pricing is also necessary, but not sufficient (see below). Even an initially low carbon price is useful, because it sends a message to big investors that a new coal-fired power station would be a financially risky proposition and to small investors that household energy efficiency, solar hot water and rooftop photovoltaic modules may be good measures to take.

The price message is consistent with and reinforces messages from public education and information campaigns, government spending, and regulations and standards. A carbon price applied 'upstream' (e.g., at the mine or power station or oil refinery) flows down through the whole economy, increasing the prices of all carbon-intensive products. Simultaneously it can raise revenue to assist in paying for a just transition and essential infrastructure. It can be justified as internalising, at least partly, the external costs of fossil fuels.

The choice of carbon price is between a cap-and-trade emissions trading scheme (ETS), in which the emissions target is fixed and the market determines the price of emissions permits, and a carbon tax, which determines the price of emissions while the market determines the quantity of emission reduction. Thus a tax gives price certainty to investors, while an ETS in theory gives certainty in emissions control but has volatile prices, especially when there is no floor price. Although economic theory suggests that an idealised cap-and-trade ETS is more economically efficient than a carbon tax, in practice an ETS is much more complex and so can more readily be designed to fail.

Australia's carbon price (Australian Government 2012) is similar to a carbon tax from mid-2012 to mid-2015. Then, if it has not been terminated for political reasons, it will transition to an ETS linked to the European scheme, without a floor price on permits. In this new form, it could be ineffective, because the price of emission permits may be very low, as it is at present in Europe. 'Recession substantially increases the political cost of a carbon pricing strategy while significantly lowering the likely economic and ecological benefits' (Spies-Butcher and Stilwell 2009).

However, an alternative, such as direct public expenditure on building the market for sustainable industries, can also suffer under recession or alleged budgetary shortcomings, as witness the termination in 2012 of government-funded feed-in tariffs for new renewable energy projects in Spain (Crampsie 2012). It should be emphasized that the Spanish scheme was unique in that it was funded by government, while other national feed-in tariffs and tradable certificate schemes are funded by a small levy on electricity prices. The maintenance of government funding, or even government support, for climate mitigation over long periods is particularly uncertain in countries where the fossil fuel industry is powerful, such as the USA, Poland, South Africa and Australia.

Neither the European ETS nor the future Australian ETS is applied to transport fuels. Both schemes allow a large fraction of permits to be offset overseas by low-cost permits of dubious effectiveness. Thus, both schemes are very different from the theoretically ideal ETS. In addition, the effectiveness of the Australian scheme is undermined by huge 'compensation' payments to the biggest GHG polluters.

Carbon pricing alone is not sufficient for effective climate mitigation, because it doesn't automatically supply all the necessary alternatives to fossil fuels. In this situation, people without alternatives to greenhouse-intensive options would simply have to pay the price. To facilitate the development of alternatives, additional policies are needed to provide essential infrastructure—such as railways, transmission lines and improved urban planning—and to give initial investment incentives—such as feed-in tariffs and low-interest loans—in order to build rapidly the market for safe and environmentally sound energy efficiency and renewable energy technologies on household, commercial and utility scales. While feed-in tariffs were terminated by some countries and states during the Global Financial Crisis, they are maintained in others with strong renewable energy targets, such as Germany, Denmark and China.

Specific policies are also needed to fund research, development and demonstration for cleaner technologies in early steps on the path to maturity; to set mandatory energy efficiency standards for all inhabited buildings; to build manufacturing capacity for the new and improved technologies; and to train the workforce to manufacture, install and maintain the new technologies. An international institution is required to coordinate and manage the Contraction and Convergence process over several decades.

Stilwell (2011/12) points out that 'the Achilles heel of a market economy is the short-term orientation and volatile character of private investment behaviour relative to long-term social needs'. Because the market is based on marginal economics, carbon pricing alone tends to promote the next cheapest technologies that offer only a slight improvement in environmental terms, such as gas to replace of coal, instead of driving long-term radical changes in technologies, industries and institutions, for example, facilitating renewable energy to replace all fossil fuels. To create a long-term program, targets and diverse technology-specific policies are needed to supplement pricing. However, the latter should not be abandoned because, even during a recession when the carbon price is low, it sends a message to investors that committing billions of dollars to a new coal-fired power station or oil refinery is financially very risky.

5.2 Policies for Sustainability in General

Going beyond climate mitigation, international caps are needed on the mining of non-renewable resources; on the rates of extraction of renewable resources, to keep them below their rates of production; and on the disposal of toxic and hazardous wastes (Jackson 2009). Regulations and standards are needed to ensure all buildings and indeed all consumer 'goods' are energy efficient, low in toxicity, durable and reusable or, failing that, recyclable. Legislating extended producer responsibility would assist in this. Environmental tax reform and a wide range of other policies are needed to make environmentally damaging and unhealthy products and services more expensive and in some cases illegal, and to hypothecate the tax revenue raised to assist the development and commercialisation of environmentally benign and healthy substitutes. Taxes on employment, such as payroll tax, could be replaced by environmental taxes and increased taxes on income for middle- and high-income earners. Estate tax and land tax could be used to target accumulated wealth (Stilwell 2011). Tax reform must include the removal of subsidies to the production and use of fossil fuels, estimated by the International

Energy Agency to be at least $523 billion (IEA 2012, p. 1). The introduction (or reintroduction in the case of Canada) of a tax on corporations, based on the amount of capital they use, would discourage investments in produced assets and encourage investment in human capital (Victor 2008).

A reduction in throughput generally, and an increase longevity of products in particular, would reduce economic activity and hence employment. However, in the midst of a Global Financial Crisis with no end in sight, it is unclear whether attempting to continue on a business-as-usual pathway would be better than a transition to a steady-state economy. The existing economic system is also likely to lose jobs in the longer term by its unsustainable use of natural resources, globalisation of industries and businesses, growing population, inadequate infrastructure and growing labour productivity. In a steady-state economy there would be job creation policies that would offset, at least partially, the job losses from a reduction in throughput. Job increases would result from sustainable use of renewable natural resources, reduced use of non-renewable natural resources, increased public investment in public infrastructure, stronger local economies resulting in part from a carbon price on transport, a stable population, reduced labour productivity in jobs that people like doing, a guaranteed minimum income and a maximum income, and working time reduction (WTR).

In a steady-state economy, WTR is potentially an important means of spreading employment around. For middle and upper classes it would tend to foster a greater life-work ratio and hence higher quality of life. However, for low income-earners it would be problematic, unless either monetary wages were maintained at pre-WTR levels or the social wage enhanced by increased public spending on public housing, health, education, public transport, public libraries, public media, local community-based sustainability projects and public spaces. Some proponents argue in support of WTR on the grounds that it tends to increase labour productivity and hence justifies the payment of the same wages for shorter working hours. However, this way of implementing WTR could drive higher consumption and hence production, thus working against the transition to a steady-state economy. It may be better to increase the social wage substantially while reducing working time with a pro rata reduction in monetary wages.

Thus the question, as to whether there would necessarily be a large increase in unemployment in a steady-state economy, becomes secondary to the question as to whether there would be sufficient income to allow a good life to be lived by all (Dietz and O'Neill 2013, Chap. 7).

To put additional brakes on the consumption society, tighter controls on advertising potentially harmful products are needed. Constraints should be placed on the powers of corporations, some of which are more powerful than elected governments. Law reforms are needed to facilitate the formation and operation of cooperatives and other not-for-profit organisations. Thus, if automation and the flight of businesses to low-wage countries reduce the employment rate in a country, more people can earn income through being part-owners of cooperative businesses.

More research is needed on both biophysical and macro-economic models of economies that are not growing or are shrinking in terms of biophysical throughput. Key issues to be explored include employment and income, labour and capital productivities, and sustainable investment. So far a steady-state, macro-economic computer model has been developed for Canada by Victor (2008). The model has several different scenarios spanning the period 2005–2035, including the following three:

- *Business-as-usual* (BAU) has growing GDP/capita, growing GHG, approximately constant unemployment and slowly growing poverty.
- *No-growth disaster* has reduced growth in investment, reduced GDP/capita, somewhat reduced GHG, and growing unemployment, poverty and debt/GDP.
- *No-growth with high investment*, has plateauing GDP/capita and GHG, declining unemployment, poverty and debt/GDP.

The modelling indicates that a steady-state economy is not a failed growth economy and suggests that prosperity without economic growth is at least possible.

The power to create and destroy money must be taken away from the private financial services industry. This would involve shifting private sector lending gradually to reserve requirements of 100 % as the default. However, reserve requirements could be adjusted according to the social and environmental benefits of projects, thus ensuring that money supply could only increase as real value is created (NEF 2009, p. 83). The public financial sector would lend money at low interest for large ecologically sustainable and socially just projects. Incentives to increase savings would be needed. Public money would be spent during economic downturns to stimulate the economy (Daly and Farley 2010). Another useful measure would be a Tobin tax on international financial transfers, with the revenue hypothecated to the sustainable development of poor countries. Because the payment of interest contributes to economic growth, a monetary system without interest may be required.

To create a monetary system that is compatible with biophysical limits, there is a range of possible options, all radical. Dietz and O'Neill (2013, pp. 106–109) report on a proposal by Cato and Mellor for a three-currency approach: a *debt-free national currency* created by public authority; *local currencies* created by communities to support local production and trade; and an *international currency* to support sustainable and equitable international trade.

Population growth must be gradually brought to a halt non-coercively in both poor and rich countries. In poor countries the key policies are the empowerment and education of women, the widespread provision of family planning advice and low-cost contraception, and economic development that provides security for the aged. Through such policies Iran was able to halve its population growth rate from 1987 to 1994 (Brown 2011) (This achievement was subsequently reversed by a new ruler). Rich countries should increase their overseas aid budgets to support education and ecologically sustainable economic development programs in poor countries. In developed countries, which have high levels of consumption per person, every additional person makes a large environmental impact, whether that person arrives from birth or immigration. Key population policies needed are the ending of government propaganda and financial incentives to encourage births and the reduction of skilled immigration quotas. Incidentally, in many developed countries refugees form a small minority of immigrants and so their quotas could be substantially increased on humanitarian grounds while the total number of immigrants is decreased (Diesendorf 2010).

No single indicator can describe quality of life. GDP would be downgraded as an indicator of social and economic performance and replaced with a set of mostly non-monetary indicators that give a broad picture of the state of, and trends in, the environment, health, social justice, employment, income distribution and access to public facilities/services.

6 Conclusion

Although this chapter approaches the topic of the 'green' economy from an ecological economics framework based on environmental science, it is broadly consistent with Frank Stilwell's (2011/12) political economics approach. Both approaches give greater priority to the ecological and social justice dimensions of sustainability than the economic. Both see carbon pricing as just one element in a portfolio of policies needed for cutting greenhouse gas emissions—this portfolio includes regulation, direct government funding, institutional change and education. However, this chapter questions the apparent stance of Spies Butcher and Stilwell (2009) that regulation and direct government funding should be the principal policy mechanisms. Governing parties in democratic societies change frequently and even between elections they often change policies under the influence of powerful interest groups. Where carbon pricing has a role, both Stilwell and this author favour a carbon tax over an emissions trading scheme, on the grounds of effectiveness in the real world and social equity. Stilwell questions economic growth, recommending that 'a switch from growth to redistribution needs to be a central feature of a global strategy for dealing with the threat of climate change'. The present chapter takes that position as a starting point and explores the kinds of policies needed for a steady-state economy. The broad consistency between the two approaches arises because of the strong definitions of sustainable development used in this approach emphasize both ecological sustainability and social justice.

With the current global crises in the economic and financial system, climate change and other global environmental issues, peak oil and growing poverty, this is an appropriate time to push strongly for radical changes in the economic system, in order to set it on the path towards ecologically sustainability and greater social justice. These changes would seek to create 'prosperity without growth' (Jackson 2009), while greatly reducing the throughput in energy and materials, limiting human appropriation of the land and of ecosystem productivity, and reducing the human population non-coercively. *In the new economy, as seen by* Jackson (2009, pp. 141–142)

> *People will still spend and they will save. Enterprise will still produce goods and services. Government will still raise revenues and spend them in the public interest. Both private*

and public sector will invest in physical, human and social assets. But new macro-economic variables will need to be brought explicitly into play…And there are likely to be key differences even in the way that conventional variables will play out. The balance between consumption and investment, the balance between public and private sector, the role of different sectors, the nature of productivity improvement, the conditions of profitability: all of these are likely to be up for renegotiation.

While the above transformation may seem idealistic and politically infeasible, it should be compared with the alternative of continuing with business as usual, which is taking us towards major irreversible climate change and its impacts, extreme levels of air pollution in some regions, cities jammed with traffic, declining water supplies, food production under threat, resource wars, the collapse of banks and violent revolutions. Bringing some hope of change is the rapid growth of renewable energy in Europe and China, the worldwide Transition Towns movement, and growing understanding, especially by younger generations, of the need for ecological sustainable and socially just development, where 'development' is not identified with economic growth. Ultimate success, in making a transition without widespread suffering and major socio-economic collapse, depends on more and more people reaching a deeper understanding of the power structures and ideologies that determine the current economic system; the environmental, social and economic issues that demonstrate the need for change; and the nonviolent strategies and tactics available for implementing change (Alinsky 1971; Lakey 1973; Moyer 2001; Rose 2005; Robinson 2012).

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When the ‘Green Economy’ Undermines Sustainability: Political, Economic and Ecological Dimensions of Carbon Markets

Gareth Bryant

Abstract The chapter follows Frank Stilwell’s approach to political economy—which emphasises economics as a contest of ideas and the social constitution of the economy—to discuss competing ideas of the ‘green economy’ and then analyse the political, ecological and economic dimensions of carbon markets. Multilateral institutions, transnational corporations and mainstream environmental NGOs have endorsed a market-based version of the green economy, but it has been contested by social green researchers and environmental justice movements. The chapter challenges optimistic evaluations of the European Union Emissions Trading System (EU ETS) by market liberal researchers from a political economic perspective. It argues that the EU ETS has been unsuccessful in challenging fossil fuel dependence and that marginal carbon gains have been reversed in the context of economic crisis. Further, the potential for governments to enact alterative polices has been weakened because the instrument has supported polluting companies and constrained social movements. This suggests serious limitations in the capacity of the dominant marketised version of the green economy to drive, and indeed may work to prevent, effective action on climate change.

1 Introduction

The titles of the two textbooks that form the basis of Frank Stilwell’s popular first year subject at the University of Sydney give a useful insight into his approach to the study of political economy. The first, *Political Economy: The Contest of Economic Ideas* (Stilwell 2002), recognises that differences in political ideology

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and material interests produce alternative understandings of economic issues and competing prescriptions for how they should be addressed. The second, *Economics as a Social Science: Readings in Political Economy* (Stilwell and Argyrous 2003), emphasises the social constitution of economic issues, which demands consideration of their political and ecological dimensions.

This chapter follows both aspects of Stilwell's approach by discussing competing ideas of the 'green economy' and then analysing the political, ecological and economic dimensions of carbon markets—the key policy instrument for the dominant marketised version of the green economy. Using examples from the European Union Emissions Trading System (EU ETS), the chapter challenges optimistic evaluations of existing carbon markets from market liberal researchers by re-evaluating their evidence from a political economic perspective. It argues that the experience of the EU ETS to date suggests serious limitations in the capacity of carbon markets to drive, and indeed may work to prevent, effective action on climate change.

2 The Stilwell Approach

Stilwell (2002: pp. 3–4) begins his first year course by introducing three elements to distinguish the study of political economy from orthodox economics. First, there is a focus on actual real-world problems, with environmental issues, framed in terms of the tension between economic growth and ecological sustainability, nominated as a key concern. Second, the political economic method influences how these issues are analysed, with questions of the distribution of costs and benefits and possibilities for practical solutions looming large. Third, political economists make active choices between different strands of economic thought—themselves shaped by interests, ideologies and power—which inform answers to these questions.

The subject and purpose of political economic analysis is therefore inherently social—"understanding the world so that we can change it for the better" (Stilwell and Argyrous 2003: xi). This extends to the analysis of environmental issues, with Stilwell (2000: pp. 105–106) conceptualising sustainability in terms of the intersection between the economic, ecological and social as interlocking systems. The social coheres the economic and ecological, but their balance is not natural. Instead, it is a political product of "collective choice and ongoing struggle" occurring at the interface of state, market and community over local, national and global scales (Stilwell 2000: p. 116). Stilwell (2000: Chap. 21) argues that from a political economic perspective, sustainability can and must be realised in a way that is socially just. However, environmental policies that are in tension with the maximisation of profit and ongoing capitalist expansion are likely to be resisted by those aligned with corporations and other capitalist institutions. These social factors weigh heavily on the political, economic and ecological nature of ideas for a green economy.

3 Debating the Green Economy

Conceptions of a green economy were first popularised in the *Blueprint for a Green Economy* report to the UK Government, which aimed to ground the Brundtland Commission's definition of 'sustainable development' in neo-classical economics (Pearce et al. 1989). The report adopted an environmental economic approach that functioned to defend existing economic systems under certain conditions in the face of a growing environmental movement and mounting scientific evidence questioning the socio-ecological viability of existing patterns of economic development. Economic growth was said to be compatible with environmental sustainability through policies that encourage an efficiently functioning price system that could take account of externalities. Over 20 years later, accelerating climate change and ongoing financial volatility has again created the conditions for a series of proposals for a green economy as a way of addressing both ecological and economic crises. Many of these, such as UNEP's prominent 600-plus page *Green Economy* report, remain heavily influenced by Pearce et al. preoccupation with correctly pricing the relationship between economy and environment through market instruments (UNEP 2011).

UNEP's report demonstrates a broad appreciation of the seriousness of and connections between the climate, biodiversity, fuel, food, water and financial crises and their impacts on poverty and other forms of social insecurity. However, it has a very narrow economic understanding of the causes of these socio-ecological crises in reducing them to the "gross misallocation of capital" (UNEP 2011: p. 14). Even so, UNEP's general definition of the green economy as one that improves "human well-being and social equity, while significantly reducing environmental risks and ecological scarcities" through "low carbon, resource efficient and socially inclusive" practices is encouraging (UNEP no date). But again, the report advances a very limited suite of policies for getting there, focusing on the need to accurately calculate the market values of environmental "goods and services" and prioritising market mechanisms intended to increase the competitiveness of 'green' technologies for private investors over regulatory measures (UNEP 2011: pp. 18–19). The primary role of government is thus reduced to creating a "levelling the playing field" between industries, while the exact role of the community in the transition to a green economy is unclear (UNEP 2011: p. 14). The report therefore paves the way for a range of policy measures that marketise and commodify nature, including pollution credit trading and payment for ecosystem services schemes.

The marketised conception of the green economy has been broadly supported by big business coalitions such as the International Chamber of Commerce, Northern governments through the OECD and mainstream environmental NGOs, such as WWF (International Chamber of Commerce no date; OECD 2011; WWF UK 2012). But like all economic ideas, it has been heavily criticised by researchers and activists with alternative perspectives on the best path to a green economy.

Clapp and Dauvergne (2011: p. 16) categorise some of these perspectives into a four-part typology—market liberal, institutionalist, bioenvironmentalist and social green—which helps explain the ideological basis for the differences. The latter three broadly fall within the political economy approach advocated by Stilwell. As opposed to the market liberal perspective advocated by environmental economists, institutionalists privilege building state capacity while bioenvironmentalists orient themselves towards notions of ecological limits. From a more social green perspective, environmental crises are viewed through the lens of capitalist social relations and in particular their connections with worker, gender and racial oppression (Clapp and Dauvergne 2011: p. 12). The social green concern for inequality and commitment to solutions that dismantle existing institutions and economic structures in favour of democratic alternatives—derived from the environmental justice and other radical movements—has underpinned some of the sharpest critiques of market liberal ideas on the green economy (Clapp and Dauvergne 2011: p. 14).

Arguing that the green transition must also be fair, researchers from this perspective have criticised market liberal conceptions of the green economy for failing to address the structural causes of ecological damage and its uneven distributional impacts. For example, Cook et al. (2012: pp. 6–7) caution that the marketised green economy favours corporate interests by redistributing control of, and access to, natural resources upwards towards polluters and financial markets and shifting the burden of addressing ecological crises from Global North to South. They provide a number of examples of this, from the displacement of Indigenous land from carbon offsetting projects to the impact of higher electricity prices on the poor when environmental initiatives are rolled out in liberalised energy markets. Under these policies, the risk of a "triple injustice", where those that are least responsible for, and least able to cope with, environmental damage are disadvantaged by environmental policies themselves, is at best inadequately dealt with as a secondary question of "compensating losers" (Cook et al. 2012: iv, p. 6). Politically, the global environmental justice movement has prosecuted the case against this "false green economy" (Lander 2011; World Development Movement 2012). While some groups have campaigned for a "real green economy" that puts people and the environment above profit (World Development Movement no date), many have rejected the notion—as put forward by multilateral institutions and transnational corporations—altogether. For example, over 50,000 people, supported by more than 400 civil society organisations including Friends of the Earth International, marched in opposition to the green economy at the 2012 Rio + 20 Conference (Friends of the Earth International 2012).

4 Evaluating the Green Economy

Despite academic critique and political activism, the balance of political economic forces has seen market-based conceptions of the green economy become very popular within governments around the world. This has been particularly the case in the area of climate policy, with the proliferation of carbon trading schemes in recent years. There are currently national carbon trading schemes in Australia and New Zealand, state, city and province-based schemes in the USA, Japan, China, Canada and South Korea and a global offsetting scheme in the Clean Development Mechanism (CDM) (Australian Government 2012). The most significant scheme in terms of economic size, geographical scope and length of operation is the EU ETS. The European scheme is now in its third phase, having begun in 2005, and covers over 11,000 power plants and industrial installations across 31 countries. It is described by the European Commission as the “cornerstone” of European climate policy (European Commission—Climate Action 2013).

The implementation of a market-based response to climate change on this scale provides an opportunity to move beyond discussion of the green economy at the level of ideas and towards an evaluation of the material outcomes of carbon markets. Nonetheless, opposing economic ideas shape different evaluations of these policy outcomes. Stilwell’s (2011: p. 113) multidimensional conception of sustainability has underpinned a critical appraisal of carbon markets on the basis that creating ‘rights to pollute’ has problematic behavioural and ethical ramifications and that inevitable loopholes place climate outcomes in the unstable hands of financial markets. The emergence of carbon markets is explained according to their status as the least threatening policy option for capitalist interests—an analysis that is supported by policy experience to date (Stilwell 2011: p. 123). For example, the pipeline for CDM projects has dried up following the crash of offset prices to near zero, China’s first pilot scheme in the city of Shenzhen was projected to be over-allocated before it began and Australia’s hybrid fixed-price scheme has gradually had its regulatory-oriented components, such as measures to close down coal-fired power stations, abandoned in favour of market-centric reforms, such as linking to the EU ETS (ABC 2012a, b; UNEP Risoe Centre 2013; Point Carbon 2013a, b). The following analysis extends Stilwell’s work by evaluating the impact of the EU ETS on the ecological, economic and political dimensions of climate change, in the first, second and third phases of the scheme respectively—contrasting the perspectives of market liberal researchers with a political economic approach.

4.1 Ecological Dimensions

Orthodox economists have defended the environment integrity of the EU ETS by pointing towards the emissions reductions that were generated in the first phase of the scheme. In their wide-ranging analysis from a market liberal perspective, Ellerman et al. (2010) calculation that between 120 and 300 million tonnes of carbon dioxide were reduced in included sectors is a key component of their positive assessment of the instrument (see also Anderson and Maria 2011). They argue that when the scheme was introduced in 2005, emissions dropped “perceptibly” and that the “most obvious” cause was the incorporation of the carbon price into production decisions (Ellerman et al. 2010: p. 164, 168). The main form of abatement was 'fuel switching' between existing coal and natural gas power generation capacity. At any point in time, the combination of gas and coal fuel prices, energy efficiency, energy demand and other regulatory and infrastructure factors determine what mix of fuel is sold into the electricity grid. Ellerman et al. (2010: p. 174) contend that the introduction of a carbon price into these factors had the effect of changing the switch point between fuels in favour of gas as coal became relatively more costly. They found this resulted in between 54.6 and 96.9 million tonnes of abatement in 2005 and 2006, primarily in the UK and Germany, before carbon prices crashed in 2007 due to the systemic over-allocation of carbon credits (Ellerman et al. 2010: p. 181).

These changes represent abatement from a narrow market liberal perspective that reduces climate change to a problem of incorrect pricing of carbon pollution while ignoring its broader social context. Abstracting from where, when, how and by whom a tonne of carbon is emitted or reduced is required for the market-based mechanisms to properly function (Lohmann 2006). But, the relative improvements that are commodified as quantitative 'emissions reductions' by carbon markets can be considered unsustainable from a political economic perspective that views how emissions are reduced as being as important as how much they are reduced. Natural gas is a relatively less polluting fuel than coal and efficient coal-fired power is relatively less polluting than inefficient coal-fired power. But, in social terms, each change reinforces rather than challenges historical patterns of fossil fuel production.

By increasing the proportion of gas in the electricity fuel mix the first phase of the EU ETS accelerated the trend towards gas expansion in Europe, where in the 15 years prior to the scheme, the share of gas in electricity generation increased by 250 % (European Environment Agency 2007: p. 2). Meeting emissions targets through the expansion of gas is not compatible with warnings from the International Energy Agency (2012) that two-thirds of currently known fossil fuel reserves need to be left in the ground to avoid more that 2 °C of warming. Further, because fuel switching "requires no investment and no change in normal operating procedures" (Ellerman et al. 2010: p. 175), the abatement achieved from gas has not displaced coal in any lasting way. In the second phase of the scheme, decreasing coal prices enabled electricity generators to increasingly switch back to coal, supported by low carbon prices in the wake of the economic crisis (The Economist 2013). With over half of the European electricity generation comprised of fossil fuels, the temporary nature of the emissions reductions encouraged by the EU ETS raises questions on the ability of market-based measures to contribute to the necessary permanent transformation of energy systems (European Environment Agency 2012a).

4.2 Economic Dimensions

If the ecological dimensions of climate change are reduced by market liberals to quantitative emissions abatement, its economic dimensions are reduced to the question of whether that abatement has been efficient. From a narrow efficiency perspective, the capacity to reduce emissions without investing in renewable energy or public transport is a positive aspect of market mechanisms because it is less costly. The most important condition for achieving efficiency is the right carbon price, which performed weakly and with significant volatility throughout the second phase of the scheme. The primary explanation of these carbon price movements has been the reduction in economic activity and general financial instability associated with the financial crisis (Chevallier 2009, 2011). The onset of the crisis caused the carbon price to crash from 34 Euros in July 2008 to 9 Euros in February 2009, followed by a period where it plateaued between 13 and 17 Euros for most of 2009–2011, before again crashing to below 10 Euros throughout all of 2012 (European Environment Agency 2012b).

There have been different interpretations by market liberals of the impact of the recession on the efficiency of the EU ETS in reducing emissions. Some researchers have abstracted the impact of the crisis from their analysis completely, allowing them to draw positive conclusions of the efficiency of the scheme (Charles et al. 2011; Montagnoli and de Vries 2010). Others have incorporated the impact of the "unforeseen recession" and concluded that it may have actually increased the efficiency of emissions abatement by "lower[ing] compliance cost to a fraction of what would be due for the case of an optimistic economic outlook which has been the default assumption so far" (Böhringer et al. 2009: S304). Liang et al. (2013), on the other hand, dispute this analysis and are concerned with the implications of a low and unreliable carbon price for emissions abatement, investment and innovation. Nonetheless, they attempt to show continued emissions abatement from gas and do not view the negative impact of the economic crisis on the functioning of the EU ETS as a flaw in carbon trading as a policy option in its own right.

Each of these positions is problematic from a political economic perspective. Unlike neoclassical economics, political economy—whether from a Marxist position on the internal contradictions of the accumulation process creating barriers to the realisation of surplus value or a post-Keynesian focus on a systemic lack of effective demand—views crises as a permanent feature of capitalism. Although emissions drop in times of economic crisis, the production of climate change is ongoing due to the legacy of the fixed and long-term nature of fossil fuel infrastructure. This was demonstrated in research that found greenhouse gas emissions rise more with a percentage point increase in GDP than they fall with an equivalent GDP decrease because of this carbon lock-in (York 2012). From a political economic perspective where "history matters" (York 2012: p. 163), emissions reductions that result from economic crises may satisfy the short-term efficiency measures of market liberals but do not address climate change because they do not fundamentally alter the path dependent drivers of greenhouse gas emissions.

In addition to the failure of the EU ETS to seriously address emissions in a period of crisis, the creation of a large surplus of carbon permits illustrates how market mechanisms can come at the expense of, rather than complement, alternative forms of climate action. For example, at the end of 2011 it was calculated that 10 European companies had accumulated 304 million tonnes of surplus allowances and had already gained $1.8 billion in revenue from other carbon credit sales, largely because the drop in production meant they no longer needed them for compliance (Morris 2012: p. 2). Indeed, the EU ETS has increased the profitability of all polluting companies that are covered by the scheme, much of which came from windfall profits from power companies passing on the value of carbon permits they were allocated for free through increased energy prices (Grubb 2011: p. 7, 15). This indicates that in socio-economic terms, the EU ETS has facilitated a significant transfer of wealth from states and households to corporate polluters. Revenue which could have been used by governments for direct investment in renewable energy or public transport instead increased the profits, and therefore economic power, of polluting companies—many of which oppose more widespread action on climate change (Carrington 2013a).

4.3 Political Dimensions

Projections that surplus allowances will increase to 3.1 billion tonnes of carbon by the end of the third phase in 2020 generated significant political debate in the lead up to, and in the beginning months of, the third phase of the scheme (Morris 2012). The mainstream debate has focused on the EU Parliament's response to a proposal from the European Commission to temporarily withhold 900 million permits from auction in an attempt to boost carbon prices (Carrington 2013b). Whether EU institutions can save the carbon market is a key question for market liberals, who view the political dimensions of climate change in terms of the ability of governments enact market-correcting policy. Indeed, the rapid development of the EU ETS in the early 2000s is held up as a success story of governments using market instruments to address environmental problems compared with previous failed attempts to use taxation and regulation (Damro and MacKenzie 2008). This is explained in largely technocratic and formal political terms, such as the rational acceptance of evidence from sulphur dioxide training in the US, policy entrepreneurship by bureaucrats and the desire by politicians to be world leaders in climate policy (Bailey 2010: pp. 145–146). Conversely, from a political economic perspective, radical political responses to climate change are required, driven by social movements making democratic demands of states and constructing their own community and worker-controlled initiatives. However, the recent political activity of two major currents of the climate movement—mainstream environmental NGOs and more radical climate justice groups—suggests that a political effect of the EU ETS has been to narrow their focus on carbon markets in different ways.

Climate Action Network (CAN) Europe is the umbrella group for 120 of the largest environmental organisations that are active on climate change and operating in Europe (Climate Action Network Europe no date). In the lead up to negotiations that led to the Kyoto Protocol, CAN International took a position of opposing market mechanisms (Betsill 2002: p. 53). CAN Europe took a "cautiously positive" view of the EU ETS while it was being developed, but stated they would oppose a scheme that contained loopholes, including free permits and overseas offsets, that were ultimately included in the final policy design (Climate Action Network Europe 2002). An analysis of their recent publications though, as a proxy for mainstream environment group activity on climate change, shows that the issue of carbon market reform has dominated their work. Since 2012, the clear majority of CAN Europe’s policy analysis has either directly related to strengthening proposed EU ETS reforms, such as making the temporary withdrawal of carbon permits permanent, or has approached other policy issues, such as carbon mitigation targets or energy efficiency, through then lens of how it can be achieved through carbon market reform (Climate Action Network Europe 2013a, b, c, d). This has translated into active campaigning for the more modest reform proposals before the EU Parliament as an “important first step” (WWF 2013).

More radical climate justice groups, such as Carbon Trade Watch, have also directed their work towards carbon markets, but in order to oppose rather than reform them (Gilbertson et al. 2009). These activists have intervened in the debate over reforming the EU ETS to argue that the instrument is “systematically flawed and cannot be fixed” (Corporate Europe Observatory 2013). Over 100 of the main climate justice groups have combined in a campaign to “scrap the EU ETS” (Scrap the EU ETS 2013). While the campaign is as a necessary precondition for achieving effective climate action, it nonetheless draws political capacity away from building support for more the policy alternatives needed to get there.

5 Conclusion

> *As ever, underlying the contest of economic ideas is a contest of economic interests* (Stilwell 2011: p. 123).

The implementation of the dominant conception of the green economy in the EU ETS illuminates the material interests that underpin market liberal economic ideas. A political economic perspective, which goes beyond the market liberal focus on abstract emissions abatement, narrow measures of market efficiency and prospects for technocratic reform, shows that the EU ETS has failed to positively address the socio-ecological, -economic and -political dimensions of climate change. By relying primarily on a market-based instrument, climate policy in Europe has been unsuccessful in challenging fossil fuel dependence and marginal carbon gains have been reversed in the context of economic crisis. Further, the potential for governments to enact alterative polices has been weakened by an instrument that has supported polluting companies and constrained social movements. Environmental organisations and activists have either altered their positions by backing proposals to fine tune the scheme in the image of neoclassical textbooks or have mobilised against what has been presented as ‘the only game in town’ in climate policy. In sum, the marketised green economy has favoured the short-term economic interests of fossil fuel industries. Fortunately, political economy, as introduced to first year students by Stilwell, provides a foundation not only to contest ideas and policies that are undermining action climate change, but also to advocate for transformative measures that can effectively resolve the climate crisis in the interests of the broader community.

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Part VIII
Conclusion

Political Economy: Past, Present, Prospects

Frank Stilwell

Abstract This concluding chapter seeks to do four things. First, there is some history, focusing particularly on the struggle to establish and develop political economy as an alternative to mainstream economics. Second, there are personal reflections on the six themes around which the earlier chapters in this book are structured. Third comes a stocktaking of the current state of political economy and assessment of the scope for further progress both within the *groves of academe* and in the broader society. Finally there are thanks and personal reflections on processes of challenge and change that should yield a cumulatively valuable legacy.

1 Then and Now…

I am deeply honoured by the very existence of this book. I am also delighted that the conference held at the University of Sydney to mark my official 'retirement' generated such fine papers, many of which have been developed into the preceding chapters. It is quite a compendium. And I get to have the last words… Challenging the orthodoxy is essential if we are to 'illuminat[e] the world so that we may act in it intelligently and effectively' (Baran and Sweezy 1966, pp. 27–8). Karl Marx made a landmark contribution, denouncing economists as 'hired prize fighters' and constructing an alternative view of capitalism as a class-based system of alienation, exploitation, inequality, crises and self-destruction. Many other political economists have followed, offering either similarly radical prognoses or milder, reformist suggestions. Thorstein Veblen, for example, was deeply skeptical of mainstream economists' capacity to illuminate the distinctive features and problems of an evolving capitalist society. John Maynard Keynes railed against

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orthodox economic views that he saw as compounding the extreme economic difficulties of the period between the two world wars. J.K. Galbraith, reflecting on the assault on mainstream economics mounted by 'new left' radicals in the 1970s, opined that 'I would judge as well as hope that the current attack [on neoclassical economics] will prove decisive' (Galbraith 1973, p. 1).

Yet mainstream economics remains remarkably impervious to criticism from non-believers. As my colleague Evan Jones has often stated, the economics profession is in this respect rather like a priesthood, jealously guarding its orthodoxy from assaults by heretics. Even crises in the real world with which economists claim to be ultimately concerned seem to have little impact on the core principles to which their profession adheres. Diane Coyle, whose book *The Soulful Science* (2007) sought to defend the economics profession from its critics, has more recently been forced to concede that the global financial crash emerging in 2007–2008 has had remarkably little impact on how the subject is defined and presented. In her own words 'it is only a slight exaggeration to say that students are taught as if nothing has changed in the past 5 years' (Coyle 2013, p. 1). Of course, many economists claim to be concerned to engage with the changes occurring in the real world, particularly changes as cataclysmic as the ongoing economic and financial crisis, but they do so characteristically without changing their analytical tool-kit. A neoclassical economic perspective and a corresponding belief in self-equilibrating market mechanisms underpin that persistent worldview. To be sure, there are respectable dissenters, such as Joseph Stiglitz and Paul Krugman who challenge some of the more ineffective policy-oriented applications of the orthodoxy, but the very fact that these distinguished practitioners are regarded as dissidents is indicative of the resilience and continuing dominance of the mainstream.

Looked at from this perspective, the struggles to develop critique and alternatives have a clear rationale. The economics profession is manifestly failing in its social purpose of contributing to the welfare of humankind.

This problem was loudly voiced when I joined with the dissident students and supportive colleagues among the staff of the Faculty of Economics at the University of Sydney in the early 1970s. The criticisms then leveled against the mainstream focused on lack of real-world relevance, excessive emphasis on mathematical technique in the teaching of the subject, and political bias embedded in the underlying assumptions. Problems of internal inconsistency within the neoclassical theory also came to be emphasised, particularly following the Cambridge controversies over the nature and measurement of capital. Joan Robinson's visit to Sydney in 1975 gave particular impetus to this latter theoretical concern. The political economy movement that was developing in Australia at that time, as it was in many other countries, also reflected the influence of an array of broader societal concerns. These included opposition to war and imperialism, the abuse of corporate power, and concern for the plight of people in subordinate classes or facing discrimination based on gender and race. There was optimism that we could 'make a difference,' and the challenge to orthodox economics in the universities was part of that broader movement for progressive social change.

The political economic changes that actually occurred in the decades since then have produced a more difficult context for sustaining a radical challenge. Corporate globalization, financialisation and neoliberalism have been a formidable combination, fundamentally recasting the possibilities for economic reform. It has been increasingly difficult to go 'against the stream' when the current has been flowing so strongly in the interests of the dominant class interests in modern capitalist society, including those who have gained monopoly power over natural resources as well as the major global financial institutions. By the same token, however, the need for radical political economy—as a tool for analysis and critique of those processes, influences and interests—has become ever more evident.

Certainly, from a teaching perspective, there has been no shortage of topics deserving attention, and no shortage of young people expressing interest in critical inquiry. At the University of Sydney, student enrolments in the Political Economy courses have gone from strength to strength. Some 15,000 students have studied the introductory undergraduate unit of study that was introduced in 1975; and the number of new students has been around 600 annually in recent years. Other Australian universities have also developed fledgling programs in political economy or heterodox economics, commonly initiated by academics who are themselves graduates from the Sydney program.

Worldwide, other centres for the study of political economy and heterodox economics have been established, albeit commonly having to grapple with the problems of lack of critical mass and/or assaults from reactionary university administrators. Ongoing centres for serious engagement with education in political economy include the University of Massachusetts at Amherst and the New School for Social Research in New York—both of which have even longer pedigrees that Political Economy at the University of Sydney. The 'heterodox economics portal' lists institutions in many other countries where progressive alternatives exist (http://www.hetecon.net/), while the International Initiative for the Promotion of Political Economy also facilitates interaction between scholars and activists (http://www.iippe.org/wp/). The establishment of the World Economics Association (http://www.worldeconomicsassociation.org/), notwithstanding its somewhat innocuous name, also reflects a widespread disquiet with a conservative profession and its conventional channels of publication and discussion.

It is in the context of this ongoing struggle that the significance of this current volume can be appreciated—as a product of the struggle and as a pointer to where energies can usefully be focused for the future.

2 Six Political Economic Themes

The six themes around which this book is structured are central concerns for the political economy movement. On a personal level, they also reflect major professional concerns that I developed during my career. Starting in the UK with a conventional economics education, I became increasingly aware of the limitations of the core theory and the need for sustained critique. After relocating to Australia, I developed close relations with like-minded colleagues in Sydney, such as Ted Wheelwright, Gavan Butler, Evan Jones, Geelum Simpson-Lee, Margaret Power and Debesh Bhattacharya. We had a shared project: to challenge economic orthodoxy and, in conjunction with our students, to develop alternative courses in political economy (Butler et al. 2009). When we were eventually successful in gaining approval for our alternative program, I became immersed in the challenges of teaching effectively so it would help young people to understand the world 'as it really is' rather than only through a neoclassical lens. We came to recognize that demonstrable capacity to address the key practical issues in the world around us would be the principal marker of relevance and effectiveness. In my own research and publications this was manifest in the concern to understand the factors shaping the distribution of income and wealth, the character of economic policies, the forms which cities and regional economies take, and the relationship between economy and environment. While far from exhaustive of the array of 'real world' concerns, these fields have seemed to me to be both intrinsically interesting and crucial for the wellbeing and future of humankind.

The collection of papers in this book confirms that judgment. Indeed, it is doubly satisfying to see that what I regarded as priority areas for research and teaching are also key areas to which leading scholars are continuing to apply insightful political economic analysis.

Contesting economic ideas is the obvious starting point. My own educational background was in orthodox economics, having studied it at the University of Southampton and taught it at the University of Reading in the UK. David Rowan—who taught me macroeconomics as an undergraduate—had imbued me with the belief that serious engagement with understanding the economy (and that meant Keynesian theory) could be coupled with sensible social goals like eradicating the 'scourge of employment'. John Dunning—who taught me microeconomics, subsequently supervised my PhD thesis and arranged my first academic appointment—also instilled belief that standard microeconomic tools, blended with some descriptive statistics, could usefully be applied to practical concerns of industry and regional analysis. I also thought that micro theory, bridging through welfare economics into policy analysis, could yield useful guidelines for economic policy formation—a largely failed endeavour that later became the focus of one of my early books, called *Normative Economics: an Introduction to Microeconomic Theory and Radical Critiques*. Reading contemporary works by Galbraith, Mishan, Baran and Sweezy, Bowles and Gintis, Hunt and Sherman—and then older contributions by Veblen, Marx, Kalecki and Polanyi—started to open my eyes to a wider world of possibilities.

Articles that I wrote on an array of topics over the next two and a half decades formed the basis of *Changing Track: Towards a New Political Economic Direction for Australia*. This book was centrally concerned with contesting the dominant economic ideas, particularly those bearing on public policy, although it is probably the least 'academic' of my dozen sole-authored books. Writing it was an attempt to consider the challenges facing Australia as the twenty-first century dawned and to explore strategic responses, drawing on a somewhat eclectic political economic analysis. It is a personal pleasure (albeit somewhat of a surprise) that John King takes this book as the focal point for the opening chapter in this volume. The book was not a work of significant theoretical innovation, nor comprehensive in its treatment of the challenges that need to be faced, as John points out. For all its limitations, however, I do not resile from the nature of the project: indeed, I think it is just the sort of thing in which political economists seeking to communicate with a broader audience should engage—developing critique of the existing economic arrangements, sketching visions of what a preferable society would look like, and discussing the strategies and actions that could take us 'from here to there'. Therese Jefferson's chapter, albeit in a context quite different from my own work, shows that political economic critiques can usefully contribute to alternative policy directions.

Teaching political economy, and thereby laying the foundation for continuing challenges to mainstream economics, follows on from these concerns to change the nature of economic inquiry. It ain't easy. For introducing students to the subject, however, I remain a firm advocate of the pluralist approach. As I have argued in an array of articles, pluralism has numerous advantages, particularly for a subject like economics in which judgments and values influence different analytical approaches. It is also a great means of showing students that all aspects of economic inquiry are subject to debate: it invites them into controversy, rather than steering them into a narrow process of technical training. Moreover, approached from a historical perspective, it is also an effective means of showing how competing political economic ideas arise in particular contexts and relate to different sectional and class interests.

This is not to say that the embrace of pluralism in introducing the subject resolves all concerns about the effective teaching of political economy. There remain key questions about curriculum design, such as how many competing schools of thought to try to cover and how to relate study of the history of ideas to issues of current relevance to students in the twenty-first century. There are also questions of teaching methods, such as how to implement student-centred learning—in the classroom and beyond—as an active and critical process. Other personal and pedagogical concerns recur throughout all teaching, including how to ensure clarity, commitment, cooperation and trust, without which education has the characteristics of a chore rather than a pleasure, both for teachers and students.

These questions of curriculum and teaching practices intermingle. We also need to ask what are to be the key elements in building a more coherent analytical synthesis within modern political economy. Studying 'why economists disagree' cannot sensibly be the educational end-point, although it is surely a great start. We need our students to have an effective tool-kit for critically analysing contemporary economic problems and policy issues, together with an analytical framework from which to begin their own research activities. Of course, there will always be different emphases on ideas drawn from classical, Marxian, institutional and post-Keynesian traditions, among others. It is pleasing to see these issues being canvassed in the current volume in the chapters by Andrew Mearman and Rod O'Donnell. Other contributors at the conference from which these chapters originated also had insightful views about curriculum and teaching practices. We should not expect a clear consensus about how to teach political economy. Indeed, disquiet about the typically boring main stream economics education almost inevitably leads to lively debates about how the alternative should be constructed and developed. The more students themselves are engaged in those debates, the more engaging the educational outcomes are likely to be.

Turning from the critique of mainstream economics and the challenges of teaching an effective alternative, we must also engage with how practical ‘real world’ concerns are addressed within modern political economy. This is the major theme within the next four sections of the current volume, dealing with issues of economic inequality, public policy, cities and regions, and a green economy. Here we see the value of political economy in illuminating issues of widespread public concern.

Analysis of economic inequality, its character, causes and consequences, runs through all political economic analysis. This is not surprising. The relative neglect of distributional issues in most mainstream economics cries out for a counter because the question of ‘who gets what?’ is so manifestly important in a world where differences of class, gender and race shape how the fruits of economic activity are distributed. These inequalities are also among the most potent drivers of political activity. Among my own publications, the two books *Economic Inequality* and *Who Gets What? Analysing Economic Inequality in Australia* (co-authored with my then research assistant Kirrily Jordan) are the most direct engagements with the topic, but inequality is a theme that has run through almost all of my research and writing. Confirming the importance of this theme, I have been recently impressed by the evidence on the links between economic inequality and the intensity of a wide array of social problems, as documented by Wilkinson and Pickett (2010). The frequently inverse correlation between inequality and measures of citizens’ happiness in different nations is also indicative of how economists need to reorient their thinking. It is little exaggeration to say that mainstream economists for more than two centuries have proceeded on a misleading assumption, or at least one that has long passed its use-by-date. More national income—beyond a certain point—does not produce happier citizens and more contented societies. Better outcomes would be more reliably achieved through having a more even distribution of the income. Size matters, but relativities ultimately matter more.

Generalising to the global scale, one may also infer that less international inequality would produce a more peaceful, safer and more sustainable planet. Further research and action that contributes to that worthy goal has potential huge pay-off. In this context, the fine chapters in this volume by Gabrielle Meagher, Gaynor McDonald, Georgina Murray and David Peetz point to some crucial areas for analysis and policy, exploring aspects of inequality that have not been adequately treated in my own previous research and publications. It would be great to see these deficiencies become focal points for further research. Even more so if that research would foster widespread attitudinal changes. Indeed, it is my fervent hope for the future of humankind that we can foster a broadly accepted egalitarian ethos and create political economic futures based on more cooperative and participatory democratic principles and practices. Without that values revolution the future for humankind will not only be increasingly conflictual, it may prove completely unsustainable.

So how are we to consider the nature and role of economic policies from a political economic perspective? This is the next major theme in this book. One rather conservative viewpoint sees the concern with public policy as a defining characteristic of political economy: from this perspective, economics as a discipline studies 'what is' in the economy while political economy studies how to change 'what is' to 'what should be'. To my mind this is not a useful distinction, however, because political economy is much more than the study of public policy. 'What is' results from both market and state, mutually interacting in complex ways. So we should eschew the view of 'government intervention' as somehow external to the 'natural' working of the market economy. Indeed, that is the ontology of mainstream economics—and of neoliberal ideology—which political economy quite properly challenges. It would be more useful to regard 'commodification' and 'marketisation' as influences operating throughout all sectors of the modern economy, including the state. Jane Kelsey's chapter in this volume, providing a trenchant critique of neoliberal policy practices, points the way to this broader political economic approach. The chapter by Elizabeth Humphrys, looking at the experience of public policy in Australia during the 'Accord' process—a key element during the Hawke-Keating period of government—provides an insightful case study of contradictions and limits in public policy. David Richardson's contribution on company taxation shows how political economic analysis can be used as critique of policies that prioritise wealthy corporate interests over the broader social need to have an effective tax base for government spending.

My research on the state and public policies over many years has ranged from critical analysis of the effects of 'economic rationalism' and neoliberalism to the consideration of specific policy issues, covering topics such as industry policy, wages and welfare, tax policy, investment policy, environmental policy and regional and urban policies. Critique mingles with advocacy of more progressive alternatives, interspersed with consideration of the obstacles that stand in the way of the preferred changes. The books *The Accord and Beyond: The Political Economy of the Labor Government* and the more eclectic *Beyond the Market: Alternatives to Economic Rationalism* (co-edited with Stuart Rees and Gordon Rodley) are cases in point, while shorter articles have examined attempted policy interventions. I would readily admit to some lack of coherence in these efforts, arising not just from the wide array of policy issues considered but also from the mixture of analytical elements that recur in this sort of research and policy prescription. However, it seems to me to be 'in the nature of the beast'. Neither abstract analysis of the state in general nor consideration of the potential impacts or transformative capacities of specific reforms are adequate. We need to combine the two. I therefore encourage fellow political economists to continue down-to-earth engagement with specific public policy issues, while always seeking to set these analyses in the context of a broader political economy of the state.

Urban and regional policy issues are a case in point. Cities and regions are the terrain in which actual economic lives are lived. They are shaped by economic interests, including property developers and finance companies, land-owners, building and construction firms, transport providers and businesses providing employment and services. Problems recurrently arise from conflicts between these private interests and a broader public interest, including failures of market coordination (leading to congestion and pollution), inadequate provision of public goods and inequalities of access. As Harvey (2012) strongly argues, understanding the recent global financial crash cannot really be achieved without some analysis of urban property markets as drivers of speculative tendencies and systemic instability. Political economic analysis needs to be coupled with other disciplinary contributions in providing socially and politically useful insights. A ‘geographical imagination’ is particularly helpful. Personally, I’ve always had that interest in spatial forms (and can happily pore over maps for hours!). Urban and regional development was my PhD topic, focusing particularly on London and southeast England. *Regional Economic Policy* was the title of my first book, and subsequent ones have included *Australian Urban and Regional Development*; *Economic Crisis, Cities and Regions; Understanding Cities and Regions* and *Reshaping Australia: Urban Problems and Policies*. One impetus for these explorations in spatial political economy—also like the study of economic inequality in this respect—is the inadequacy of spatial analysis in mainstream economics. Neoclassical economic theory flounders in the presence of inherent spatial monopoly, spatial inertia and non-market interdependencies. For me, it was the engagement with the alternative spatial political economic perspectives developed from the 1970s onwards by David Harvey, and also to some extent Manuel Castells and Doreen Massey, that opened up more radical interpretations. The chapter in this volume by Brendan Gleeson builds on similar influences and some more recent contributions too. The need for political economy to have this well-theorised spatial character (as well as a temporal dimension, of course) should now be widely accepted.

Developing a green economy is a similarly pressing social need and analytical priority for modern political economy. The concept of ‘green economy’ itself requires further attention, as do strategic concerns about the transition necessary to achieve ecological sustainability in a modern economy. Mainstream economists, with some notable exceptions, have been slow to seriously engage with the challenge of dealing with the causes of environmental crises. It is not for lack of some relevant tools. At least since the writings of A.C. Pigou in the years between the two world wars, there should have been no excuse for neglect. His concept of ‘externalities’ offers a simple enough means of starting to understand why economic growth and environmental decay commonly go hand-in-hand. The problem is that this analytical framing inevitably leads to a focus on only market-based ‘solutions’, such as emissions trading schemes. As Panayotakis (2011) highlights, externalities are not really a ‘market failure’: they reflect the success of capitalists in ‘cost-shifting’ to raise their profits. Moreover, they are not a driver of remedial policy because the cost-shifting facilitates capital accumulation which then increases capitalist class power over the state. As in so many other political economic issues, processes of circular and cumulative causation dominate over equilibrium tendencies. Recognising that the roots of environmental crises are deeply rooted in structures of capitalist political economic power and the imperatives of capital accumulation provides the basis for a more radical ecological political economy.

Coming to terms with complex issues like these often requires taking a step at a time. The need for radical political economic formulation of the issues only comes clear through previous engagement with liberal and reformist problematics. Looking back at the development of my own increasingly 'green consciousness', for example, I recognise its origin in engagement with the concept of 'externalities'. The conservative welfare economic theoretican E.J. Mishan had a major influence on my early thinking because of his use of this concept to explain the social and environmental damages he described in his eye-opening book *The Costs of Economic Growth* (1967). Somewhere between there and reading Barry Weisberg (1971) on the critique of corporate power, the primer on environmental political economy by Matt Edel (1973) and the anarchist ideas of Murray Bookchin (1980), I started to see a way forward. James O'Connor's pioneering work, illuminating ecological crises as a product of capitalism's 'second contradiction', provided a link between analysis and political practice. But it was not until the next two decades, with the development of Green parties as a more significant social force, that the necessary breadth of a green alternative political economy has become clear. The challenge now is to blend further study of the ecological crisis as a manifestation of the contradictions of contemporary capitalism with the development of radical reforms. Specific issues of energy policy and the creation of 'green jobs' need to be considered in conjunction with the broader features of corporate power, consumerism and the wastes of competition that currently obstruct the movement towards ecological sustainability.

The chapters by Mark Diesendorf and Gareth Bryant signal the sort of considerations that need to be addressed if we are to effectively embrace this green challenge—creating a more sustainable economy and society, living more in harmony with nature. Again the interdisciplinary imperative is evident. Political economic analysis has to link with environmental science, but also with research on the determinants of human wellbeing beyond the economic dimension. I referred earlier to the evidence compiled by Wilkinson and Pickett (2010) on the inverse correlation between inequality and reported levels of happiness. In a similar vein, one may reasonably infer that a sustainable economy must necessarily be a more equal one. Here is an instance where ecological and social analyses work effectively in tandem, imparting a contemporary 'green' character to the longstanding political economic concern with redistribution of income and wealth. Yet capitalism continues to produce polarization of prosperity and poverty. It is as collision-course, requiring each of us to decide on which side of history we will stand! This is not just a dilemma for individuals though: it is also a reminder that the concerns of political economy need to be understood in a broader *ethical* context about the future for humankind and its relationship with the natural world.

3 Prospects

When reviewing the current state of the political economy challenge to orthodoxy, it is useful to focus on the beach-heads that have already been established. 'Think global, act local' is an adage that is particularly relevant in this context. Having been based for so long at the University of Sydney, for me and my immediate colleagues the most obvious beach-head is that university's Department of Political

Economy. Maybe seed-bed rather than beach-head is the more appropriate metaphor here, because so many of our graduates have gone on to make significant contributions to progressive social change through their work in public service, education, media and non-governmental organizations (Stilwell 2012, pp. 158–160). However, the extent of success in developing political economy programs at other Australian universities has been quite mixed. The political economy major that was initiated at the University of New South Wales and ran for a few years has been discontinued. At the University of Western Sydney, the substantial array of heterodox economics electives that used to exist has been radically pruned as part of a general assault on the Department of Economics by unsympathetic university administrators (Lodejwiks 2013). As Thornton (2013) argues, the prospects for heterodox economics education are now more buoyant in faculties of arts and social science disciplines beyond economics departments and business schools.

In other countries, the survival and prosperity rates for political economy programs are similarly uneven. In the United States, as noted earlier, the University of Massachusetts at Amherst and the New School for Social Research in New York continue as major centres; while there are many other campuses where political economy programs of some sort have flourished, such as the University of Kansas City–Missouri. The Union for Radical Political Economics (URPE) continues to have its journal and conferences, providing a network for contacts between radical political economists in an otherwise rather fragmentary academic environment. Sometimes the forces of reaction are hard to counter though. In the USA at the University of Notre Dame the briefly flourishing Department of Economic and Social Policy in which dissident views were temporarily institutionalized is no more. In the UK the situation is patchy too: few universities offer anything like a coherent political economy program, although individual heterodox economists teach electives on a number of campuses. Periodic interaction between them is facilitated by the Association for Heterodox Economists, which also has a worldwide reach.

What of the students? At the University of Sydney, concerned undergraduates played and continue to play a significant role in pressing for political economy as a critical and engaging educational program: while postgraduates have been attracted in growing numbers by the opportunity for non-neoclassical study and research. The dynamic of discontent among economics students has continued to be periodically evident in many other places too. The Post-Autistic Economics Movement that students initiated in France in 2000 has had an ongoing influence, albeit not achieving the curriculum reform for which its originators had hoped. In Britain and the USA, there have been petitions by students calling for substantial reforms to economics education. At Cambridge University, for example, the postgraduate students issued a substantial call for course reforms in 2001. At Harvard University, students walked out of Professor Mankiw's ECO10 large lecture class in 2011, stimulated by the Occupy Movement and expressing the need to challenge economic orthodoxy for its overtly theoretical nature and implicit political bias. Yet, for all of these pressures from below, little changes from above.

So what constructive steps can be taken to develop and extend the reach of political economy? Publications are important in this respect because they have potential for stimulus and enduring influence. We sensed that back in the 1970s in Australia when we launched the *Journal of Australian Political Economy*. Our first issue proclaimed the editors' ambition of critically analysing and challenging the capitalist system and 'to represent and encourage a social movement for a fully democratic society; for a radically new conception of the values to be observed and advanced in the planning and conduct of all facets of social life; and for new theoretical perspectives on society and new forms of organization'. Notwithstanding the obstacles to attaining those ambitions (which seem somewhat grandiose in hindsight), the journal continues to be a vehicle for nurturing and showcasing political economic analysis. Other Australian journals such as *Labour and Industry* and *The Economic and Labour Relations Review* also provide good outlets for other work by heterodox economists and progressive social scientists. Most countries have their local journal equivalents, so there is no shortage of material to be used for teaching and in further research development.

Textbooks designed to facilitate the teaching of political economy have also become widely accessible. The two volumes of *Readings in Political Economy* that Ted Wheelwright and I put together in 1975 had this primary goal; and the goal has continued to be reflected in my subsequent publications, most obviously *Economics as a Social Science: Readings in Political Economy* (edited in conjunction with George Argyrous) and *Political Economy: The Contest of Economic Ideas*. Both of these volumes have a pluralist structure intended to make them appealing to teachers and students approaching economics as liberal education rather than professional socialization (read: indoctrination). Both of the books have gone through three editions, but their adoption as set-textbooks remains 'spotty' and exceptional rather than normal and widespread.

What of the impact of radical political economy beyond *the groves of academe*? Here too, claims must be modest. Neoliberalism has been the dominant political influence during the last three decades, creating a context in which progressive economic ideas have found no easy way of gaining traction. By the same token, however, perhaps the most obvious point at which political economy has been influential is in the critique of neoliberalism and its local forerunner 'economic rationalism' (Stilwell 1988; Pusey 1991). The book *Neoliberalism: Beyond the Free Market*, which I co-edited in 2012 with Damien Cahill and Lindy Edwards, is one among many such critiques, putting emphasis on the contradictory features of neoliberalism as a theory, a policy program and a social movement. The global financial crisis that emerged in 2007–2008 was seen by many—including the Australian Prime Minister at the time—as heralding the end of this neoliberal era. Yet just a few years on, we can see that such optimism was unfounded, and critical analysis of the new 'politics of austerity' is the latest phase in the political economic critique (see, for example, Varoufakis et al. 2011: Chaps. 11–13).

Political economy must go beyond critique, of course, if it is to contribute to progressive social change. As I argued in *Changing Track*, social change requires four elements: *critique* of what is, *vision* of what could be, *strategy* for driving change, and *organisation* to make it happen. An activist political economy contributes in at least two ways: first, through analysis of the processes whereby political economic change can occur; and second, through development of alternative economic strategies and policies that can contribute to achieving more stable, equitable and sustainable outcomes. Some of my own work has focused on the latter interventions and policy analyses, as previously noted. Although little has been adopted directly in public policy, I remain of the view that prescription, as well as analysis, should be an important element in modern political economy. This expresses the renowned call for 'pessimism of the intellect, optimism of the will'.

The potential drivers of fundamental change are also in the streets and workplaces, not only in the academic institutions, books and journals. Indeed, it is the relationship between these elements that is crucial for progress—creating *praxis* as the product of interacting theory and action. The contemporary activist scene presents an uneven picture though. On the one hand, substantial mobilizations have been evident in recent years through the Occupy Movement, the World Social Forum and other political expressions of fundamental disquiet and opposition to the forms that modern capitalism takes. Organized labour, however, is weaker than it has been for much of the last century and labour parties have tended to lose any sense of consistent direction. New political formations, including Green parties, have provided more positive initiatives, including focus on the ecological stresses and on egalitarian concerns with gender, race and migration issues, as well as class. An array of NGOs further broadens the concerns a possibilities. The future for political economy depends crucially upon linking with these movements for progressive change. That, in turn, requires political economic analysis of the oppositional movements themselves and their future potential. On a more directly political level, it requires personal and institutional connections between political economists and these broader social and political forces. Engagements with the media and popular publications must necessarily be among them.

4 Onward…

It has been a personal privilege to have been a participant in a community of political economy scholars and activists; and I hope to continue playing a significant part for the indefinite future. Becoming Professor Emeritus in Political Economy at the University of Sydney in 2013—the first such appointment—gives me the opportunity to continue working from that institutional base. Having been at the University of Sydney for 43 years (about a quarter of the time that this university, the oldest in Australia, has existed), I feel a deep and ongoing attachment to both place and people. The primary association is with colleagues and students within the Department of Political Economy, although colleagues in cognate disciplines have also been supportive and productive contributors to political economy as an interdisciplinary project. It would be invidious to single out individuals for special acknowledgment—they know who they are and who has done what—although I

must convey special thanks to Lynne Chester and Susan K. Schroeder for compiling and editing this volume and for organising the 'retirement' conference from which the various chapters emanated. David Primrose has also been a great help, both with the conference and this concluding chapter. Thanks too, of course, to all the authors of the previous chapters in this book.

Sitting and writing in my university office or at home in Sydney, I am conscious that an Australian-centric view might be regarded as somewhat marginal, if not almost invisible, when regarded from a global political economic perspective. But Australia is as good a place as any—and better than most—to monitor and analyze contemporary challenges, including the pervasive problems of economic insecurity that so many people now face, the glaring economic inequalities within and between nations, and the shadow of ecological catastrophe that hangs over us all. Mainstream economics is manifestly part of these global problems, not a solution. Challenging those mainstream views, developing radical political economic alternatives and pressing for change, both in the academy and in the public policy arena, is ever more necessary. I would like to think that my Sydney-based efforts—and this current volume—contribute, to those goals. It is the process of challenge that matters. Thanks for joining us on the journey.

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