

NEOLIBERAL LABOUR
GOVERNMENTS AND
THE UNION RESPONSE



The Politics of the End of Labourism

Jason Schulman



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To Sheri, for her love and support

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1

Introduction: The Transformation of Social Democratic Parties

Gerassimos Moschonas, the author of *In the Name of Social Democracy*, has argued that although the social democratic and labour parties of Europe were founded with the intention of transforming capitalism, their success in doing so pales in comparison to how capitalism has transformed social democracy.¹ This is indeed the case, not merely for the European social democratic parties but for their Australasian counterparts. It is rarely a surprise when parties of the right enthusiastically embrace neoliberal, market-oriented economic policies. But for parties of the left to do so, not merely as concessions in the face of objective economic conditions but at the ideological, programmatic level, indicates that a dramatic change has taken place within social democracy in general—indeed, a change in social democracy's very 'essence'. The question is, why has this occurred?

Over the last 25 years, virtually all social democratic parties have presided over some degree of market deregulation, commercialization, and privatization of the public sector, and at least the piecemeal implementation of welfare-state retrenchment. One might expect working-class parties, even ones with fairly autocratic internal lives, to be largely immune from an intellectual, ideological embrace of neoliberal doctrine. Workers and union leaders tend not to demand that austerity measures be imposed upon themselves. Yet social democratic parties have hardly inoculated themselves and are increasingly led by advocates of the free market, deregulation, and privatization. Social democratic parties have generally made no concerted effort to find alternatives to neoliberalism—their role in

government in recent decades has been, at best, to slightly dull the sharpest edges of the market. This has been true both for the continental European social democratic parties and for the union-based labour parties of Britain, Australia, and New Zealand. In the case of the New Zealand Labour government of 1984–90 and the British Labour government of 1997–2007, the shift at the macroeconomic level has involved a radical refutation of traditional left policies. A similar shift also occurred in Australia under Labor governments between 1983 and 1996, but it was less radical and was accompanied by some renovation of the welfare state. Various explanations for this dramatic change have been offered.

Explanations

Globalization

The dominant explanation for the end of national Keynesianism and welfare-state retrenchment, whether under a party of the right or left, comes from the comparative political economy literature, which commonly argues that the globalized capitalist economy is universally forcing economic convergence. The culprit is the internationalization of goods-producing capital and rising public debt, which affects many countries but made small, export-oriented states—such as New Zealand in the early 1980s—particularly vulnerable.² The ‘wage-earner’ model of the welfare state, based in protectionism and common to both New Zealand and Australia, could no longer stand the pressures of a changing international economy.³

Yet the diverging records of the New Zealand and Australian labour parties, among other parties of the left worldwide, show that globalization does not dictate a uniform response. Differing state and union structures—in the case of Australia, a more effective collective bargaining arena and a more centralized labour movement—made the establishment of corporatist structures, the expansion of the social wage, and the redistribution of an expanded employment base possible. Changes were negotiated and more gradual than in New Zealand.⁴ In the Scandinavian countries, with their centralized bargaining arrangements, as well, it was possible for social democratic governments to resist significant rollbacks until the advent of a severe employment crisis, and even then it has been difficult to roll back entitlements drastically.⁵

It is hardly the position of this author that globalization is irrelevant. But as Pierson says, 'Simple versions of the globalization story flatten national differences. If globalization creates a set of overriding imperatives, national characteristics decline in significance.'⁶ Moreover, national *politics* declines in significance. To follow such logic is to miss the real dynamics at work—the dynamics of class politics inside each country, and even inside each country's main left-wing party, and how these affect national responses to the global economy.

The shrinking proletariat

The shift of social democratic parties to the right is often explained with reference to the shrinking of the traditional, industrial working class. Perhaps the most important theorist to discuss what the lack of a majority industrial working-class means for social democracy is Adam Przeworski. Przeworski asserts that the working class has always been a minority in society. The working class consists of 'manual workers employed in mining, manufacturing, construction, transport, and sometimes agriculture', and at no point has this section of the population ever surpassed 50 per cent in any country.⁷ This definition is certainly narrower than the traditional Marxist definition of the working class or proletariat, which consists of *all* of those who must sell their labour power in order to survive and obtain an income for themselves and their families. Such an extended definition incorporates white-collar, salaried employees and blue-collar labourers. Yet white-collar workers, Przeworski notes, 'neither act as proletarians nor think like proletarians'.⁸ Salaried employees have not identified as working class and hence have frustrated Marxist predictions.⁹ Craftsmen, small merchants, and peasants did not become productive manual workers and hence did not become easily 'captured' by social democratic appeals. Instead, they were 'transformed into a variety of groups the status of which is theoretically ambiguous . . . nonmanual workers, *ouvriers intellectuels*, service workers, technicians, "the new middle classes"'.¹⁰

Przeworski argues that, to win elections, social democrats were forced to appeal beyond their core base of industrial workers to potential middle-class allies. As a result, from a movement to do away with capitalism entirely, social democracy changed into a party committed to nothing more radical than political democracy and 'the pursuit of efficiency, employment, and equality—a second best and the best

that was possible'.¹¹ The lack of a proletarian majority made such a shift objectively necessary, lest social democracy be permanently excluded from political power. Moreover, the share of the electorate that consists of industrial workers has continued to shrink since 1960, so rapidly that 'we now speak of "deindustrialization"'.¹² As a result, in order to govern, social democratic parties must appeal to 'middle-class values' and stress social issues to the exclusion of class.¹³ The implication is that the economic programmes of social democratic parties must move to the right and become more pro-market.

It is true that the industrial working class has never constituted a majority of the population in any advanced capitalist society. It is also true that all social democratic parties have been forced to respond to deindustrialization and the corresponding drop in the blue-collar workforce. Much of this new work—in food and catering, health, and business and information services—has been 'beyond the established reach of the labour movement and its cultures and institutions'.¹⁴ The impact of post-Fordism—characterized by flexible working patterns, new management techniques, and the decline of primary industries—has led to a loss in the collective strength of workers via the weakening of their unions.¹⁵ (In Britain, deindustrialization was a deliberate strategy of Margaret Thatcher's Conservative government—a means by which to break the unions.¹⁶) By the early 1980s, the New Zealand Labour Party (NZLP) found its core working-class vote to be concentrated in urban districts, particularly in low-income areas; in the more multi-class suburban and hinterland districts, the National Party held the advantage.¹⁷ According to the logic of the shrinking working-class argument, the ever-smaller number of real workers in New Zealand is the primary reason for Labour's shift to the right. In order to retain office, Labour had to enact market-friendly policies in order to ensure the vote of affluent business and professional people in marginal districts that would otherwise go to the newly formed, free-market NZLP.¹⁸ The Australian Labor Party (ALP) and New Labour in Britain have simply acted according to the same logic.

However, there is no evidence that the shrinking of the industrial working class correlates with the electoral history of the left. The real problem that many social democratic parties have had has been one of the loss of the allegiance of their traditional core

constituency, not the shrinking of that core constituency.¹⁹ Moreover, the minority status of industrial workers does not automatically require social democratic parties to turn against their traditional policies. There has long been a constituency for social democracy among salaried employees, who benefit substantially from welfare-state policies, particularly if they are universally available.²⁰ In Sweden, there has long been strong white-collar worker support for the welfare state; indeed, in the middle of the twentieth century, the traditional working class allied with the emerging white-collar sectors to form a coalition in support of the welfare state. With white-collar support, the Swedish Social Democratic Party remained committed to expanding and improving welfare-state services throughout the 1980s and early 1990s.²¹ Seeking the white-collar vote, then, does not automatically equate with moving rightwards on economic policy.

It is notable that in New Zealand the Labour Party's policies in power did not reflect the programme that it ran on in 1984. That programme gave the impression that a new Labour government would be as economically interventionist as the right-wing National government that preceded it. There was no visible indication that Labour was planning on implementing radical neoliberal policies far to the right of the National programme; there was no public programmatic shift of the sort that is ostensibly necessary in order to attract the middle-class vote. Moreover, the shrinking working-class argument does not explain why labour and social democratic parties have made appeals not only to the middle strata but to big business. For example, the support of business was an important element in New Zealand Labour's election in 1984. The party leadership had carried out considerable lobbying of business, much as Tony Blair's New Labour would later do. In 1985–86, it went so far as to appoint ideologically right-wing businessmen to the boards of state-owned enterprises, the Bank of New Zealand and the Reserve Bank.²² The ALP also courted the business community in the run-up to the 1983 election, though its administration of retrenchment was quite restrained in comparison to that of its New Zealand counterpart. It is not at all clear why a shrinking industrial proletariat makes this sort of appeal to capitalists—themselves a far smaller minority of the population—objectively necessary.

The culture shift and decline of the relevance of class

Some scholars have explained the shifting politics of social democratic parties as a result of the increasing importance of non-economic, or not directly economic, issues. In New Zealand, for example, by the late 1960s, economic concerns became increasingly displaced by foreign policy (the Vietnam War in particular), environmentalism (reflected by the creation of the Values Party in 1970), Maori rights, feminism, and gay and lesbian rights. Such issues fit into the postmaterialist paradigm that has supposedly supplanted the old, predominantly class-centred mass politics, as posited by Inglehart. At high levels of economic development, public support for traditional leftist economic policies diminishes, and political conflict based on social class is replaced by cleavages based on non-material values.²³ With the abandonment of class politics, presumably, comes the end of the growth of the welfare state and even its retrenchment, not to mention market deregulation and pro-market reform of the public sector.

In the case of New Zealand, it is true that the bipartisan 'liberal social democratic consensus' was broken in the late 1960s by 'a series of highly emotional non-economic issues'.²⁴ And while some of the more radical participants in these movements joined the Values Party—the world's first green party—or remained in direct-action pressure groups, the more mainstream and ambitious activists joined the Labour Party, thereby leading to a change in the party's class composition. Some Labour members from this generation who later opposed the government's neoliberal programme said nothing against that programme because they wanted to avoid damaging Prime Minister David Lange's campaign against nuclear power.²⁵ The new politics thus took precedence over the old politics. And it is also true that New Labour in Britain has appealed to what might be called the postmaterialist constituency: an examination of Labour Party manifestos in the 1990s shows a declining percentage of references to social class and an increasing percentage of references to post-materialist issues. For example, by 1997, there were 44 references to environmental protection in the Labour Party's Election Manifesto, but none to socialism.²⁶

But other research defies the thesis of a generalized decline in class-based voting in the advanced industrial world, putting much of the postmaterialist paradigm into question. Bean argues that,

given a sufficient sample size and regional coverage, one can determine that 'there has been a decline in class voting in New Zealand since the 1960s', but he acknowledges that 'social class remained the socio-political cleavage, albeit in a milder form, into the 1980s'.²⁷ For New Zealand in particular, in his multi-country study of 1994, Lijphart sees only the socioeconomic class cleavage operating in New Zealand; Barker and McLeay found that voters still overwhelmingly chose political parties based principally on socioeconomic issues in the 1996 and 1999 elections; Boston, Levine, McLeay, and Roberts also believe that Labour and National 'still derive their distinctiveness primarily from socio-economic and related issues'; and just over half of the respondents to Brechtel and Kaiser's survey of experts in 1997 classified New Zealand politics as unidimensional, with the survey as a whole giving the left-right dimension a ranking of 4 out of 5 (i.e. high) on a scale of relevance.²⁸ Evans argues that only in Scandinavia, Norway in particular, is there 'consistent and robust evidence of declining class-vote relations... generic theories of the decline of class voting and class politics in industrialized societies are empirically unsupported, as by extension are theories that claim that all social structural bases to politics are in decline'.²⁹ Ironically, beginning in the 1970s, a populist-sounding, state-interventionist National Party under the leadership of Robert Muldoon was able to win over traditional Labour voters—the party of the New Zealand right won over workers by appealing to their class interests.³⁰ Subsequently, even if Labour was obtaining a smaller proportion of its votes from its traditional base by the 1980s, even if 36 per cent of manual worker trade unionists in three Auckland electorates had not voted Labour for three consecutive elections, and even though the party increased its support among the middle class, most of the working class still voted for the Labour Party in the 1984 election.³¹ Even when Labour lost older working-class voters to the right-wing Muldoon government of the 1970s, this was due to 'that government's promise of a generous universal superannuation scheme', and when it further lost such voters in 1984, this was 'caused by Labour's application of an income surcharge to National Superannuation in 1984'.³² Muldoon's appeal to what was called 'Rob's Mob' and his essentially social democratic intention 'to protect the New Zealand of [the] "ordinary bloke" had strong appeal to the traditional working class'.³³ Class, and

by extension the welfare state and the regulation of markets, still mattered.

The rise of postmaterialist politics—which, in any event, did not become closely associated with New Zealand Labour in the minds of voters in the 1980s³⁴—did not negate the importance of social class as an issue for the majority of working-class voters at the election of the fourth Labour government, and therefore cannot be the core reason for Labour's economic right turn—unless the rise of postmaterialism is linked to the marginalization of the organized working class, the unions, and *inside Labour itself*.³⁵ In the Australian case, postmaterialism was strongly associated with support for the ALP in the 1980s, but support for unions, state ownership, the welfare state, and substantial taxes on private profits were also still associated with the ALP.³⁶ There, the culture shift clearly did not affect class voting and was not the key reason for the ALP's drift towards neoliberalism.

An alternative explanation

Why is it, then, that social democratic parties and governments have moved to the right at the level of macroeconomic policy, in some cases very radically and dramatically? And what is the effect of these parties' embrace of neoliberalism on the welfare state? After all, social democratic leaders have often said that their market-supporting policies are intended to ensure the economic viability of the welfare state, not to undermine it³⁷; and some, most notably Pierson, have claimed that 'the welfare state has proved to be far more resilient than other key components of national political economies and far more durable than existing theories of the welfare state would lead one to expect'.³⁸ How resilient has the welfare state in fact been under the left-governed version of neoliberalism?

My claim is that the degree to which unions have lost control over labour parties to their neoliberal leadership is what determines the parties' shift in macroeconomic policy. It is the unions' willingness and ability to be engaged in the internal politics of labour parties which determines whether the party leadership either tries to work with the unions in governing (as in the Australian case) or simply treats the unions as an obstacle to the implementation of market-oriented policies (as in the New Zealand and British cases). A union movement that is at least relatively cohesive and united will prove to

be a more credible political 'player'—one which labour-party leaderships are forced to take seriously—than one which is organizationally fragmented. This is the advantage of a centralized labour movement, despite the danger of oligarchy entailed by centralization.³⁹ And while the welfare state per se has not been radically overhauled under neoliberal labour-party governments, what has been implemented is not mere incremental adjustment. In all three examples under review—the New Zealand and British cases in particular—the access to and provision of social services has been restructured in the interests of market-defined efficiency and fiscal constraint.⁴⁰ Even in Australia, where the real level of welfare benefits increased under Labor, the welfare system was made more selective and hence reduced access to services for some working-class families. Moreover, large numbers of moderate-income workers effectively paid for improvements to the social wage through higher taxes.⁴¹ And in all three cases the most significant cutbacks and market-oriented reforms are in the realm of public services. This is consistent with Clayton and Pontusson's account of an anti-service (as opposed to anti-entitlement) bias in welfare-state retrenchment and supports their critique of Pierson's failure to acknowledge that public sector reorganization represents a form of systemic retrenchment.⁴²

My key case study is the New Zealand Labour government of the 1980s, where the historic party of the trade unions implemented a pro-market programme more radical than that of Ronald Reagan or Margaret Thatcher. Through comparison to the labour governments of Australia in the 1980s and 1990s and of Britain since 1997, it can be determined that the left parties which most completely embrace market forces are those in which the influence of unions has most diminished. This fact can be best explained by the nature of the unions' political strategy—by how they act within, and in relation to, their historic parties. It is *union political strategy* which determines how easily a left party's leadership is able to implement neoliberal macroeconomic policies. In the case of New Zealand, it will be illustrated that it was fundamentally the depoliticization of union activity which allowed for such a dramatic change in the balance of class forces inside the NZLP—in essence, a change in the party's class character—and prevented a strong union challenge to the Labour government's agenda of the 1980s. The government was able to run roughshod over the unions. Much stronger political

engagement within labour-party politics by Australian unions, however, forced the 1980s ALP government to act differently: the union leadership had to be consulted as new economic policies were introduced; hence, changes were far more gradual and at least partially balanced by more traditional welfare-oriented programmes. British union strategy began as very accommodating towards the New Labour leadership, and generally remained so, though public sector unions were able to stave off market-oriented reform of the public sector through industrial militancy. Discussion of these differences in union strategy will occur in Chapter 5.

The title 'labour party' describes a type of party that is the single mass party of the labour movement of a country. It has developed in Britain, Australia, New Zealand, and Canada—countries where a party of the trade unions emerged, dominating the political life of the working class.⁴³ This type of party differs from the more common type of social democratic party which originally emerged in Europe and functioned as an ideological tendency on the left. There are good reasons to focus upon labour parties in particular. Labour parties are traditionally the 'purest' working-class parties, created by and based directly upon unions of blue-collar and (to a much lesser extent) white-collar workers. Further, the labour governments under examination—the Lange government in New Zealand in the 1980s, the Hawke and Keating governments in Australia in the 1980s and 1990s, and the Blair government in Britain from 1997 to 2007—all functioned in versions of either the single-member-district, first-past-the-post 'Westminster' parliamentary electoral system or (in the Australian case) a single-member-district, preferential parliamentary electoral system.⁴⁴ Under such electoral systems, only one party has been the party of the unions and the left. In no cases did these parties have significant rivals for votes on the left—the Communist Parties of Britain, New Zealand, and Australia were never significant electoral forces. This eliminates the need to discuss how the presence of Communist and left-socialist competitors affects social democratic party policies, as would be necessary were other examples used.

To limit this study to labour parties also permits a focus on that distinctive variant of social democratic thought and practice, dubbed 'labourism'. Labourism is trade unionism extended into the arena of government. The principle of mainstream trade unionism—'a fair day's wage for a fair day's work'—is pursued through parliament,

safeguarding wage-labourers' wages and benefits and seeking full employment as the guarantor of their welfare. Unlike social democracy before the First World War, it never sought a road to a society beyond capitalism—it merely promised to civilize capitalism on behalf of the working class. But it was explicitly a project which centres on the political representation of workers as a class, organized through trade unions, even as this project was not meant as incompatible with the interests of national capital. Labourism is now in deep crisis, as are many of the unions that built and supported labour parties and social democratic parties generally. The diminished power of the unions and the subsequent embrace of market liberalization by labour-party governments are directly connected phenomena. As the leadership changes the party's electoral appeal, downplaying any remaining association with the working class, and makes rightward shifts in economic, social, and industrial relations policy, the only thing standing in the way of the leadership's plans is the unions. If the unions lack a coherent strategy and the discipline to implement that strategy, they will find themselves essentially without political influence in the parties they once founded to represent their interests.

It is generally accepted that there has been a change in the organizational character of what Duverger calls 'mass parties' within most liberal democracies.⁴⁵ As Mény and Knapp point out, it was social democratic parties that defined the mass party. This 'tool developed by the urban working classes . . . to make the most of the opportunities offered by a wider suffrage' was financed by 'membership dues . . . [as a] substitute for the personal or business finance of bourgeois politicians', with trade union links 'or simply party members knocking on doors to get the vote out' replacing traditional elite networks, and 'a range of "satellite" organizations . . . [ensuring] party loyalties'.⁴⁶ This model of the mass party has been eroding for decades, as the operating conditions of parties has changed through the 'communications revolution' which has brought television (and now the Internet) into almost every household and generated extraordinary growth in the advertising and public relations industries. The once-common public meeting held by both national and local politicians has been marginalized. Politics is now more 'capital-intensive' than 'labour intensive'. Traditional mass parties, which relied on labour-intensive (and more amateur) techniques, have begun to look 'antiquated and

as slow as the dinosaurs—and equally doomed to extinction, given the erosion of the working-class communities from which they drew their lifeblood'.⁴⁷ Social democratic politicians, in adapting to these realities, and at times with their parties' trade union links increasingly endangered, have become increasingly dependent upon the 'personal or business finance' that they previously shunned. As a result, these parties increasingly fail to represent the basic economic and political interests of union members and by extension those of working-class people generally.

This explanation is intended as an application of the theory of working-class power resources. This theory claims that variations in organizational assets such as unions and left-wing political parties account for cross-country disparities in distributional outcomes.⁴⁸ It has been used to explain why certain welfare states are especially expansive, such as those of northern Europe, which have small developed states with open economies, extensive social democratic institutions, and at times strongly coordinated labour market institutions.⁴⁹ Korpi and Palme, for example, attempt to use the power-resources theory to explain welfare-state decline: they analyse retrenchment as distributive conflict involving a remaking of the early postwar social contract based on the full-employment welfare state, noting that there have been important differences in countries' levels of cutbacks.⁵⁰ Against the perspective that the forces driving retrenchment emanate principally from the advance of postindustrial society, with the earlier class-based actors largely replaced by new interest groups of welfare-state clients, Korpi and Palme stress the continued relevance of class politics in Western democracies in the context of retrenchment.⁵¹

But Korpi and Palme do not discuss the relevance of cases where the party of the left, the party that embodies working-class power resources, was the initiator of retrenchment and liberalization. Korpi and Palme argue against critics of their approach by noting that

the return of unemployment on a mass scale since the 1970s must be described as a basic regress of welfare states, a crushing of one of their central parts . . . it can be argued that both the arrival and the demise of full employment reflect significant elements of class conflict and partisan politics.⁵²

They claim that '[g]lobalization and postindustrial developments have affected many of the parameters within which distributive conflicts take place. Yet...the probability for major cuts in these insurance programs has to a significant extent been associated with partisan government composition.'⁵³ This is largely true where 'major cuts' are concerned. But it is surely relevant that governing social democratic parties have done little to *reverse* the cuts in insurance programmes that were made under Conservative governments and pledge themselves to deficit reduction, low taxes, and even 'welfare-to-work' schemes. Moreover, where public sector reform is concerned, even Swedish social democratic governments have emphasized cost reduction and budgetary constraints.⁵⁴

Like Korpi and Palme, Huber and Stephens stress the importance of rising and persistent unemployment as a cause of welfare-state retrenchment—as well as trade interdependence and the globalization of production and finance—but with no notable attention paid to the internal processes and characteristics of the parties that were once firmly identified with welfare-state expansion, as well as how they might play a role in cross-country divergence in rollback.⁵⁵ Echoing Pierson, Gilbert points to aging populations in explaining the crisis of the welfare state, as well as declining birth rates, immigration, and (again) globalization; his observation of convergence towards the 'enabling' state, even as it notes that traditional welfare supporters on the left are implementing reforms associated with a conservative policy agenda, lacks either an analysis of sociological changes in social democratic parties or the reasons *why* such parties have implemented—or simply accepted—different degrees of retrenchment and liberalization.⁵⁶ Furthermore, save partially for Huber and Stephens, these writers have not applied their explanations to the Australasian cases in particular; they have not attempted to explain how and why labour-party governments in New Zealand and Australia in the 1980s diverged. Those who use the class-power paradigm to explain the decline of the welfare state have generally failed to analyse the decline of organized working-class power *within (historically) working-class parties* and the subsequent programmatic change that these parties have undergone. This work intends to remedy that defect.

Conclusion: From parties of labour to parties of neoliberal consolidation

No political party is ever pure in its class composition, and certainly not in its class support. In Britain, for example, it is well known that the Conservative Party has often drawn substantial working-class support, at times from up to one third of all working-class voters,⁵⁷ just as some of the most left-wing Labour activists and parliamentarians have been drawn from the upper classes, such as Michael Foot and Tony Benn. But labour parties were assured of their predominantly working-class character by virtue of their indirect structure—they did not have to recruit the majority of their members individually but instead received them automatically through trade unions. Such a structure does not prohibit individual membership, but the number of direct members is often small in comparison to the number of indirect members. The parties were established in the first place as a means to protect the rights of working people, trade unionists in particular, and to advance their interests via reforms—though not to create a qualitatively different form of society (i.e. socialism), regardless of the rhetorical flair of some of the parties' leaders or desires of some of their activists and supporters.⁵⁸

All social democratic parties have been affected, both in their campaign platforms and in terms of policies actually implemented, both when in opposition and when in office, by changes in the global capitalist economy over the last 30 years. All have at least partially either accepted the welfare-state retrenchment begun by previously governing parties of the right or, as in the case of the NZLP, prepared the way for more serious retrenchment under a subsequent government of the right.⁵⁹ All have rejected the idea that the government can and should have a significant role in steering the economy. The promotion of state ownership in specific industries has given way to partial or outright privatization. Perhaps most importantly, social democratic parties have practically abandoned their long-standing commitment to the redistribution of wealth from the affluent to the popular classes.⁶⁰ But the labour parties have changed the most radically in their economic and social programmes, in contradiction to what one might expect given their direct union affiliations. The Labour governments of New Zealand in the 1980s and Britain from 1997 to 2007, in particular, governed overtly against their

union bases and specifically against public sector unions. While no neoliberal labour government has been able to implement sweeping welfare-state rollback, the macroeconomic policies of the 1980s NZLP government attacked a fundamental principle of the welfare state: 'the idea that the economy should not be allowed to function in a socially damaging manner, but should be regulated in the public interest'.⁶¹ The 1983–96 Australian Labor government believed that the 'traditional downwards, passive and universal model of welfare was no longer appropriate', supporting instead a vision of welfare that 'imposed greater responsibility on the individual'.⁶² This pre-figured British New Labour's espousal of a 'welfare-to-work' scheme which would encourage (and, in some cases, oblige) welfare recipients to take part in schemes designed to prepare them for work, with Old Labour approaches involving job creation and better benefits rejected as costly and counterproductive.⁶³

Through the adoption and promotion of neoliberal ideas, norms, and practices, Western labour parties have incorporated themselves as active agents in the reproduction and hegemony of neoliberal capitalism.⁶⁴ To the limited extent that this was *not* true for the ALP, it was because of that party's continued close relationship with the trade unions, in contrast to the thorough hostility to the unions under the 1980s NZLP government and British New Labour. When the influence of trade unions is specifically excluded, even de-legitimized, labour parties effectively stop being labour parties, and the trade unions—and, by extension, the working class—are disenfranchised. The so-called modernization of social democratic and labour parties thus leads to a crisis of working-class political representation. In Moschonas' words, workers have been 'deprived of a political representation that is at once uncontested and more or less effective'.⁶⁵ The result is 'labour parties' that do not represent organized labour, 'social democratic parties' that do not implement social democratic policies.

The next three chapters will track the process of transformation in the New Zealand, British, and Australian labour parties. Chapter 2 will illustrate how the elite of the NZLP became ever-more distant from, and antagonistic to, its trade union base, to the point where the two virtually became divorced. Chapter 3 will describe the parallel history of the British Labour Party through its recent incarnation as New Labour, a party which still needed its union base

even as it attempted to politically marginalize it. Chapter 4 will focus upon the ALP and examine how—despite its leadership’s embrace of neoliberalism—the relationship between the party and the unions differed greatly from the other two examples under review, thereby limiting the leadership’s ability to abandon its traditional economic, industrial, and social policies. Each of these chapters will attempt to explain these variations in terms of the political and industrial strategies of the unions of each country. The final chapter will test my argument through a rigorous comparison of each country and will explain why the lacunae in the arguments of working-class power-resources theorists matters and must be corrected.

2

The New Zealand Labour Party

In this chapter, I analyse the New Zealand Labour Party's (NZLP) embrace of neoliberal policies during its 1984–1990 government. I argue that this government provides the prime example of a working-class party which so repudiated its historic base and constituency that it effectively changed its class character. The failure of the New Zealand labour movement to remain engaged with the party's internal politics made possible a change in the leadership of the party, which sought to implement policies of 'a distinctly Hayekian flavour'.¹ While other factors may be relevant in explaining *how* the government was able to implement such radical measures once it had obtained power, only a focus upon the change in the internal life of the NZLP can explain *why* the government was so open to New Right economic ideas and came to have such a firm ideological commitment to them. All other accounts ultimately centre on how the party in power could be so successful in its project and therefore miss what is truly important—that the project itself was initiated by an ostensible labour party.

The chapter is divided into four sections. I begin by analysing the Labour government's policy choices—its far-ranging, quickly implemented, and consistently neoliberal macroeconomic policy, its social policies which did not represent a radical change from those of prior Labour Party (or National Party) governments, and its essentially anti-union industrial policy. A second section scrutinizes union–party relations—in particular, how the union movement's dependence on state enforcement of compulsory unionism led to the movement's

depoliticization, leaving it thoroughly unprepared for the Labour government's political turnaround. The third section addresses other explanations that have been offered regarding the reasons why the Labour Party governed as it did.

Policy changes

Economic policy

After it took office in 1984, Labour, the party of the left, did what National, the party of the right, had not come close to doing: overturning six decades of state interventionism and instituting a near-complete reliance on market forces with little role for mitigation by the government. This radical policy encompassed the entire economy: the dollar was devalued by 20 per cent; the system of import licences was dismantled and import tariffs were reduced; most government subsidies to New Zealand producers were phased out; the financial sector was deregulated; a floating exchange rate was instituted, as was an extensive programme of state asset sales to reduce the role of government in non-core activities and to reduce government debt; a goods and services tax (GST) was introduced; the income tax was reduced; and the statutory framework for government finances and activities was changed, as was the Reserve Bank's role of balancing full employment and low inflation to a policy of focusing exclusively on maintaining low inflation.² As many have noted, the 'New Zealand experiment' was in many ways similar in its elements to the structural adjustment programmes imposed on various countries by the International Monetary Fund, with its stress on fiscal discipline, reductions in public expenditure, tax reform, deregulation, foreign direct investment, financial liberalization, a floating exchange rate, trade liberalization, privatization, and assertion of private property rights.³

This was not at all what those who voted for Labour had expected. Before its election, the Labour Party had made few specific election promises; it offered little more than general criticisms of Prime Minister Robert Muldoon of the National Party and calls for the nation to pull together to save the economy. David Lange, who became prime minister in 1984, had condemned the National government's 'prolonged attack on working people, and trade unions

in particular' and said he would refuse to 'cave in to the international corporations, the huge world banks, and the so-called overseas experts'.⁴

Upon taking power, Labour inherited an economy in worse shape than at any time since the Second World War, one characterized by high and rising unemployment, rapidly declining living standards (particularly for those with lower incomes), unsustainable external and internal deficits, and negligible growth. Inflation had been checked, but the cost was the severe unemployment level. Per capita income in New Zealand was around 125 per cent of the OECD average in 1950—by 1985, it had fallen to only 75 per cent.⁵ Conspicuously, neither Lange nor his deputy, Geoff Palmer, both lawyers, had any background in economics. They left the bulk of economic decision-making to a group of three ministers—Roger Douglas, Richard Prebble, and David Caygill. And this 'gang of three', as Halimi summarizes,

was simply reflecting the views of senior finance ministry officials, often trained by the OECD, the World Bank and American universities, and keen to see their country transformed into the prototype market society. Labour's David Lange made possible what Conservative Robert Muldoon had refused to allow. Ultra-liberal senior officials had convinced the gang of three. They then won over the prime minister and his deputy, and the five government members got their proposals approved in cabinet... the international climate [could not] have been more favourable. As Don Brash recalls: 'At the end of 1984, finance ministers in six OECD countries—New Zealand, Australia, Spain, France, Sweden and the United Kingdom—were strong and effective advocates of liberalisation, and all but one of these [the UK] was a member of a left-of-centre government'.... The finance ministry was completely won over by the lessons taught at the University of Chicago, which stressed theoretical rigour rather than physical data, too often inclined to sully the purity of the model. Society would just have to adapt.⁶

Edwards claims that 'Labour's economic policy was very much in flux between 1979 and 1984, with leading Labour politicians and activists beginning to advocate radical measures for change'—and this was not

‘an entirely elite phenomenon, as various party conferences passed economic policies that were a precursor to Rogernomics....Such moves were not necessarily viewed as right-wing ones, especially since it was National that was blocking such change’.⁷ It is true that as late as 1981 ‘the Labour Party saw no contradiction between the implementation of a “responsible” economic policy and the advancement of its social goals in employment, regional development, etc.... There was none of the now-familiar Douglasite rhetoric that social goals must be postponed in favour of the implementation of economic policies’.⁸ But Labour’s electoral defeat in 1981 led to a hard break with this mentality:

A caucus subcommittee reported on electorate reaction to Labour Party policy and stated that the focus on unemployment had reinforced the public impression of the Labour Party as ‘soft on the undeserving’.... It was stated that social welfare policies appeared to have won few votes...the best course would be to make economic restructuring the first priority and postpone welfare concerns.⁹

This orientation was embraced by the Labour caucus.

Lange soon told the public that there would be ‘some major changes, telling one audience that all sections of the community had to accept that there would be “winners, losers, costs and benefits” as a result of the changes Labour wished to see made’.¹⁰ Despite the efforts of the president of the party, Jim Anderton, who wished to block Labour’s neoliberal direction, the Labour government faced little leftist opposition. Alternative policies were rarely debated, as the government developed ‘a “blitzkrieg” style of reform which overwhelmed critics’,¹¹ while some of those critics remained loyal to Labour due to Lange’s campaign against nuclear weapons. The unions, too, remained quiet, as the continued existence of the ‘closed shop’ in certain sectors was not yet being called into question.¹² The unionized rank and file of Labour, according to Labour MP Mark Gosche, typically lacked a serious understanding of economics; their membership in the party was active on matters of industrial relations, but not broader economic policy.¹³ Furthermore, as political commentator Chris Trotter of the New Zealand *Dominion Post* points out, Labour had just come into power on the heels of

a legacy of failed massive state programs and controls, which might have been the first resort of a social democratic government anyway...but [such programs] had been discredited before [Labour] even took office. And then suddenly you had coming down like Moses from Mount Sinai... a bunch of monetarists in the Reserve Bank and the Treasury, saying 'Have I got a deal for you! You want some new ideas? Here they are!!'¹⁴

The initial lack of the neoliberal macroeconomic policies' popularity did not lead the Labour government to regularly attempt to convince the electorate through public discourse about the normative merits of its policies, as Prime Minister Margaret Thatcher did in Britain. Douglas, the key engineer of such policies for both Labour governments in the 1980s, apparently thought that the general public would simply come to agree with him about the value of the reforms.¹⁵ In addition, public attention was deflected from economic matters by other issues. The Labour government took a strong stance against nuclear testing by the French in Muroroa and the exploding of the Greenpeace boat and refused to let a nuclear-capable American warship come to New Zealand, followed by legislation to prevent future visits. At the same time, financial deregulation let loose a wave of speculative investment, and the government's initial monetary and fiscal policies, coupled with wage increases due to the removal of Muldoon's wage and price controls, led to an economic boom.¹⁶ These factors were sufficient for Labour to be re-elected in 1987 on an even more vague set of electoral promises (a full manifesto was published only two weeks after the election).¹⁷

Douglas and his allies then advanced many unpopular policies that were either not forecast in pre-election policy statements or that directly violated campaign promises, such as a proposal for a flat-rate income tax, privatization of state-owned assets, and fees for university students.¹⁸ Douglas attempted to push further forward into neoliberalism precisely as the New Zealand economy slid into recession in October 1987. At that point, internal divisions in the Labour Party became evident, as Lange, initially an ally of Douglas—one with the unenviable job of defending 'Rogernomics' to the Federation of Labour (FOL)—reverted to social democratic principles and 'unilaterally declared the flat-tax proposal a non-starter, despite earlier Cabinet approval and public announcement'.¹⁹

Social policy

Prior to the 1980s, New Zealand's welfare state included publicly supported education, housing, health, legal aid, income maintenance, and other services. Concessions made by the 1984–90 Labour government to the party's traditional social democratic wing, as well as its affiliated unions and working-class voters, included a refusal to slash welfare programmes and benefit levels or withdraw completely from the provision of housing, health care, and education.²⁰ These compromises helped maintain Labour's existing base of working-class support—to a degree—and allowed the party to cobble together an electoral alliance of the prosperous beneficiaries of Rogernomics (urban professionals, affluent liberal social activists) with that base.²¹

Labour's appeal for much of its stay in power in the 1980s was actually due to its ability to balance out its unpopular, radically pro-market economic policies with much more popular social policies: it claimed to introduce competition into the formal welfare system in order to save it, by making it more sustainable even as it increased spending on social assistance. Similarly, in health and education, the government increased spending even as it introduced greater competition in the provision of education (such as through a voucher-like system for primary education) and charged tuition fees for tertiary education (providing low-income students with targeted allowances, however, making the reform redistributive). In 1988, Labour's Royal Commission on Social Policy even made the case for an increased role for the state in order to alleviate the social effects of economic restructuring, though such recommendations were ultimately ignored.²² Labour thereby 'managed to appeal to long-standing values of equality even as it sought to promote individualism and self-reliance and challenged long-standing values of security with economic reforms that radically altered the structure of the economy'.²³ Geoffrey Palmer, deputy prime minister 1984–89, maintains that despite his government's neoliberal macroeconomic policies,

One thing that we did not do was to cut the social welfare benefits or anything of that sort. We maintained the social welfare programmes, the income maintenance programmes, we enhanced them in some respects, we were trying to do things for women; we had big women's policies. We were not a minimalist government.

We were not a government that said that the state's purpose is to do nothing. We were committed to the welfare state.

Russell argues that the data bears out Palmer's claims: spending on health, education, and welfare increased steadily between 1984 and 1989; unemployment benefits rose by 260 per cent, sickness benefits by 166 per cent, and accommodation benefits by 142 per cent; spending on health increased by nearly 60 per cent and per capita spending on education doubled.²⁴

Despite these numbers, however, by the Labour government's second term, there was a distinct encouragement of families, employers, and local communities to take on greater responsibility for welfare. In Koopman-Boyden's words, there was a shift in the balance between the competing interests of welfare and capitalism. New policies were cast within the framework of welfare *capitalism*, which gives 'priority to work-related social provision with equality of opportunity and the encouragement of competition as the objective'—rather than *welfare capitalism*, which gives 'priority to social provision based on citizenship, the objective being a fairer and more equal society'.²⁵ Douglas and the Treasury advocated a welfare system that reflected the goals, management structure and ethos of private enterprise. Health, education, and social welfare departments were subjected to a series of taskforce reviews with working parties dominated by private sector entrepreneurs and economists devoted to the Chicago School, rather than social policy experts.²⁶ The provision of police protection services, hospital services for the mentally handicapped, and the provision of information services were increasingly under fiscal constraint, with the private sector and community or voluntary organizations replacing the state's role. The Labour government also put forth long-term plans to withdraw the old-age pension for those between 60 and 64 years of age.²⁷

Social policy under the 1984–90 Labour government, then, represented a sort of balancing act between neoliberalism and traditional social democracy. There was no marked decline in aggregate spending on the welfare state in this period, despite the government's neoliberal macroeconomic policies. However, though Douglas and the Treasury were unable to carry out all of their social policy goals due to the resistance of Lange, the party ranks, and the majority of MPs, the welfare state was still partially

restructured in the interests of market-defined efficiency and fiscal constraint.²⁸

Industrial policy and union–party relations

The reforms of the first Labour government (1935–49) won the loyalty of the New Zealand working class. Furthermore, they established a ‘historic compromise’—the working class and its party would not use the government to overthrow capitalism, but to stabilize it. While the working class benefited from full employment and the welfare state, the business community benefited from an extended era of prosperity, with manufacturers in particular gaining from import controls.²⁹ It was the alliance between the Labour Party and the Federation of Labour union leaders that provided the basis of this compromise. Labour enacted compulsory unionism in 1935, thereby raising many previously weak unions, particularly in the white-collar and agricultural sectors, to great size. In return, the unions affiliated to the Labour Party and provided it with funds and a base of support.³⁰

But by the time of the third Labour government (1972–75), the unions played almost no role in the formulation of government policy. The government did not even seek the advice of the affiliated unions on any of its industrial relations policy. Nor did it consult the party’s national council, the industrial relations subcommittee of the executive, or the policy committee. The Joint Council of Labour, which usually built the union movement into the party’s policy-making process, met 22 times between 1952 and 1957 but only twice between 1970 and 1975.³¹

Immediately prior to Labour’s electoral victory in 1984, some on the party’s left wing put forth the idea of transplanting the corporatist ‘Accord’ framework of Australia—which rested on formalized cooperation between the Labour Party government and the Australian Council of Trade Unions—to New Zealand, and a number of consultative ‘summits’ were held.³² But these forums’ debates soon became effectively irrelevant, as Labour’s shadow finance ministers had been working to take the New Zealand economy in an unanticipated direction. The unions and the corporatist faction of the party were also simply outmanoeuvred by Labour’s neoliberal faction. Mike Moore—who became chair of the Cabinet Committee in the Labour government—had raised the idea of a union–government ‘trade-off’

in Labour's policy debates in 1983. But the plan was quashed by Stan Rodger, soon to become Minister of State Services, who claimed that the corporatist approach was not politically feasible and would be greatly unpopular with the voting public. He also argued that the decentralized structure of the FOL and its consequent weakness as a peak body precluded effective enforcement of agreements entered into at the peak level.³³ Moore was unable to find a credible solution to the problem of union compliance and the Labour Party leadership became convinced of the need to avoid cooperation with unions. At around the same time an alternative proposal for renovating Labour was floated, involving 'the idea of breaking the formal affiliation links of trade unions to the Labour Party... to move away from the Party's identification with the working class in order to project a more truly "national" image'.³⁴ The proposal may have failed, but it represented recognition by part of the party that the planned restructuring of the New Zealand economy would not be supported by Labour's traditional constituency.

Lange told the FOL in 1983 that the party remained 'the political wing of the labour movement' and was committed to 'creating greater equality in income and taxation policies'.³⁵ He declared his philosophical opposition to free-market policies and may even have been honest in doing so.³⁶ The 1984 Labour Party manifesto stated that the restoration of full employment was 'the top priority'.³⁷ But when New Zealand's economic predicament was exacerbated by a currency exchange crisis, which began immediately upon Labour's assuming office, it allowed Douglas to argue that there was no time to pursue change through a consensual negotiated strategy. The Labour government, lacking major commitments to unions (or specific employers), included among its neoliberal economic measures the containment of wages by tough monetary policy rather than by a corporatist accord.³⁸

Because of the Treasury's attitude that high wages and union restrictions were a cause of unemployment and its desire for labour market 'flexibility', New Zealand unions found themselves 'being undermined by a Labour government that [they] had spent a lot of time and money helping elect, and not in a strong enough position to do anything about it'.³⁹ With the removal of specific economic measures that were designed to ensure employment—such as import controls—mass unemployment emerged, increasing from 4 per cent

of the labour force in 1985 to 10.2 per cent by 1990.⁴⁰ Combined with deregulation and the impact of competition, unionism in the core areas of mining and transport was hit hard. The meatworkers' union, the major surviving base of militant blue-collar unionism in New Zealand, became further undermined by mechanization, the export of live sheep, and a deliberate strategy by the major companies to move away from large works in the major cities to smaller satellite works in small towns and country areas.⁴¹

Public-sector unionism was specifically attacked through Labour's State-Owned Enterprises Act of 1986, which provided the basis for converting trading departments and public corporations (e.g., the electricity and mines divisions of the ministry of energy, and the postal and telecommunications divisions of the post office) into businesses to be run along private sector lines.⁴² As a result of this legislation, the public service unions lost their traditional security and public sector union membership, which peaked in 1985 at nearly 193,000, fell sharply by 1989 to 162,000. Private employers, as well, became much more aggressive, locking out workers, increasingly using injunctions, and initiating massive damages claims against unions and individual trade unionists in an attempt to intimidate. The result was the first drop in union membership since the 1930s: after peaking in 1981 at 520,000, registered (private sector) membership declined thereafter.⁴³

The biggest challenge to the union movement by the government was the introduction of private sector employment practices into the public sector via the State Sector Act of 1988, which significantly changed state sector wage-fixing arrangements and modified the nature of government departments. Departmental chief executives became the employers of staff, independent of ministerial control; conditions were to be negotiated separately with employees of each department in terms of the 1987 Labour Relations Act, which moved industrial relations towards decentralized bargaining and reduced the involvement of government.⁴⁴ Public sector unions were further undermined by the ending of job tenure and the reduction of other long-established conditions of employment.⁴⁵ However, by the time the State Sector Act was introduced, the heretofore decentralized New Zealand union movement had gone through peak organizational reform and established the New Zealand Council of Trade Unions (NZCTU), and it was eager to show that it could resolve disputes

rather than escalate them. As a result, it discouraged open resistance to the bill.⁴⁶

But when the unions (again) put forth a corporatist alternative to 'Rogernomics'—in which it agreed to exercise real wage restraint in exchange for greater union involvement in the formation of economic, social, and industrial relations policy⁴⁷—it was too late. The NZCTU, unlike its more centralized Australian equivalent, lacked the power and legitimacy to ensure compliance with its decisions by the whole of the union movement. In Bray and Neilson's summation: 'A Labour government committed to a market direction of economic reform and a union movement relatively disorganised and distanced from the Labour Party presented a mutually reinforcing set of contingent causes that help to explain the steady direction of Labour reform towards labour market flexibility'.⁴⁸

As unemployment doubled between 1987 and 1989, the unskilled and public sector workers who were most affected became a significant oppositional movement. They and their unions split from the Labour Party in 1989 and formed the short-lived New Labour Party under the leadership of Jim Anderton. In 1990, after three years of falling stock market values and recession, the visibly disunited Labour government was displaced by a National government that soon built upon the 'achievements' of Labour by bringing an end to compulsory unionism; reducing unions to the status of incorporated societies; substantially cutting benefits; and bringing major changes to health administration.⁴⁹

Union strategy towards the Labour Party

The influence of industrial conciliation and arbitration

The labour movements of New Zealand and Australia were both shaped by the presence of arbitration and conciliation systems, which never existed in Britain. In New Zealand, the Industrial Conciliation and Arbitration Act (ICAA) of 1894 proved to have a tremendous influence over trade unions for nearly 100 years. A combination of legislative recognition of both employee and employer unions and a legislative base of compulsory conciliation and arbitration buttressed collective relations between both participants. Trade unions were thereby given a degree of state protection and legitimation.⁵⁰

A set of state structures in industrial relations was set up alongside the government and the Department of Labour, most importantly the Court of Arbitration. If a union registered under the act—which most did—and was unable to resolve a conflict with an employer, the Court of Arbitration stepped in. The various courts also acted as a national tribunal, regulating wages and conditions through legally enforceable rulings, known as ‘awards’. The court’s wage-fixing policies moderated the impact of market forces on workers, and by 1907 it adopted the principle that pay rates should be indexed to the cost of living.⁵¹

However, from the beginning, the ICAA had a pre-emptive character. It was designed by middle-class Liberals in order to ensure social and industrial peace. In practice, it helped to hinder the formation of an independent working-class political party during the 1890s and 1910s.⁵² In addition, under the ICAA, strikes were made illegal, and unions tended to become ‘little more than creatures of the Arbitration Court’—indeed, many unions were formed in order to take advantage of the statutory protections of the ICAA, and such unions remained small and regional, with limited financial means, lacking effective organizational capacity of their own.⁵³ The unions were shaped by the arbitration system, becoming preoccupied with procedural matters and unlikely to be able to sustain industrial action (which was in any case largely seen as undesirable). But the advantages of being part of the state-sponsored system were substantial, as the system of unqualified preference for unionists evolved into a legislative basis for compulsory unionism. By 1985, some 223 registered unions and 26 state sector service organizations had a combined membership of more than 683,000 within a full-time workforce of over one million; in parts of the public sector—teaching, police, firefighters, post office, railways—union membership approached 100 per cent.⁵⁴

Though the ICAA had been written by the Liberal Minister of Labour, William Pember Reeves, without the intent of conferring advantage upon one social class over another, arbitration appeared to increase trade union power by increasing unions’ bargaining capacity, thereby advancing the relative position of wage labourers as a class. Union membership, representing around 8 per cent of the working population in 1901, doubled by 1911 and quadrupled by 1921, with union density reaching 26 per cent. For the Arbitration

Board and Court's first decade or so, decisions usually favoured the unions, increasing real average wages and hence the motivation for groups of workers to register as arbitration unions. By 1907, it seemed that 'the power balance had clearly tipped ... in favour of unionists', and the early years of the twentieth century saw steady growth for organized labour.⁵⁵ With the election of the first Labour Party government in 1935, the unions were rewarded for their support through the establishment of compulsory union membership. They were also given large block votes in Labour Party conferences.⁵⁶ The advantages of the arbitration system seemed evident to most union leaders, particularly when combined with Labour Party governance. Due to compulsory unionism, many previously weak unions, particularly in the white-collar and agricultural sectors, rapidly grew, with their leaders becoming powerful.⁵⁷ During the Second World War, through the fall of the Labour government in 1949, union leaders were very much involved in government affairs, with the high point being their involvement in the tripartite Economic Stabilization Commission and the appointment of the Federation of Labour president to the position of Minister of Labour. Trade union officials were thereby incorporated into the political process.⁵⁸

The benefits of state protection and compulsory unionism appeared obvious. Unions' coverage rights were guaranteed against potential rivals; employers were obliged to negotiate with them; and they were given easy access to compulsory arbitration by state tribunals, which ensured the application of resulting awards to all workers in the occupation or industry concerned and accepted a responsibility to enforce the award upon all employers. By 1945, there were 282,000 members of registered and state sector unions, representing 59.6 per cent of the workforce.⁵⁹ But state protection and compulsory arbitration still did not come without strings for FOL unions. They became greatly dependent on the state for membership and resources. Delahunty argues that save for

a few honourable exceptions unions had become inert collectors of member subscriptions, but without much connection in struggle with their members. This was matched by attitudes among members which saw the union movement as the 'game' of some odd individuals, who by and large did nothing for them but take their money.⁶⁰

The commitment to the unions by their ranks became increasingly 'thin and frail' as the regulations and rules that governed the unions encouraged them to be 'bureaucratic and distant... far removed from the shop floor'.⁶¹ The union leaders themselves were under no obligation to perform on behalf of their members. Even employers came to support compulsory unionism, recognizing that it gave a power base to conservative, industrially passive union leaders and allowed governments to smash more militant unions by deregistering them and establishing compliant unions in their place.⁶² Strictly defined membership rules led to the proliferation of small unions (and an array of unions in any workplace) that could not adequately respond to their members' needs. As wage fixing on the part of the Court of Arbitration usually followed the lead of awards made to unions that were large and strategically important, smaller and more vulnerable unions were unlikely to fight any of their own battles. Indeed, the unions of the clerical and service sectors were essentially 'paper' unions with weak-to-nonexistent workplace structures. Further, arbitration rules were interpreted such that unions' role in society was limited to bargaining over wages and (to a certain extent) conditions, not to the taking up of broader industrial, political, and social issues. When political or secondary strikes occurred, it was only with the tacit consent of government officials.⁶³

With the onset of economic crisis in the early 1970s, the efficiency and fairness of the arbitration framework was openly challenged. This occurred after decades in which the unions' influence on wider economic policy had considerably diminished, even during the two brief periods of Labour governance from 1957 to 1960 and from 1972 to 1975. The relationship between the Labour Party and the unions generally had become quite loose, varying with circumstance. The FOL's main impact on economic policy came not by direct influence upon the government, but through the presentation of successful General Wage Order cases to the Court of Arbitration. As Walsh notes, such influence as the unions could exert on government policy was by and large limited to strictly industrial matters, over which it was always consulted, most notably in the drafting of the Industrial Relations Act 1973, which was done by the FOL working jointly with the Employers Federation and did not break fundamentally with the traditional model of arbitration.⁶⁴

Decades of an arbitration system that remained unchanged under both Labour and National governments, as well as a welfare state and a robust economy buttressed by interventionist and protectionist economic and social development strategies, which also remained fundamentally the same under both parties,⁶⁵ acted to depoliticize the New Zealand labour movement—at least, to minimize the unions' commitment to ensuring their representation in parliament. The National government of the 1950s and 1960s acted in a sympathetic way towards union goals such as full employment and made few serious changes to the welfare state and the protected economy, and union leaders even had access to the government during those years. As the differences between National and Labour in power were minimal, one can see why union leaders failed to see much reason for the unions to be overly concerned with political matters. The stability of the historic compromise seemed permanent; overt involvement in party politics appeared superfluous.

All the same, the unions' depoliticization was not total. Affiliated unions through their card votes remained an important force at Labour Party conferences—roughly 44 per cent of the vote—and they continued to supply significant organizational resources, which would be mobilized in the early 1980s.⁶⁶ The collapse of the historic compromise via the chaotic state of the New Zealand economy and the harshness of Robert Muldoon's National government towards the unions roused them from their nonpolitical slumber. Bill Andersen, president of the pro-USSR Socialist Unity Party (SUP), the dominant force in the Auckland unions at the time, became secretary of the Northern Drivers' Union, one of the most radical unions affiliated to Labour in the 1970s and 1980s.⁶⁷ This led to a rise in industrial militancy, which broke with the FOL's traditional policy of compromise and moderation. By 1984, after nine years of a National government, even the SUP, which often ran its own candidates in elections and did not usually support Labour Party candidates, opted to support the election of a Labour government.⁶⁸

Acting as the loyal opposition

Although the National government of 1975–84 was far more strident in its rhetoric than its actions regarding the arbitration system and trade unions generally, it did impose two freezes on wages, and—after confrontations with the unions over budget cuts—it did put an

end to compulsory unionism in 1983, thereby depriving the unions of their guaranteed membership. Prime Minister Muldoon had thus 'reduced [the unions] to impotence, and had shown them that their established position in the economy was no longer secure'.⁶⁹ This was reason enough for the unions to make a Labour Party victory in 1984 a priority. Upon Labour's victory, compulsory unionism was restored.

Labour's post-victory Economic Summit Conference brought together representatives of the FOL with those of business (most importantly, the Federated Farmers and the New Zealand Manufacturers' Federation) in an attempt to reach a consensus on economic policy.⁷⁰ In 1981, the FOL had already published *Towards An Alternative Economic Strategy*, which included socialistic language stating, 'Investment and production should be for social use, not private gain' and 'A primary objective of a trade union economic policy should be to raise the consciousness of the working class about the economic realities which surround them'.⁷¹ The Alternative Economic Strategy that the FOL ultimately proposed at the Conference, however, was corporatist but not particularly socialist. It stressed full employment, progressive taxation, price controls, a minimum wage adjusted to the cost of living, increasing New Zealand's self-reliance, industrial development, trade policy, and monetary policy.⁷² Yet, certain prerequisites for corporatism were lacking in the New Zealand labour movement. The FOL had little power over affiliates, particularly in terms of central funding and the right to strike, and the leadership of the labour movement was split between the FOL and the public sector Combined State Unions (CSU). New Zealand unions were insufficiently cohesive and united enough to gain support for a corporatist strategy within the Labour Party.⁷³ Moreover, most of the union leaders were too narrowly concerned with wages and conditions to fight for a corporatist arrangement, a result of years of conditioning by the ICAA's restrictive, depoliticizing definition of the proper scope of 'industrial matters'.

As Labour government policy changes were done at a rapid pace, the unions struggled to keep up. There was a degree of union opposition to tight monetary policy, reform of the public sector, and the removal of tariffs and subsidies, but it was 'diverse and uncoordinated.... The opposition of public sector workers to staff cuts... was scattered and relatively uncoordinated; and there were no deep links between private and public sector unions'.⁷⁴ However, Labour did not

deregulate the labour market to the same extent as other markets. Important parts of the traditional arbitration system were retained, including exclusive bargaining rights for registered unions. There were also high wage round payouts in the first two years of the Labour government.⁷⁵

The unions did little to publicly oppose the lifting of controls on local and foreign investors, the introduction of sizeable tax reductions for companies and the wealthy, the removal of farm subsidies, the reduction of public spending, the removal of import controls, or the introduction of indirect taxation on goods and services. Rather, they acted as a loyal opposition, debating economic policy at party conferences, but hardly more.⁷⁶ Union loyalty was quite surprising in certain cases. When the Labour government put forth plans to institute a regressive valued-added tax known as the Goods and Services Tax (GST) in 1986, many unions opposed it, but some unions, including the largest union affiliated to the Labour Party, the Hotel and Hospital Workers, voted to support it, out of loyalty to the government—specifically, to the government's support for compulsory unionism.⁷⁷ Fear of the return of a National government which would undo compulsory unionism, and knowledge of the assault on unions in Thatcher's Britain, provided enough reason for the unions to remain loyal to Labour.⁷⁸

To an extent, the union position of loyal opposition paid off: compulsory unionism was restored and large wage increases were won in the 1985 wage round. The most prominent success that the unions enjoyed pertained to the Labour Relations Bill of 1987. The bill's introduction led to a great political battle between the Treasury, the Labour Department, and the Prime Minister's office and an important pro-union lobby in Labour politics. After much lobbying and bureaucratic in-fighting, for once the Treasury and Business Roundtable failed to get their way, mainly because they had moved beyond matters of pure economic policy into a very politically sensitive area. Their plans for total deregulation of the labour market were blocked. In addition, the bill included a requirement for unions to have 1,000 members, thus starting a process of union mergers aimed at reducing the fragmentation of the movement.⁷⁹ It also recognized that a collective bargaining system implies a right to strike and for the first time specifically stated that right in positive terms.⁸⁰ Employers viewed the legislation as a betrayal.⁸¹ But their interests were

met in one particular respect: unions were prohibited from seeking access to second-tier (enterprise) bargaining, the process by which workers in a firm could negotiate for benefits on top of an award. Though relatively few unions left the award system, this provision actually *encouraged* union and award fragmentation, as each enterprise now had separate agreements. The Labour government thereby paved the way for the abolition of awards by the succeeding National government of 1990.⁸² The unions' partial success ultimately proved to be of limited importance in comparison to the government's economic policies. Closures in manufacturing and construction, and the restructuring of the public sector—the sale and commercialization of state assets and departments in particular—led to a severe increase in unemployment. Combined with a recessionary economy, this enabled some strident employer groups to use the Labour Relations Act to their advantage; excepting 1988, every wage round between 1984 and 1991 saw a decline in real wages.⁸³

The attempt at internal renewal

The anti-union offensive of the 1980s led to two responses from the labour movement: organizational restructuring and a new political strategy. With the failure of the FOL to broaden its focus beyond wages and benefits, the labour movement was left 'flat-footed', without a strategy to build a defense against anti-union reforms.⁸⁴ The decline of blue-collar and the rise of white-collar unionism since the 1970s had led to peak-level pressure for unity between the private sector FOL and the public sector CSU. In 1987, the two merged into the New Zealand Council of Trade Unions (NZCTU), with 530,000 affiliated members. The NZCTU assumed responsibility for developing general union policies and providing overall leadership to the unions.⁸⁵ Union leaders hoped that with internal renewal they could 'present themselves as mature economic partners and then the government would modify its direction to incorporate them'.⁸⁶

In 1987, President Rex Jones and the NZCTU leadership advocated 'strategic unionism' and a compact patterned after the Accord between the Australian labour movement and the Hawke-Keating federal Labor governments. Strategic unionism rested on a trade-off in which it agreed to exercise real wage restraint and discourage industrial action and political protest in exchange for greater union involvement in the formation of economic, social, and industrial

relations policies by the government. Strategic unionism was promoted as a 'third way' between Robert Muldoon-style state intervention (government subsidization of industries, wage and price controls) and the strident monetarism of Rogernomics. The aim of its proponents was to improve working-class living standards through job creation and expanded welfare, superannuation, and pensions.⁸⁷ But no comprehensive corporatist political programme was offered. Genuine corporatism, as Jesson explains, had been ruled out by Labour's embrace of market forces; the NZCTU strategy of 'constructive engagement' was just 'a way of limiting the damage'.⁸⁸ But the Labour government still refused to consult with the NZCTU leadership in any significant economic policy decisions. Like the FOL before it, the NZCTU had little power over its affiliates. Joining the NZCTU did not clearly tie unions to its leadership's corporatist strategy. At the same time, strategic unionism discouraged industrial action and political protest, as they would undermine the labour movement's credibility as a 'mature economic partner' in a corporatist arrangement.⁸⁹

Strategic unionism, then, effectively backfired. Given the NZCTU's lack of control over individual unions and its discouragement of union militancy, employers and the government had no fear of union opposition to pro-market reform and therefore saw no need to make concessions to the unions in the form of a greater say over proposed policies.⁹⁰ Nor were the unions as united strategically as it might have appeared at the 1987 conference, where they all acted virtually in unison. Many in the unions had come to oppose the conciliatory manner of Jones and were now firmly opposing the Labour government's policies. There were disagreements over industrial matters as well. The unity of blue-collar, white-collar, private and public unions represented by the creation of the NZCTU proved to be more organizational and symbolic than truly solidaristic. Indeed, many unions remained ambivalent about strategic unionism and the compact, and some traditional blue-collar unions opted not to join the NZCTU. The NZCTU's emphasis on negotiation and compromise with both employers and government reinforced the alienation of both blue-collar unions outside the NZCTU and those that remained just barely inside the federation.⁹¹ Ultimately, the compact was scrapped; a much more limited 'Agreement for Growth' was signed in April 1990, six weeks before an election that led to Labour's defeat and National's

victory. The document merely represented the NZCTU's willingness to accept further wage cuts in return for a government commitment to involve the leadership in formulating economic policy. With the NZLP's defeat, it was never put into practice.⁹²

Employers may have been upset simply by the unions' attempt to negotiate a corporatist arrangement with Labour and by the unforeseen decline in enterprise bargaining, which resulted from the Labour Relations Act.⁹³ But they need not have worried. The NZCTUs still refused to openly criticize the government when it privatized government agencies and deregulated industries. Fearful to move from loyal opposition to outright opposition, the NZCTU became estranged from its membership and allies and thus weakened further. Many looked to the NZCTU for leadership but heard nothing.⁹⁴ Still too disunited and fragmented after decades under the arbitration system, and increasingly alienated and separated from a Labour Party in which it had not been seriously involved for years, the labour leadership could not formulate a corporatist plan that the party leadership would have to take seriously, yet it was unwilling to repeat the industrial militancy of the Muldoon years under a Labour government to force concessions from it.

It is primarily the alienation of the New Zealand labour movement from its historic party, which accounts for the triumph of Douglas and his comrades. Years of indifference by the union leadership to politics—its single-minded concern with attaining wage benefits—destroyed the unions' ability to influence the course of political events. This was made obvious in the months before the 1984 election, when the Labour Party Joint Council was debating economic policy: 'The FOL [Federation of Labour] and State Services union leaders knew at the time of the policies [which] Roger Douglas was suggesting. Peter Harris, Rob Campbell and one or two others participated in the policy debates, but the rest of the union leadership did nothing effective about it'.⁹⁵ Had the FOL not been so quick to support the status quo at the Conference, had there been more prominent trade unionists seeking to advance union interests in parliament, and had the FOL leadership not been willing to let the Joint Council become obsolete,⁹⁶ then it is conceivable that the policies of the 'Auckland cabal' might have received a far greater challenge from within the Labour Party. Under the 1984–90 Labour government the union movement proved to be strategically adrift, without

enough influence within its historic party even to significantly moderate the Labour government's commitment to privatization, labour market deregulation, and the commercialization of state enterprises.

Alternate explanations for the Labour government's policy choices

In explaining how Labour was able to execute such a radical programme, many have emphasized the importance of New Zealand's governmental structures and the role of the Treasury. Nagel and Schwartz have both noted that New Zealand's political institutions lacked checks and balances that could block, delay, or water down Labour's programme; no presidential veto, need to compromise with a second chamber, judicial review existed to get in Labour's way. As one-party majorities controlled parliament, leaders did not need to negotiate with coalition partners; they had an 'elected dictatorship'.⁹⁷ Both writers also note that the Treasury was the most important source of economic advice to the Cabinet, an aspect of New Zealand's political system, which many writers believe to be the most important factor in explaining the Labour government's economic right turn. Schmidt stresses the 'elite conspiracy' of a 'small coterie' led by Roger Douglas; Boston points out that even though the Treasury's power is not 'entrenched constitutionally', it has power that rests 'not merely on its role as a control department, but also on the particular rules governing the process of Cabinet decision-making, its political support, its capacity to influence the framework within which policy options are considered, the quality of its staff, and the absence of strong bureaucratic rivals'.⁹⁸ However, these explanations are inadequate; they explain the means by which the Labour government was able to implement neoliberal reforms, but not *why* it did so. They may mention 'the discrediting of the old economic solutions' and even the changing class basis of Labour leaders,⁹⁹ but in failing to discuss the failure of the unions to keep a strong grip on the party that was supposedly theirs, they do not stress what is most important—that the class character of the entire party was radically changing, which is why there was no significant revolt within the party against 'Rogernomics' until 1988, when Jim Anderton MP and certain unions (the Hotel and Hospital Workers, the Distribution Workers) formed a pole of attraction for those intransigently opposed to government

policy.¹⁰⁰ That Anderton and his followers found the Labour Party unreformable—leading to their departure and founding of the New Labour Party in 1989—attests to how deep the changes in the party truly ran.

The problem of the political structure

Geoffrey Palmer, who became deputy prime minister in 1984, later said of the danger of alienating traditional Labour supporters through these policies:

Well, we were not a Government who really worried too much about those matters.... If you compare us with the Australian Labor Government, they never went too far because they always wanted to kept their core union support on board. And we did offend people. But, looking back on it, I don't see how we could have avoided it.¹⁰¹

The policies were in fact controversial and often deeply unpopular, yet the reformers in favour of them usually prevailed. This was because New Zealand was especially well suited to engage in this type of dramatic and unprecedented series of economic reforms. New Zealand's political structure provided few impediments to a government that wishes to implement its policies. Once the prime minister and Cabinet agreed to a policy, they could quickly push it through Parliament. The government could use the approach of passing a bill under urgency: 'Under urgency, a bill can pass Parliament in as little as one or two days without ever being referred to a parliamentary select committee for public consultation'.¹⁰² Prior to 1993, parliament operated in a way that was conducive to minority rule; while formal decisions in the House were taken by majority vote, the parties voted as disciplined blocs, with each member required to follow the majority in his or her party's caucus, regardless of personal judgement or constituency preferences. As Nagel explains, in the 1980s,

a new rule of cabinet solidarity... [required] all members of the Labour cabinet... to support its decisions in caucus.... During the Labour government of 1984–90, out of a caucus of fifty-six or fifty-seven, twenty were (at most times) members of cabinet; in addition, another eight or so held other offices that induced

them to vote with the Ministry... Consequently... eleven votes in cabinet could control the passage of laws in a parliament of ninety-five or ninety-seven members.... This arithmetic logic was compounded further by the reformers' superior preparation and understanding of economics (aided by the Treasury), the force of their personalities, and their skilful exploitation of group dynamics.¹⁰³

Before 1993, New Zealand was considered perhaps the purest example of the Westminster system of majoritarian democracy, as Lijphart labels it.¹⁰⁴ This fact has been used to explain why the Labour Party moved so dramatically to the right on economic policy: all those who wanted to replace Muldoon had to join the Labour Party, which was consequently a very broad anti-Muldoon coalition including both unions and economic liberals who were unhappy with Muldoon's Keynesian and statist policies. The Westminster system is defined by parliamentary sovereignty, fusion of legislative and executive power through Cabinet government, a unicameral legislature, a unitary system with weak local authorities and no provinces or states, frequent (usually triennial) elections, and single-member-district plurality elections that promoted the dominance of two political parties, one or the other of which normally had a disciplined parliamentary majority.¹⁰⁵ It ensures that the party in office does not risk facing a majority opposition in the parliament during an election period and therefore has the opportunity to carry out its policies without compromise.¹⁰⁶

It is true that New Zealand's electoral system, which aggregated votes by districts, did leave Labour with a systemic disadvantage—its vote was excessively concentrated.¹⁰⁷ But the 'logic of the Westminster system' thesis cannot explain the reasons for Labour's rightward shift. The British and Australian labour parties also work under the first-past-the-post system, yet the British party leadership never planned to *initiate* such a far-reaching pro-market programme as the New Zealand party, and the Australian party leadership, while increasingly neoliberal, embraced its trade union constituency to a far greater degree than did the New Zealand party leadership. Furthermore, it is possible for the plurality electoral system to work to the *advantage* of a labour party whose core blue-collar constituency is numerically a minority: in the British general election of 2005,

the Labour Party won an overall majority of 66 seats (55.1 per cent) despite winning only 35.2 per cent of the national vote.¹⁰⁸

Moreover, at virtually the same time that the NZLP was embracing Chicago School economics, the British Labour Party, operating under essentially the same electoral system as its New Zealand counterpart, had moved decidedly leftward. This was the era in which British Labour had captured the Greater London Council (GLC) on a radical programme under 'Red' Ken Livingstone, the supporters of Labour Left leader Tony Benn led pressure for the constitutional reform of the Labour Party, leading to a Special Party Conference, which passed new rules for electing the leader by membership, unions, and parliamentary party rather than solely the latter; the radical Michael Foot became the parliamentary party's leader; and Benn contested the deputy leadership, losing by less than 1 per cent.¹⁰⁹ The Labour Left seemed stronger than it had ever been, albeit not strong enough to prevent defeat at the 1981 Party conference or to make the left-wing 'Alternative Economic Strategy' be integrated into Labour's 1983 manifesto.¹¹⁰ The manifesto made reference to nationalization of industry and increasing union power.¹¹¹ Such a programme was a far cry from where New Zealand Labour (or Australian Labor) planned to go. It is indeed true that the leftward turn of British Labour did not correlate with electoral success. But this had less to do with the radicalism of its 1983 programme—a radicalism that paled in comparison with that of the programmes of then-elected socialist parties in France and Greece—than with the presence of an electoral alliance between the Liberals and the Social Democratic Party (a right-wing split from Labour) and the well-publicized internal squabbling between Labour's left and right factions. As Panitch and Leys remark, 'a visibly disunited party cannot win elections'.¹¹²

Furthermore, the existence of the Westminster system alone does not explain why market ideologues such as Roger Douglas and Ruth Richardson would choose the Labour Party—a party that one would expect would be innately hostile to monetarism—rather than enter the conservative National Party and move it towards acceptance of their agenda. (Douglas later started his own unambiguously pro-market party, ACT New Zealand.) Even David Lange, the Labour prime minister, later said, '... we went beyond that which was essential and we started to pursue things for the sake of ideology'.¹¹³ This was hardly expected, as pragmatic parties in a two-party system

are supposed to converge towards the position of the median voter, towards static equilibrium, as stated in the theories of Downs and Arrow.¹¹⁴ And for decades, both of New Zealand's two main parties did converge around a mildly social democratic policy framework.¹¹⁵ When this consensus began to break down in the face of economic crisis, Labour, after losing office in 1975 after only one term, 'immediately instigated a turn to the left—thereby helping corrode the postwar settlement. This left turn was illustrated by a decision at the party's 1977 annual conference to restore the principle of "the socialisation of the means of production, distribution and exchange" to the party's constitution'.¹¹⁶ This parallels the rise of the British Labour Left. But ultimately, in 1984, Labour implemented an economic policy agenda that deviated greatly from the post-war consensus from the right rather than from the left. If one of New Zealand's two main parties was to embrace the theories of Friedrich Hayek and Milton Friedman, one would expect it to be the obvious party of the capitalist class—National. Yet, it was Labour, the party of the working class, which was to implement a radical pro-market program.¹¹⁷

The influence of the Treasury

A corollary of the unitary, centralized structure of New Zealand's political institutions was the near-monopoly position of the Treasury (i.e., the finance ministry) with respect to economic policy advice. It combined functions, which in the United States are assigned to five major agencies, and the separate Reserve Bank, just as aggressive on fiscal and exchange rate policy, eventually gained a new organic statute, making it the OECD's most independent central bank. One widely accepted explanation of why Labour embraced New Right economic theories comes from those who argue that the Labour Cabinet was taken over by the Treasury of Roger Douglas, finance minister from 1984 to 1989. It was fiscal bureaucrats who 'aggressively promoted the introduction of markets for public goods. The Treasury... used its briefing papers to the Labour government in 1984 and 1987 to lay out specific steps for deregulating the economy and introducing market mechanisms into the public sector'.¹¹⁸ As Nagel explains:

Except in a few specialized struggles... the main source of competent competing policy advice during the Lange ministry was the

Prime Minister's Advisory Group, which comprised eight to ten members This tiny office was no match for the Treasury, which in 1990 employed 361 staff members and spent NZ\$70 million on consultants. [...] during the reform years, the conventional relationship between elected governments and bureaucratic advisers in a Westminster system was to a great extent reversed. The Treasury became the principal initiator; to know what governments would do, one had to read the Treasury's briefing papers, not party programmes. (In fact, Labour did not even publish a manifesto before the 1987 election.)¹¹⁹

But to leave matters there is to beg the question of why the finance ministry of a government of a heretofore social democratic party would be composed primarily of ideologically driven neoliberals. Douglas and his colleagues may have argued that they were not ideologues; the New Zealand economy required thorough restructuring to avoid collapse, and as the Labour government was responsible for managing the economy, there was no choice but to enact policies that would reduce business costs and remove inefficient industries.¹²⁰ But it is generally agreed that those who pushed hard for privatization and deregulation were hardly mere pragmatists; as Lange would later say, the Treasury's commitment to market forces was almost on the level 'of a religious cult'.¹²¹ Somehow this cult was able to enter a trade union-based party and use the autocratic structure of the New Zealand constitution in order to wholly alter the policies of that party.

It is not enough to simply focus on the ideological predilections of Treasury officials without discussing why those predilections existed. When powerful, highly placed officials in a party with a working-class base have pledged ideological fealty to right-wing economic doctrines—the reforms were enacted 'in the name of a revival of the values of classical liberalism and laissez-faire'¹²²—this means that there has been a distinct shift in which class the party is attempting to represent. Much as Tony Blair's New Labour in Britain would later do, the NZLP government established close relationships with business figures. In 1985–86, it appointed businessmen to the boards of state-owned enterprises, the Bank of New Zealand and the Reserve Bank. These men, who were ideological right-wingers opposed to the old welfare-state-and-Keynesianism consensus, thereby gained direct

access to political power, becoming an unofficial advisory group that exercised greater influence than many regular Cabinet members. Like the Treasury, they saw no place in economic policy for non-commercial concerns, let alone any influence by unions or the government in economic management.¹²³

Conclusion

The 1984–90 Labour government was able to implement economic policies that went against the party's historic legacy primarily because of years of effective separation between the party and the unions, itself the result of a general depoliticization by the unions. With a lessened dependence on union funding came an increased dependence on business donations.¹²⁴ By 1988, Labour's membership was down to 25,000, making it one of the smallest labour parties in the Western world.¹²⁵ Even if, in the 1980s, the unions retained a degree of influence over Labour with regard to policies affecting their specific organizational interests, this does not prove that the Labour Party was still a labour party in the strict sense of that term.

The experience of the fourth Labour government in New Zealand illustrates the degree to which it is possible for a union-based social democratic party to become dislodged from its traditional base. Social democratic governments and unions around the world may have had illusions in the permanence of the Keynesian historic compromise. Other governments of the left—the French Socialist Party of the early 1980s in particular—may have retreated from traditional social democratic economic commitments in the face of a disciplinarian world economy. Prior to the election of the Lange government, the British Labour Party—as will be discussed in the next chapter—responded to economic crises in a manner that presaged 'Rogernomics': relaxing corporate taxes, purposively elevating inflation rather than unemployment as its main enemy, and generally distancing itself from its historic commitment to wealth redistribution and egalitarian social policies. The difference, however, is that (at the time, at least) the Callaghan government ultimately could not afford to embrace the monetarist techniques that seemed necessary to control Britain's inflation, because this would have risked alienating Labour's support from unions and workers generally. But with Keynesianism discredited and unionists striking in opposition

to austerity measures and declining public spending, the Labour government found itself trying to distance itself from its historical electoral basis—trade unions.¹²⁶ But where British Labour vacillated, losing its working-class support while remaining distrusted by classes hostile to organized labour, the NZLP was steadfast, and outside of the realm of labour market policy it had no trouble being so because the New Zealand unions—unlike their British counterparts—had drifted away from sustained political intervention. The result was a near-thorough dismissal by the NZLP of its policy commitment to organized labour—and the working class overall.¹²⁷

3

The British Labour Party

In this chapter, I analyse the British Labour Party's embrace of neoliberal policies during the Blair government. I argue that Labour's turn to the right was principally the result of a shift to a more passive approach to union-party relations on the part of organized labour. The labour movement's defensiveness created the opening through which Blair and his colleagues moved to establish a very close relationship with business, to bring the Labour Party into what Motta and Bailey term a 'neoliberal power network', actively contributing to the reproduction of neoliberal hegemony.¹

The chapter is divided into two sections. I begin by analysing New Labour's policy choices—its basically anti-union industrial policy, its conscious rejection of redistributionist Keynesianism and embrace of essentially Conservative macroeconomic and spending policies, and its comprehensive reorientation of the welfare state. The second section examines union-party relations. While unions adopted a militant response to spending cuts and wage controls in the 1970s, their desperation to unseat the Conservatives at any cost led to a more passive strategy in the 1990s. Working from a reduced institutional base within the Labour Party, the unions were unable to sway policy, even when some of them actively sought to do so towards the end of the Blair years.

Policy changes: How New Labour was new

In Britain, unlike New Zealand, it was not the traditional party of the left which wholeheartedly initiated the neoliberal era, and in

many respects Blair's New Labour was not a policy innovator. It was the inheritor and continuator of the economic and social legacy of 15 years of Conservative dominance: the privatization of council housing, significant cutbacks in the State Earnings-Related Pension Scheme (SERPS), a much stricter unemployment benefits regime, and, above all, the overhaul of Britain's industrial relations system. Three Industrial Acts between 1980 and 1984 had swung the balance of power in the workplace deliberately towards employers, and the price of labour was lowered through the abolition of Wages Councils, relaxation of unfair dismissal regulations, and privatization of public industry and services.²

The New Labour leaders never intended to radically reverse such measures. Their project, from its inception, involved the explicit rejection of traditional social democratic policies such as public ownership, state investment in and influence over private industry, and the extension of industrial democracy. Tony Blair made clear that his government would retain the key elements of the trade union legislation of the 1980s, leaving British law the most restrictive on trade unions in the Western world.³ While remaining tied to the unions through (reduced) union collective representation within the party, the Labour Party acquired a great range of associations with individuals with business interests and/or identities, many of whom have played an important role in the operation of the party and/or the government. This integration of the Labour leadership with business interests has been suggested through its policy-making while in office, particularly by its use of policy 'taskforces', which create managed and exclusive forums for deliberation over policy direction and detail. Business interests occupy a similar policy-making role in government initiatives such as 'city academies' and public-private partnerships and private finance initiatives (PPP/PFI).⁴

Labour's 1997 manifesto made it clear: no longer was the party even to hint at taking part in 'bitter political struggles of left and right. [...] Many of these conflicts have no relevance whatsoever to the modern world—public versus private, bosses versus workers, middle class versus working class'.⁵ The manifesto's economic priorities—summarized below by Hefferman—echoed those outlined in the 1979 Conservative manifesto:

- (1) Ensuring financial stability by promoting sound money and placing the reduction of inflation at the heart of both monetary

and fiscal policy; (2) Placing the market at the centre of economic life through deregulation and the rejection of direct state intervention; (3) Privatisation of state-owned industries and utilities so withdrawing the state from direct control over economic activity; (4) Controlling trade union activity by legislation and (together with other measures) so disciplining the labour market.⁶

Casting aside policies, which even the right wing of 'Old' Labour held dear, Blair stressed that New Labour was 'principally concerned with strengthening the power of capital and allowing competition within the market to secure social reforms by virtue of "trickle down" economics'; the party was to be explicitly 'for and of business'.⁷

Industrial relations policy

Prior to the 1997 election it was made clear that the days of Labour as the political expression of the unions' interests were past: a Labour government would decidedly not reverse trade union immunities to allow secondary industrial action or alter the rules on picketing. The existing laws on industrial action, picketing, and ballots would remain unchanged.⁸ However, Blair claimed that his government would not be anti-union in the active, Thatcherite sense. At times he seemed willing to work with the unions in the quest for industrial competitiveness. But Blair told the Trade Union Congress (TUC) immediately upon taking office that the flexibility of the current labour market would be retained; industrial relations would not return to their pre-Thatcher state.⁹ The unions were promised only 'fairness, not favours'.¹⁰ Following the election victory, the power of unions and party activists within New Labour were further restricted: the unions would control the election of only 12 National Executive Committee members out of 33—no longer a majority.¹¹ The unions would also no longer be included in any significant political consultation on economic policy—thus distinguishing the Blair government from its continental social democratic counterparts.¹²

Once in government, New Labour's remaining policy commitments to the unions progressively eroded. Though Blair did not reverse Labour's commitment to restore to the unions their legal right to recognition whenever 50 per cent of the relevant workforce supported it, the Confederation of British Industry (CBI) lobbied successfully (and unsurprisingly, given Blair's desire to be 'business-friendly'¹³) to ensure that the recognition process would be slower

and more complicated than originally planned; that five million workers were excluded entirely; that the right of individual workers to be accompanied into disciplinary meetings by a union official of their choice would be restricted; and that employers could dismiss workers involved in lawful disputes after eight weeks.¹⁴ The government also went back on its commitment to give part-time workers the same legal rights as full-time workers and to allow workers to claim unfair dismissal after six months' employment, rather than after two years.¹⁵

The unions still supported the government's 1998 Employment Relations Bill, with Bill Morris of the Transport and General Workers' Union (TGWU) deeming it 'a first step, not the last word, on workers' rights'—though it would in fact be the last word on workers' rights, and the only Industrial Relations Act, that the unions would hear during New Labour's first term.¹⁶ British labour markets would remain the least regulated in Western Europe.¹⁷ Though Blair had stated that he desired to meet the modest objectives of the European Union's goal of raising social and labour standards, New Labour ministers opposed moves by the European Commission to increase the right of unions to be consulted about key company decisions such as investment, dismissals, and closures. Though it signed Britain up to the 'social chapter' of the European Union Treaty of Maastricht, the Blair government insisted that British and European global competitiveness was a greater priority than the modest reformist concerns of the EU.¹⁸

Where Labour once was almost entirely dependent on trade unions for its financial support, New Labour was able to match the Conservatives in winning seven-figure checks from major business figures. In the crucial quarter leading up to the 2001 general election, three wealthy individuals gave more money than the entirety of the unions.¹⁹ Though Labour had long had informal ties with big business figures, the rise of Blair saw a veritable revolution in the party's relationship with capital through the 'blind trust' system, in which a trust beneficiary's assets are managed by executors who decide how those funds are invested and the beneficiary lacks knowledge of the trust's holdings. This system was ostensibly set up with the aim of 'creating a wall between a politician and a pot of money to avoid conflicts of interest'²⁰ but which were created with the express intent of lessening the party's dependence on union finances. With increased

business donations to Labour came a drop in the percentage of trade unions' contribution to party funds, from 54 per cent in 1995 to 30 per cent in 1999.²¹

Economic and social policies

As summarized above, the economic strategy implemented by the Blair government respected the major boundaries of Conservative policy and placed foremost importance on creating a framework for economic stability, born of a desire to avoid returning to the economic tribulations of the 1970s.²² In New Labour's selective withdrawal of the state in economic and social policy, there was less traditional privatization than there was simply the acceptance of Conservative-initiated privatizations—rail, coal, Her Majesty's Stationery Office (HMSO)—and the transfer of public sector responsibilities to private enterprise: PPI in the health and education domains, a publicly declared preference for private over public pension schemes, and encouragement to buy services previously supplied through the public sector.²³ The most radical measure the government took was to cede responsibility for setting interest rates to the Bank of England. In doing so, Blair and Chancellor Gordon Brown made clear to investors that New Labour could be trusted to work within the constraints set by the workings of the world capitalist economy; it would not politicize policy-making by trying to 'impose its will upon forces largely beyond its control'.²⁴

In terms of social policy, the New Labour government's scheme for reducing unemployment and maximizing labour-force participation, *New Deal at Work*, attempted to be simultaneously neoliberal and social democratic: it withdrew welfare benefits and toughened incentives to (re-)enter the labour force, even as it used public funds to assist those entering the labour market by providing child-care support, education and training, and subsidized work.²⁵ The White Paper *Fairness At Work* established that unions' legal right of recognition should be restored whenever their level of support in the workplace equalled 50 per cent, consultation rights for workers and unions in the face of redundancy plans were established, and rights to maternity leave were extended to 18 months.²⁶ Labour's 1997 election manifesto promised 'a sensible set national minimum wage' to 'end the scandal of poverty pay', and a statutory minimum was adopted, though not one linked explicitly to the general level of

either wages or earnings, thus marking a break with previous Labour proposals.²⁷

Some have contended that the adoption of the minimum wage, among other policies, is proof that New Labour ultimately remained social democratic, as 'real' neoliberals are fully opposed to such measures. Crouch argues that

it is entirely consistent with social democracy to bear in mind the implications of policy for the functioning of markets... attempt[s] to find a compromise between workers' security needs and market forces is entirely consistent with classic social democracy.... The balance of policy *actions* of the government fall clearly within the social-democratic category... offset by just a few neo-liberal measures in punitive components of the 'welfare into work' incentives.²⁸

Similarly, Cronin claims that the New Labour government

moved decisively from restraint to expansion as early as 1998... its investment in public services [has] continued to grow since that turn. The second Comprehensive Spending Review (2000)... proposed still further increases in the funding of public services, with large sums again devoted to health, education and transport... the first post [2001]-election budget, in April 2002, contained the first clear and unambiguous rise in taxes on income. National Insurance contributions were increased by 1p and the upper limit upon which they were levied was removed entirely. The extra funds were to be used specifically for investment in the health service. The spending review of 2002 proposed still more increases that would continue to raise public expenditure... The trend in [rising] public expenditure was massive and unmistakable.²⁹

But ultimately one must judge policy by what it does not do as well as by what it does, and by this standard, New Labour policy was less 'a social democracy which has to make concessions to powerful neoliberal interests' than 'a neoliberalism which has to make concessions to the social democratic heritage and membership of the party'.³⁰ In this, it echoed the New Zealand Labour government of

the 1980s, committed to neoliberal economic policy while enacting a compromised version of social democratic social policy.

Where the national minimum wage was concerned, the New Labour leadership refused to specify a particular amount or to link it in any definite way to the general level of either wages or earnings, as the unions had wanted. The government then declared that the amount would ultimately be set only after a referral to a commission which—in a sharp break from past Labour policy—would include business interests, not solely the national trade union leadership.³¹ Once set, the minimum wage would be kept at a very low level—£3.70 per hour.³² The union leadership did not accept this without criticism; in 1998, TUC President John Edmonds attacked government resolve to hold down wage levels—public sector pay in particular—without any corresponding resolve in attacking corporate greed. The Blair government would not raise the national minimum wage until October 2000, and then by only 10p; it required much union lobbying to force the government to further raise the minimum wage after the 2001 election.³³

The Blair government was committed to making use of market forces ‘in the effort to improve public services’ through the sub-contracting of services in health and local government, the further development of the autonomy of local providers, local management of school funding, recourse to private investment for public projects via Private Finance Initiatives, and trying to procure private funds to improve failing schools.³⁴ Perhaps most notably, under New Labour new hospitals began to be financed by private capitalists, who lease them to the National Health Service for 30 years, after which time they remain privately owned. Osler points out that the first six completed schemes had a capital cost of £423 million, yet involved payments of £2.4 billion over the life of the contracts.³⁵ Yet, by 2004, British health spending, at 8.7 per cent of GDP, was well below the West European average of 10.7 per cent. At that time, the number of doctors was 1 per 1,000 of population in the United Kingdom, compared to 2.7 in the United States, 3 in France, and 3.4 in Germany. New Labour’s per capita recruitment targets for doctors and nurses, even if projected through to 2024, still fell below the average that the European Union (EU) achieved in 1997.³⁶

Echoing the Conservative Party, New Labour advocated a ‘welfare-to-work’ scheme, which encouraged (and in some cases obliged)

welfare recipients to take part in schemes designed to prepare them for work. Old Labour approaches involving job creation and better benefits were rejected as costly and counterproductive. Welfare was now conditional upon the recipient's conduct and often their performance of menial work. In introducing the government's Welfare Reform and Pensions Bill in 1999, Alastair Darling, the secretary of state for social security, declared the end of 'the something-for-nothing approach that has characterised the past'.³⁷ In a measure arguably more stringent than anything proposed by the Conservatives, New Labour deemed that those aged 18–25 claiming unemployment benefits for more than six months would lose *all* entitlement to benefits should they refuse to accept one of the options presented to them by the government: a job with an employer; work with a voluntary organization; work on an environmental taskforce; or, for those without basic skills, full-time education or training. Those either pregnant or with dependents would still lose 40 per cent of their entitlement were they to fail to comply with their part of this contract.³⁸

In its attitude towards public provision, and what Hall has called its 'restoration of that discredited and obscene Victorian utilitarian distinction between "the deserving" and "the undeserving" poor',³⁹ New Labour made a real break with its social democratic past; its governmental practice is best characterized as 'change in neoliberal continuity'.⁴⁰ Given Labour's abandonment of its traditional egalitarianism, it is notable that the level of economic inequality in Britain changed little since the Conservatives ruled; in fact, when household spending, rather than income, is used to measure living standards, the relative poverty rate in Britain *rose* after Labour assumed power—from 20 per cent to 22 per cent between 1996/97 and 2002/03. The rate of child poverty based on household spending rose by 11 per cent for those same years.⁴¹

The evolution of union–party relations and union strategy

The 1970s and the failed attempt at corporatism

Prior to the rise of Blair, many rank and file Labour Party members—despite the best efforts of 'modernizers'—still thought of it as the

workers' party, identified with the labour movement, and 'operated within a mental framework that was "Labourist" and putatively "socialist", however vaguely those terms were now defined. Equally significant was the fact that the unions still clearly regarded the party as their creation and property'.⁴² This was despite the open conflicts that had emerged between the unions and the parliamentary wing of the party. Union leaders and members had discovered, in the mid-late 1970s, that whatever pressure that representatives of the major unions might be able to put on a Labour government through party conference votes could not compare to the pressure exerted on it by 'a galloping collapse on the foreign exchange markets'.⁴³

Traditional Labour economic policies had begun to meet their end in 1974, when the party assumed office in a partially crippled economy. Yet Labour still feared that the embrace of market-centered policies would alienate the party's union and traditional working-class electoral base.⁴⁴ To defeat inflation, the Labour government sought to secure agreement from the unions to hold down wages—that is, it initiated a retreat from its promise to not implement an incomes policy. While monetarism was not embraced in the Treasury in the 1970s in the ideological fashion that the New Zealand 'Rogernomes' would later embody, a reflationary policy was ruled out despite the constant growth of unemployment, as were import controls and capital controls.⁴⁵

This period was a hard one in which to attempt income restraint, as workers tried to compensate for increases in the cost of living through increased pay. The size of claims, the number of strikes and the proportion of the workforce joining unions continued to rise throughout the 1970s. Indeed, since the 1960s, the unions had become powerful enough to usually ensure that their members obtained continuing real wage gains, regardless of changing levels of inflation or devaluation.⁴⁶ But given that Labour had delivered on various other campaign promises and that a Conservative government would declare war on the unions, the TUC General Council was willing to accept the idea that wages had to be kept down and that Labour had to remain in office. In return, the government promised to take measures that would increase union power at the workplace and to provide increases in the 'social wage' going to pensioners, the unemployed, and the low-paid.⁴⁷ Jack Jones of the Transport and General Workers' Union (TGWU) and David Basnett of the General

and Municipal Workers Union, in particular, used their substantial influence to work with the government on developing an acceptable incomes policy. In 1975, a flat rate wage increase of £6 was agreed upon by the government and the TUC; while it had a slight moderating effect on wages and inflation, the improvement was insufficient, and the financial crisis worsened.⁴⁸ The financial market was 'frustrated' as the incomes policies still appeared to give too much power to the unions, though in reality the government was able to control most of the policy agenda, which it discussed with the unions and this control was used in order to gain the initiative in tripartite talks with the TUC and the Confederation of British Industry (CBI).⁴⁹

On May 16, 1976, Harold Wilson resigned as prime minister and James Callaghan took his place. His victory indicated the likelihood of continuity in the path followed since 1974. The April 1976 budget contained a 2 per cent cut in the standard rate of income tax, which was made partly contingent on the government's reaching a satisfactory agreement with the TUC on the extension of incomes policy. Right-wing critics seized upon this contingency, arguing that the government was beholden to union leaders beyond the reach of the popular vote and hence unable to function independently. There had been a change in public attitudes towards unions for the worse after the strike wave of the late 1960s, and even some on the left of the Labour Party were now worried that Labour's connection to the unions had become too obviously visible.⁵⁰ In fact, while it was true that Labour had given the unions a greater social legitimacy than they had ever previously enjoyed—in terms of both their legal rights to establish themselves in workplaces and their involvement in policy administration—the real content of the government's economic policy after 1975 drifted ever further from the TUC's priorities, particularly as a level of unemployment was maintained that the TUC regarded as intolerably high.⁵¹ But the union leaders were too weakened and frightened by the economic slump to dissent from the government's general approach. Even the most left-wing among them were afraid that if they were to push the government too hard, the result would be a particularly reactionary Conservative government. It was not just the leadership that felt paralysed; even shop stewards generally saw no practical alternative to Labour's pay policy in the face of economic crisis.⁵²

The second stage of incomes policy in May 1976 went reasonably smoothly, but investor confidence was not restored and the pound continued to fall in value, even more quickly than the advocates of a lower exchange rate advocated.⁵³ By autumn of 1976, another £1 billion was slashed from the public budget, the government 'had largely exhausted its reserves of support within the ranks of the unions'.⁵⁴ In 1977–78, there were major strikes involving bakery workers, air traffic controllers, and firemen, while in several industries a movement of shop stewards was developing in opposition to any renewed incomes policy.⁵⁵ The presence of over 100 competing unions gave each individual union more incentive and ability to break from the policy so as to protect wage differentials; many of the unions were able to make up the losses their members had suffered over the foregoing years.⁵⁶ By the time that Stage II of the incomes policy ended in the summer of 1977, the union leadership could no longer deliver pay restraint. In mid-1978, the annual TUC congress formally rejected the incomes policy, as did the Labour Party conference. But the government still imposed a 5 per cent norm, which no union leader would publicly defend. Unions trying to break with the incomes policy were not threatened with sanctions by the TUC, though they still were not offered overt support.⁵⁷

As Peter Hall notes, one unintentional effect of incomes policy was to turn the unions into public antagonists with the state,⁵⁸ as January 1979 saw the 'winter of discontent'—a wave of strikes by low-paid public sector workers. The Labour leadership's response was, like that of Thatcher and the Conservatives, to call for 'law and order'; Callaghan went so far as to cross picket lines, even as he still claimed that a corporatist consensus provided a way forward, despite the obviousness of the death of the social contract and the incomes policy.⁵⁹ Hall explains how Labour's incomes policies had unintentionally sabotaged the attempt to develop a more centralized system of wage determination:

Although incomes policies were designed to integrate the unions into a national system of wage determination, they actually accelerated a trend toward the organizational disintegration of the unions themselves. That trend entailed growth in the numbers of shop stewards within British plants and an increase in their influence over wage determination at the expense of central union

leaders. Incomes policies tended to immobilize the union leadership for lengthy periods of time and encouraged the spread of productivity agreements and plant bargaining, as part of the age drift associated with a national norm. Both developments increased the numbers and authority of local stewards.⁶⁰

The Labour government was held responsible for an unruly labour movement and paid the electoral price. Labour could no longer win votes by claiming that its special relationship with the unions equipped the party to be a better economic manager; high-profile deals with union leaders on wage restraint, combined with their repeated collapse due to rank-and-file militancy, furthered the image of the unions having too much power.⁶¹ Simultaneously, Labour was blamed for under-funded and malfunctioning welfare programmes. The party's supporters expressed their discontent through an 'anti-government backlash' and ensured its defeat. Labour's vacillations between 1974 and 1979 propagated both an end to social democratic corporatism and the recommencement of sectional animosities within the labour movement.⁶²

The strategy of the unions towards the Labour governments of the 1970s can be described as one of critical support—until the rank-and-file, particularly in the public sector, opted to rebel openly against pay restraint. The TUC was willing to help keep Labour in power for fear of a Conservative or coalition government alternative, which would be unreservedly anti-union. Its leadership had influence with the government and greatly feared losing it, hence its decision to keep working closely with the Callaghan government even after the IMF loan. It was TUC pressure which encouraged the government to reflate sooner rather than later and its influence was clearly observable in budgetary priorities pursued in 1977–78.⁶³ But the rank-and-file backlash forced the union leadership to retreat from its support for an incomes policy negotiated at the top. This reflected the organizational limits of the TUC's bargaining arrangements with the state; as a loose confederation of unions, it required much effort to secure agreement to an incomes policy from each member union and its ranks. When the ranks rebelled, the TUC leaders' organizational resources were exhausted and they could no longer act as moderating influences; indeed, wildcat strikes in 1979 were often made official by leaders who feared appearing out of touch with their members.⁶⁴

From Thatcher through Blair

The Thatcher years were disastrous for British trade unionism. Three Industrial Acts between 1980 and 1984 destroyed a range of union rights and made unions liable in the event of an industrial action that was not authorized via a required process. The balance of power in the workplace was deliberately tilted towards employers, and unions were stripped of legal immunities. As the Conservatives allowed unemployment to rise even further upon taking office, the unions were further damaged. Employment in manufacturing industries fell by 36 per cent in the 1980s and the effect on British unionization rates was calamitous.⁶⁵ By 1996, among the youngest workers—those under 20—only 10 per cent were union members.⁶⁶

Despite the memory of the conflicts of the 1970s, the unions were still prepared to return Labour to office so as to unseat the Conservatives—and without making any demands. The labour movement was so desperate to unseat the Tories that they were willing to tell Tony Blair—in the words of John Sheldon of the National Union of Civil and Public Servants—‘just offer us *something*’.⁶⁷ By the time of the New Labour landslide of 1997, the unions had been forced to swallow many bitter pills. The reconstitution of the industrial and political power of unions as bargaining institutions was not forthcoming under the New Labour government. At best, the government promised to maintain a commitment to union recognition, but would otherwise be concerned with strengthening individual rather than collective rights at work—against unfair dismissal, inadequate maternity rights, insufficient training, and the like.⁶⁸ The anti-union legislation of the 1980s would not be reversed, and Blair even boasted of the restrictiveness of British labour law, which was to help create a ‘flexible but highly skilled labour force’.⁶⁹

When New Labour assumed office, the unions initially seemed to have little interest in promoting their specific interests within—let alone asserting control over—their historic party. The TUC was initially ‘anxious to promote itself as a “social partner” with both business and government’.⁷⁰ During Blair’s first term, there was little evidence that the unions’ support for the government translated into a significant degree of influence over that government. Union leaders appeared to believe that it could persuade the government to introduce progressive legislation ‘behind the scenes’, but in practice the trade union leadership simply promoted New Labour

policies to its members. For example, John Edmonds, General Secretary of the GMB, one of the largest British public service unions, voted down calls within the Labour Party for the national minimum wage to be index linked—despite this being GMB policy—on the grounds that he had negotiated a minor concession and feared it being jeopardized.⁷¹ Nor did Bill Hayes of the Communication Workers Union (CWU) attempt ‘to mobilize a divided workforce against privatization of the Post Office’.⁷²

Over time, however, there were increasing complaints by union leaders. They were angered over New Labour’s lack of passion for European labour law, particularly as it pertained to the protection of temporary workers; by the Department of Trade and Industry’s denial of penalty-free access to industrial tribunals to workers until they had wholly exhausted their employers’ own grievance procedures; and particularly by Chancellor Gordon Brown’s persistent refusal to link state pensions to average earnings. By the middle of Labour’s second term, the TUC made known its dissatisfaction with the lack of employment rights in Britain and its fear of ‘pensioner poverty’.⁷³

The New Labour government’s favoured means of investing in public projects—PFI—also quickly ran into union opposition. The unions feared that PFI and other measures involving subcontracting and privatization in the name of ‘flexibility’ would involve

at a minimum a loss of influence, perhaps also the sacrifice of cherished benefits and the acceptance of lower wages, and in extreme cases lost jobs. Flexibility to them meant the freedom of managers to hire and fire or, at least, to redesign jobs and to impose new working conditions. The unions wanted none of this.⁷⁴

A far more volatile conflict between unions and New Labour centred on the wages of Britain’s 5.5 million public sector workers. The Chancellor had inherited and enforced the Conservatives’ spending limits in the first two years of the New Labour government, so as not to use additional funds simply to reward the existing public workforce. Heavy public deficits in 2001 led to further wage retrenchment. In 2002, public sector unions opposed this call for yet more pay restraint, as well as the government’s attempt to intensify their work processes and erode their working conditions, and a wave of strikes by low-paid workers resulted, beginning with a strike by nearly one

million council workers in July. Teachers' unions in London conducted the first strike over cost-of-living allowances in nearly 30 years. London Underground workers in the Rail Maritime and Transport Union (RMT) also walked off the job. The longest dispute was the first nationwide firefighters' strike since the 1970s, lasting from November 2002 to June 2003. Though most other strikes were much shorter, together they led to a 13-year high in days 'lost' to strike action.⁷⁵

For a time, union pressure on the government seemed to have its successes. In the run-up to the 2001 general elections, trade unionists' votes and union funds again were relevant to policy-making; the first post-election budget contained the first 'clear and unambiguous' rise in income taxes, and there was a 'massive and unmistakable' trend towards increased public expenditure on health, education, and welfare.⁷⁶ But with the end of the elections came a renewed intransigence by Blair against the 'self-indulgent rhetoric' of TUC leaders who opposed public sector restructuring—specifically the 'awkward squad' of new, left-wing union leaders in the TGWU, the GMB, Unison, Amicus (the 'big four' of British unions), the RMT, and the Fire Brigades Union (FBU), all of whom presented a threat to the government's privatization plans.⁷⁷ Union pressure proved sufficient to force Blair, in 2003, to pledge that new contractors providing services for local authorities would have to offer new workers virtually the same terms and conditions as those of colleagues already switched from the local council to the contractor. But union pressure was not enough to prevent consistent defeats on PFI-type issues throughout New Labour's second term.⁷⁸

It was at this point that certain union leaders, most prominently Bob Crow of the railway union (RMT), proposed cutting union funding for the Labour Party and directing it elsewhere. The RMT was in fact expelled for allowing branches to support the Scottish Socialist Party, and the FBU disaffiliated, with the GMB, the TGWU, and the CWU all withholding crucial campaign contributions in defiance of the New Labour government's refusal to compromise on its plans for the public sector, give full protection against unfair dismissal, or protect the pensions of private sector workers.⁷⁹ Indeed, it was no secret that Blair always intended a sweeping overhaul of Labour Party funding, which would have required union members to agree to annual donations to the party through their unions, with the total donation

made by each union subject to a cap.⁸⁰ But the party leadership was still unable to make a clean break with the unions. It remained dependent on union funds, albeit to a lesser extent, and it depended on the unions' organizational capacity to deliver votes. At times, Blair even required 'Old Labour style backroom deals and union bloc votes to avoid embarrassing defeats at conference'.⁸¹ He could not depend on corporate funding on the same scale as the Conservatives, despite the latter's state of disarray, as the Tories retained networks within the capitalist establishment that dated back centuries. New Labour 'still ha[d] no real organic links with the ruling class'; it therefore still needed the unions and their subscriptions.⁸² Hence, the speech by New Labour's Secretary of State for Trade, Patricia Hewitt, at the 2003 TUC:

I know very well that a lot of you here think that we have got far too close to big business and we somehow cold-shouldered or elbowed out the unions. I do not happen to think that is the reality but I am worried that that is such a widespread perception, and we have to change that. We have to make our relationship and our partnership work better.⁸³

It appeared that the unions were increasingly prepared to resist New Labour's plans to reform and restructure public services,⁸⁴ either within or outside of the party.

But appearances proved deceiving. The unions largely determined the agenda of Labour's annual conference held at Bournemouth in September, 2003,⁸⁵ but they did not clearly articulate an alternative to the government's plans for public service reform; they merely re-stated their opposition to it.⁸⁶ The unions proceeded to write up a 56-point action plan, agreed at the Labour National Policy Forum in July 2004 at Warwick University, primarily made up of existing policy commitments that had not yet been acted upon. The major issues of repealing the anti-labour laws, ending PFI and instituting progressive taxation were not touched upon. No commitment was given by the government either to dismiss thousands of civil servants or to provide student grants. At the Labour conference, the 'big four' unions saved Blair from defeat over setting an early date for troop withdrawal from Iraq as a payback for promises made at Warwick, such as the protection of Bank Holiday pay and longer maternity pay.

The Labour conference also voted to re-nationalize the railways, but the leadership immediately made it clear that it would ignore this, as it had ignored similar Labour conference decisions pushed through by the unions, such as the legalization of secondary strikes and boycotts and the enabling of local councils to renovate and build more council housing instead of transferring it to private management and ownership.⁸⁷

One would have expected that the New Labour leadership's consistent refusal to honour conference decisions would have made it plain to the unions that they could no longer avoid the question of changing the nature of Labour's leadership when the opportunity arose. In May 2007, they were given such an opportunity, as Tony Blair—now deeply unpopular for dragging Britain into the Iraq War of 2003—announced his resignation, opening up a leadership contest in the Labour Party. Yet, despite the fact that hundreds of Labour MPs received money from unions, and at times the help of union officials, for their constituency campaigning, the big unions made no attempt to find Labour MPs competent to stand for leader and deputy leader on a platform of loyalty to the labour movement and respect for Labour Party conference decisions. One labour-loyal MP, John McDonnell, emerged on his own, promising to enact a Trade Union Freedom Bill if elected, which would provide better protections for workers, simplify bureaucratic rules about industrial action notices and ballots, and give unions the ability to take supportive industrial action.⁸⁸ McDonnell, like the unions, also opposed PFI and PPP and opposed the replacement of the Trident system, the third generation of British submarine-mounted nuclear weapons.

But McDonnell received the backing of only three small unions—the FBU, RMT, and ASLEF. It was in keeping for the majority of the British union leaderships' thinking, norms, and conventions for them to opt not to support a leadership candidate whom they saw as an unviable candidate for prime minister, no matter how pro-union he was. The larger unions, whose general secretaries regularly made speeches against New Labour (and the Iraq War, which had greatly tarnished the 'New Labour' brand), such as Amicus's Derek Simpson, the TGWU's Tony Woodley, and the CWU's Billy Hayes, supported Blair's friend-turned-rival and Chancellor of the Exchequer Gordon Brown. Effectively, McDonnell fell victim to a Labour Party rule change requiring an MP to win support from 12.5 per cent—up from

5 per cent, which McDonnell more than achieved—of the Parliamentary Labour Party in order to stand for party leader. At the March 2007 meeting of the Labour National Executive Committee, not one union representative voted to reduce the number of MPs' nominations needed to prompt a leadership contest. They 'knowingly backed a seamless transition to a Brown-led Labour Party'.⁸⁹

Union leaders such as Amicus's Derek Simpson argued that it would be difficult to motivate union members to help Labour win a fourth term unless the party changed its policies and that union support 'comes with a price'.⁹⁰ Yet, Brown was endorsed by Amicus, TGWU, and Unison without making any specific demands on him, such as requiring that he retreat from imposing 3 per cent real-term pay cuts on public sector workers. Furthermore, given that Brown kept all competitors off the ballot, it is unclear why the unions felt the need to endorse him at all.

Overall, the unions' strategy towards New Labour was inconsistent. Battered by the years of Conservative government, they initially pledged thorough loyalty to the Blair government. But relations grew tense when the government insisted on significant qualifications regarding the introduction of a minimum wage and the procedures for establishing union recognition in workplaces. The public sector unions in particular opposed PPP/PFI and were willing to engage in industrial militancy in order to pressure the government to back down from its plans for privatization and restructuring of the public sector. Yet, the unions failed to take advantage of the plummeting popularity of Blair—and then his downfall—to steer the Labour Party's leadership towards a consistently pro-union position. Despite opposition to the policies associated with Blair and his colleagues—policies which Gordon Brown vowed to continue, including the planned privatization in the NHS and Whitehall governmental administration—the unions offered no alternative to Brown. They may have warned him that he could face strike action from more than 1 million public sector workers (civil servants, NHS staff, and postal workers) over pay, privatization, and job cuts;⁹¹ they said that 'Labour [was] drinking in the last chance saloon and [would] lose the next general election unless it chang[ed] direction';⁹² but they ultimately endorsed Brown, as they supported Blair in 1997, with no conditions attached. Even the left-led 'big four' unions did not issue anything resembling a developed manifesto involving a

critique of the New Labour elite, an alternative vision, and a means of achieving it.⁹³

Conclusion

The Labour Party led by Tony Blair was a very different party than that founded by British trade unionists and their allies in 1900. Most of its policies shared little with those traditionally identified with social democracy. It prioritized macroeconomic stability and imposed rigorous constraints upon its ability to tax and spend, thereby ruling out many redistributive policies associated with 'Old Labour'. Moreover, the New Labour leadership explicitly rejected *in principle* the pursuit of greater equality through the redistribution of income, as it implied a 'misguided' zero-sum trade-off between the interests of the haves and have-nots.⁹⁴ Its option for tackling great poverty was to create a specifically targeted welfare state intended to stimulate re-entry into the labour market. New Labour's social policies were generally constructed on the basis of reforms introduced by the Conservatives, combined with some measures of social democratic inspiration as concessions to the party's heritage and popular electorate: the minimum wage, a one-off tax on the 'windfall' profits of privatized utilities to finance an unemployment programme; increases in public expenditure on health and education; a family tax credit; legal recognition of union organization in the workplace; a maximum 48-hour working week; and new laws on sickness, maternity leave, and redundancy payments.⁹⁵

One must acknowledge that from 2000 onwards New Labour made some advances towards reducing poverty at the lowest rung of the income ladder, though not in reversing the trend towards greater inequality in Britain.⁹⁶ Regardless, New Labour rejected the social democratic tradition of giving unions a key position in policy-making. The TUC lacked the centralization necessary to make corporatism successful in the 1970s and did not attempt to revive such an arrangement in the 1990s. But Blair went beyond simply rejecting government intervention in wage determination—he was explicit that 'the relationship [between the Labour government and the unions] in the 1970s was wrong, and shouldn't be repeated' and that unions would have no greater influence than employers over his government's policy agenda.⁹⁷ The unions were still willing to support

the New Labour leadership, having endured 18 years of anti-union Conservative rule. With its block vote at the party's annual conference reduced from 70 per cent to 50 per cent, and with the individual membership no longer reliably pro-union, union influence within the Labour Party was significantly diminished; unions found themselves unable to effectively pressure the government except through industrial militancy, exemplified by the public sector unions' strikes during Blair's second term. But union strategy subsequently swerved off into a verbal intransigence, which was not matched by actual deeds. This inconsistency, combined with the changed character of the individual membership, minimized the unions' ability to blunt the sharpest edges of New Labour's policy deviations from traditional social democracy. Despite some difficulties and concessions, Blair at least temporarily proved able to realize his goal of ending the identification of Labour as a party that represented the particular interests of the trade union movement. He went far beyond 1980s Labour leader Neil Kinnock's strategy of 'moving back to the centre'⁹⁸ towards the consolidation of the 'Thatcherite paradigm'⁹⁹—the continuous reproduction of the hegemony of neoliberalism.

4

The Australian Labor Party

In this chapter, I analyse the Australian Labor Party's (ALP) embrace of neoliberal policies under the governments of Bob Hawke (1983–91) and Paul Keating (1991–96). The ALP of the 1980s had come to have a leadership committed to pro-market reform, much like the 1980s Labour government in New Zealand and the 1990s Labour government in Britain. However, the Australian Council of Trade Unions (ACTU) maintained an influence within its historic party, which the unions of New Zealand and Britain both lost within theirs. I analyse how this influence affected policy outcomes, particularly within the realm of industrial relations. Through the relationship with Labor governments known as the Accord, the ACTU obtained a temporary 'breathing space' from the results of financial deregulation which New Zealand unions did not obtain during the 1980s and which British unions did not obtain under Tony Blair.

The chapter is divided into two sections. The first section analyses the Labor Party's economic policy choices—its abrupt switch from Keynesian expansionism to a preoccupation with fighting inflation via the reduction of real wages and government expenditure, and with financial deregulation, as a response to economic crisis. It also discusses why the ALP agreed to the Accord and what the results were in terms of industrial policy and how its social policy marked no great departure from prior Labor governments despite changes in the direction of greater means-testing. The second section explains the historical role of state-administered conciliation and arbitration in Australia and dissects union–labour–party relations—specifically, how the ACTU's strong internal organizational capacity and its promotion

of an overtly political, rather than purely economic, 'strategic unionism' rendered it a credible partner to the ALP. The outcomes of union strategy through the Accord are then evaluated, with reference to the New Zealand Labour experience of the 1980s in particular.

Policy changes

Economic policy

By the time of the 1983 election that returned the ALP to federal office, the party's image—if not structure—had moved significantly away from its trade unionist roots. The leadership had been influenced by polls, which indicated that the unions were seen as 'authoritarian, undemocratic, and uncaring of the public interest'.¹ Hawke and his colleagues, despite their union roots, did not stress their link to this apparent liability while campaigning. Courting business and the media in the run-up to the election, they put forth an image of themselves as 'responsible economic managers', opposed to the 'profligacy' of the last Labor government (1972–75) under Gough Whitlam.² As Labor's identity as the political expression of the union was minimized, so were 'socialist' ideas of planning and government intervention into the market. Over the previous 60 years, the ALP had frequently rewritten its official and avowedly socialist 'Objective'; in Labor's 1982 platform, the socialist aspects of the Labor Objective were watered down virtually to the point of dissipation.³ The party's economic platform stressed the need 'to reject the policies of contraction and embrace the policies of expansion with the goals of restoring economic growth and the simultaneous reduction of inflation and unemployment'; specifically, the goal was to restore economic growth to 5 per cent annually and create at least 500,000 jobs by the third year of the Labor government.⁴ 'Policies of expansion' were to include increased expenditure to improve social infrastructure and infrastructure for industry and defence, so as to raise the productivity of private investment and improve the competitiveness of Australian industry.⁵

Labor had returned to power in the midst of an economic crisis, with a \$9.6 billion budget deficit inherited from its Liberal predecessor. Like New Zealand, Australia at that time experienced high unemployment—up to 11 per cent—and inflation. Both economies

relied on commodities for exports and protected their inefficient manufacturing sectors; given Australia's small domestic market and the growing scale and transnational links of capitalist firms elsewhere, protectionist measures were no longer effective in advancing capital accumulation and maintaining profit rates. Long-term declines in commodity prices led to declining terms of trade, thereby precipitating a major external trade imbalance. Australia had traditionally relied on foreign investment to cover a balance on current account deficit, which in 1982–83 was A\$6.6 billion. Australia's foreign debt at that time was 14 per cent of GDP.⁶

In the Hawke government's first two budgets, reducing unemployment was considered a high priority and led to an expansionary fiscal policy. As a percentage of GDP, budget outlays increased from 28.8 per cent in 1982–83 to 29.9 per cent in 1984–85—a percentage higher in relation to GDP than in any other year since the Second World War.⁷ But the government's economic policies were also characterized by a more neoliberal bent than those of prior Labor governments. Two days after the government's election, hostile world financial markets led the government to devalue the Australian dollar by 10 per cent. In December 1983, the government floated the dollar, thereby giving unpredictable currency markets increased power over government economic policy.⁸ It was Treasurer Paul Keating—who would become prime minister in 1991⁹—who spearheaded this policy, overcoming significant opposition within the parliamentary wing of the ALP. Keating claimed that rising speculative activities and the power of international financial institutions made it impossible for Australia to maintain a managed exchange rate; he and his co-thinkers also believed this policy shift would have the 'positive effect of ensuring Australia's rapid integration into the harsh realities of global competitiveness'.¹⁰ This move towards financial deregulation represented a fundamental break with traditional Labor practice.

In 1984, Australia dramatically recovered from recession with real GDP growth of 5.4 per cent. But investment was not yet making a positive contribution to that growth; business asserted that it needed a lower budget deficit, reduced expenditure, and greater incentives—including tax reduction—as prerequisites for serious investment. Export markets were growing too slowly and not enough was being done to make Australian industry more competitive internationally. Though Labor won office promising expansionary fiscal policies

which would cost an estimated net \$1.5 billion (less than 1 per cent of GDP) in the first full financial year of government, the Labor government's actual fiscal policies were characterized by restraint. The Treasury under Keating maintained that large deficits and an expansionary fiscal policy would drive up interest rates and retard economic growth, while tight monetary policies and the cutting of expenditure would promote recovery.¹¹

During the 1984 election campaign—which was held 18 months early—Hawke promised that budget revenue, expenditure, and the budget deficit would not increase as a proportion of GDP, nor would government spending increase any faster than the rate of national economic growth. As the Hawke government was elected at the end of the recession, it was able to ride the crest of economic recovery, and hence more resources were available to ease the process of restructuring. As real economic growth expanded public revenue, the costs of industry plans and support for exports were met without solely shifting funds from some programmes to others.¹² But between January 1985 and August 1986, the financially deregulated Australian economy underwent a 38 per cent currency depreciation and a balance of payments crisis, with the current account deficit rising to 6.3 per cent of GDP. This arose from the pressures of worsening terms of trade, rising imports, and the cost of servicing foreign debt. Industry Minister John Button claimed that there was a real possibility that the International Monetary Fund (IMF) would intervene in Australia just as it did in Britain during its currency crisis of the 1970s under Labour Prime Minister James Callaghan. In May 1986, Keating warned that Australia would become a 'banana republic' unless resources were shifted strongly to the traded goods sector—export and import competing industries. Acceptance of the depreciation of the Australian dollar would, it was argued by the Treasury, encourage the transformation of Australia into a competitive producer and exporter of high value-added manufactured products and services.¹³

Federal government (Commonwealth) outlays fell from 28.9 per cent of GDP in 1982–83 to 23.7 per cent in 1989–90, largely as cuts to grants to other governments.¹⁴ From 1988–90 until the next recession, the Australia Labor government proudly budgeted for surpluses; in practice, it was even more monetarist than the Thatcher government in Britain, despite its lack of interest in open preaching of the monetarist gospel. Despite bitter battles within the ALP, the Labor

government followed the Treasury's other recommendations and deregulated the banks, invited foreign banks to begin operations in Australia, and tariff protection for manufacturing industries (automotive, steel, textiles, clothing, and footwear, in particular) was reduced so as to facilitate their restructuring, despite the large job losses that resulted in traditional Labor electorates such as the northern suburbs of Melbourne.¹⁵ The company tax rate and the top marginal tax rate for personal income were both cut. Extensive modification of the public sector was pursued via taking ideas and models from the private sector. By 1990, Qantas and the Commonwealth Bank, both major state companies, were privatized, and the state-owned telecom monopoly was broken up; concurrently, the number of public sector employees steadily fell.¹⁶

Private sector investment was supposed to surge into productive export industries as a result of these market-enabling reforms. However, substantial problems emerged as a result of deregulatory policies. As Wiseman summarizes:

much of the surge was into an orgy of unproductive (and in some cases criminal) financial speculation, company takeovers and other 'get rich quick' schemes. Such speculative investment actually made the balance of payments problems worse as large sums of money were borrowed abroad, leading to a sharp rise in private sector foreign debt. Throughout the latter part of the 1980s the terms of trade continued to worsen, imports continued to rise and inflation was again becoming a problem. The choice of high interest rates to slow economic growth accelerated and deepened the recession of the early 1990s.¹⁷

Not only did Australia's image suffer from 'the financial excesses of the greedy speculators and the sloppy banks',¹⁸ but by 1993 official rates of unemployment rose to over 11 per cent, the highest levels since the Depression; almost one million Australians were unable to find work, with many others forced into low-wage, insecure casual employment. Although 1992 saw the Labor government expand public expenditure in infrastructure development, education and training, and community services, its White Paper on Unemployment in May 1994 still defined the key answer to unemployment in terms of eliminating the barriers to making Australia competitive in

the global marketplace.¹⁹ Though the number of students in tertiary education increased by 44 per cent between 1987 and 1995—with the government pursuing the goal of increasing the Australian workforce's skill level—this was paid for not by increased taxes on business but by students themselves via a 'graduate tax' paid upon the taking up of full-time work.²⁰ When economic recovery began in early 1992, business was the primary beneficiary: company profits doubled from 1992 to 1994 while corporate taxes were again reduced, and unemployment remained at a level of 8 per cent or so.²¹

Labor's economic strategy, then, under both the Hawke and Keating governments, was one of liberalization akin to the strategies of the New Zealand Labour government of Lange and the British Labour government of Blair, albeit less philosophic in its nature and more evolutionary and pragmatic.²² The ALP's plans in 1983 were based on Keynesian-style expansionism to promote growth and employment. Very quickly any lingering attachment to Keynesianism was overtaken by international pressures and all faith was put in making exports more competitive as a means of curing Australia's economic woes—by means of 'economic rationalist', neoliberal policies, albeit with ad hoc state interventions to secure the future of specific industries (subsidies for Kodak, support for Du Pont's takeover of Fibremakers in 1990, a series of changes in media ownership rules).²³ The most influential sections of the federal bureaucracy were the most committed to neoliberalism, echoing the strongly neoliberal world view of the New Zealand federal bureaucracy in the 1980s. But the more consultative approach of the ALP 'allowed that even its Treasury or Cabinet could make errors' and ensured that the government would not follow the '[Roger] Douglas blitzkrieg approach' of implementing economic adjustment.²⁴

Industrial policy

The Hawke government made arrangements with Australian unions in order to make certain that economic growth would not be cut short by strong wage rises and inflation.²⁵ These arrangements took advantage of the industrial relations system that had existed in Australia since 1904. Many unions were organized on a craft basis; wages and conditions were regulated through legally enforceable awards made by industrial tribunals; individual enterprises were often characterized by multiple awards, the presence of multiple unions,

and clear job delineation; the possibility existed for over-award payments and enterprise agreements that differed from existing awards; wage relativities were important and fairly stable; and the government operated a public job placement service.²⁶

Unlike the New Zealand or British labour parties, in the years immediately prior to the ALP's election, the party had begun to cooperate closely with its affiliated unions. That the unions would be consulted by the Labor government is not entirely surprising, given that Hawke was the former ACTU president. While in Britain it was not until 1994 that a Trade Union Congress general secretary even spoke at any event at a Labour Party conference, Hawke had been simultaneously president of the ACTU and national president of the ALP from 1973–78, chairing the party's national conferences and acting as its official spokesperson. Hawke knew quite well that industrial disputation could damage a Labor government—he had been responsible for leading such disputation under Prime Minister Gough Whitlam, with over 30 million working days lost during 1974 alone. No real social contracts of any substance were negotiated between the ALP and ACTU during the Whitlam years, and the government made little effort to develop an effective working relationship with the unions. ACTU representatives also found that their access to Whitlam through the Australian Labor Advisory Council (ALAC)—a liaison body founded in the late 1930s—was quite minimal.²⁷

Hawke was determined to co-opt his successors in the ACTU leadership into the higher ranks of his own government's policy-making in order to prevent disputes.²⁸ This contrasts with the lesson that British Labour Party leaders took after the public sector unions' strike over wage claims in 1979—that the marginalization of the labour movement's influence was necessary to ensure a Labour victory at the next election—and with the determination of the 1980s New Zealand Labour government to keep unions far away from any influence over economic decision-making. As a result of this close relationship, the ALP's electoral programme committed the party to a prices and incomes policy and an essentially corporatist approach to policy-making. The initial version of the document, which spelled out ACTU–ALP policy objectives on numerous issues, the 'Accord', guided the Hawke government's actions regarding incomes, prices, employment, industry development, government spending, and taxation.²⁹

Politically, the point of the Accord was to allow the Labor government to preserve some control over the labour market while allowing the ACTU to have some influence over government policy.³⁰ In economic terms, it was part of a strategy to simultaneously reduce unemployment and inflation. The government agreed to commit to a centralized wage system with wage indexation;³¹ provisions to prevent non-wage incomes from rising faster than wages; price surveillance; tax reform; intervention in industry to improve economic performance and create jobs; a universal health insurance proposal; and the annulment of anti-union legislation. The unions, in turn, agreed to moderate the growth of award wages, that is, 'extra claims' outside the wage principles determined by the federal arbitration commission, and to take into account government economic policy when preparing wage claims.³² Despite the emphasis in the original Accord on both the maintenance of real wages (which would improve 'over time') and the 'social wage', and even on the abolition of poverty (which was presumed to be coextensive with unemployment), as Beilharz wrote in 1985:

The Accord also claims to address the question of equity, yet this problem is clearly beyond the scope of a wages deal based on indexation, which leaves the question of income distribution and relativities untouched... the different subtexts of the Accord bear no necessary relation to each other, are written in without guarantee; so, for example, the Accord's proposition to restructure taxation progressively and to shift away from indirect taxation, a clause clearly inserted at the behest of the ACTU, floats freely in the text, unsecured by mechanisms which might guarantee its implementation... the Accord, then, contains at least three, largely independent subtexts—a bottom line, concerning wages; an intermediate level, addressing issues like taxes and health and safety; and a maximum programme, involving claims like the abolition of poverty... In terms of practical results it has been the lowest common denominator—the wages/prices deal—which has become the effective reality of the Accord.³³

The National Economic Summit Conference of April 1983, which launched the Accord, was a 'brilliantly orchestrated... public relations coup, which effectively developed the Accord... by extracting

capital's consent to the arrangement'.³⁴ Representatives of state governments and the national government, business, and labour, as well as other 'interest groups', attended the conference to present their views on how to achieve economic recovery. The conference proved to be a clever political device, as it secured the acceptance by employers of the principles of the Accord, despite their lack of involvement in its negotiation and despite the lack of formal support by the Confederation of Australian Industry (CAI), the major employers' federation.³⁵ Notably, in the 1980s the ALP governed in almost all states, ensuring that the Accord met no significant resistance within the political system.³⁶ This greatly contrasted with the New Zealand Labour government's approach to industrial relations at the time, which was to dismiss any suggestion of a corporatist arrangement, to severely circumscribe the role of the compulsory arbitration system, and to attempt to move towards more decentralized collective bargaining. The Australian Labor government opted to embrace the union movement, corporatism, and the compulsory arbitration system.³⁷ Unlike its New Zealand equivalent, and unlike Tony Blair's New Labour government in Britain in the 1990s, the ALP leadership was interested in ensuring *overt support* by the unions for overall governmental policy.

At first, the Accord seemed to be wholly positive for workers. Unemployment fell from 9.9 per cent in 1983 to 7.9 per cent in 1985. Unit labour costs fell while retail sales and private investment both increased. Profits increased while, via indexation, the wages of at least the best-placed workers were effectively maintained. At this early stage, the left wing of the ALP spoke of the 'potential' of the Accord and argued that it could function as an Australian version of the Alternative Economic Strategy put forth by the left wing of the British Labour Party.³⁸ But some on the Australian left believed that the Accord was little more than a means by which business—and the Labor Party leadership—could domesticate the unions and gut working-class living standards in the name of achieving economic recovery. Comparisons were made to the British Social Contract between 1974 and 1978, which restrained wages and discouraged workplace union organization.³⁹

Under the Hawke government, Australia began experiencing a clear decline in its terms of trade. Foreign debt exploded, from \$A23.3 billion in 1983 to \$A108 billion in June 1989. The current account

deficit on the balance of payments worsened, reaching 6.3 per cent of GDP in 1985–86, a consequence of Australia's high proportion of raw materials in exports and its propensity to rely on foreign capital to sustain local capital accumulation.⁴⁰ Inflation also continued to be a problem. This led to 'Accord Mark II', which focused on wage restraint and the improvement of productivity through microeconomic reform. It also initiated a shift—realized in subsequent Accords—towards more decentralized bargaining, to streamline and reduce the number of award classifications, that is, job categories for the purposes of pay and conditions. This made possible the removal of 'restrictive work practices' such as standard working hours, seniority, demarcations between duties of different categories of workers, and established staffing ratios, and the achieving of savings through the intensification of labour. In 1988, centralized wage fixing based on partial cost of living adjustments was replaced by the requirement that wage increases could only be achieved in return for productivity trade-offs.⁴¹

By the late 1980s, the Business Council of Australia (BCA) had taken a position strongly in favour of decentralized enterprise bargaining and for weakening the role of arbitration tribunals. This view became dominant among Australian employers, including ones which had previously supported centralized bargaining. The Labor government was attracted by the BCA version of industrial relations reform, though its links to the unions limited the degree to which it could make it a reality.⁴² But the role of arbitration tribunals did change under Labor. The federal Industrial Relations Commission (IRC)—which replaced the Arbitration Commission and had wider powers—made a national wage case decision in October 1991, which focused nearly exclusively on wage increases being negotiated at the level of the individual enterprise. Between 1992 and 1996, the IRC lost any power to seriously affect the content of enterprise agreements. The role of awards was reduced to that of a 'safety net'; though employees covered received some modest wage increases via national wage adjustments determined by the IRC, these lagged considerably behind increases through enterprise bargaining.⁴³ In 1993, under Prime Minister Keating, the Labor government further encouraged enterprise bargaining by amending the federal arbitration legislation to allow non-union bargaining, thereby undermining the unions' prior privileged position in bringing industrial issues before the

federal tribunal.⁴⁴ Australian unions thus lost their monopoly on bargaining rights.

Over time, with each new version of the Accord, more trade unionists came to think that the arrangement had degenerated into merely a way to control wages, as major initiatives on such matters as industrial democracy—upon which the Labor government had published a discussion paper in 1984—vanished from the agenda.⁴⁵ Paid real wages did in fact fall by 6 per cent between 1983–84 and 1989–90, while the Gini coefficient for households' gross income rose from 0.40 to 0.43 between 1981–82 and 1989–90.⁴⁶ Contrary to the Accord's initial promise, then, real wages did not improve 'over time'. Furthermore, under the Keating government in particular, industrial relations moved towards greater labour market deregulation and decentralization, which cleared the way for work intensification. Overall, one can make a convincing argument that Australian workers did not do all that well out of the Accord. That said, the process of industrial relations reform in Australia was slower and more complex than in New Zealand, a result of 'the battle between corporatism and economic rationalism' embodied by the Accord.⁴⁷ Even after the 1993 Industrial Relations Reform Act, which cut coverage of the arbitration system to a handful of conditions, collective bargaining still covered a higher proportion of the Australian workforce than the New Zealand workforce.⁴⁸

Social policy

As in New Zealand in the 1980s, social policy in Australia was generally reactive rather than proactive, attempting to maintain existing levels of social protection despite an increasing welfare clientele and the opposition of capital markets to high levels of expenditure on health and social programmes.⁴⁹ There was, however, one great exception to this rule: in February 1984, the Hawke government introduced Medicare, a public health insurance scheme. It was compulsory for all Australians and was financed by a 1 per cent tax levy on incomes. It included an 85 per cent rebate on medical bills and free treatment at public hospitals when treated by a doctor appointed by the hospital, though in 1991 the government tried unsuccessfully to introduce fees. Medicare provided universal access to high-quality health care at least cost and was consistent with the aims of traditional Labor social policy.⁵⁰ Secondly, in

1992 the Keating government introduced legislation that required all employers to make a minimum contribution on behalf of their employees' salaries into private superannuation funds. This set-up included industry-based schemes involving unions, though a single central fund administered by the federal government was not created, despite union hopes. Superannuation benefits not only focused on workers in the paid workforce but also extended occupational pension schemes to women and low-income earners. This at least partially offset the increase in social inequality associated with the government's deregulatory policies.⁵¹

Other social policies were more consonant with Labor's adoption of economic rationalist policies, as benefits were made more selective. Though Labor kept its promise to increase and preserve the single-aged pension at 25 per cent of total male average earnings, this was funded by the reintroduction of the means test for those over 70 (in 1983) and assets testing (in 1985). Despite significantly increased funding for child care, families with over A\$50,000 in household income were excluded from the child care allowance.⁵² Combined with the graduate tax on higher education, fiscal drag (notwithstanding income tax cuts), and a move towards indirect taxation, many workers with moderate incomes had to pay for improvements in health, education, and welfare spending through higher taxes. Between 1983 and 1988, tax rates for those with an income of between 50 and 75 per cent of average weekly earnings declined, but for those with average weekly earnings it increased and those with double and quadruple the average received tax payment cuts.⁵³ From Labor's election in 1983 until the end of the 1980s, spending on social welfare transfers gradually declined in both real and GDP terms, reflecting a comparable decline in beneficiary numbers as a percentage of the population. A major decline (33 per cent) in unemployment benefit recipient numbers more than offset increases in the numbers of disability support and sole parent pensioners.⁵⁴

Despite programme cuts, however, the *distribution* of spending and cuts did not mark a break from a traditional social democratic ethos. Between 1983 and 1992, in education, health, social security, and housing, new programmes offset cuts and expanded overall outlays.⁵⁵ In 1985, the tax net was broadened through the introduction of capital gains and fringe benefits taxes, and in 1989 the government moved to tax some foreign-source income. Strong opposition from

the unions and the ALP left rebuffed then-Treasurer Keating's attempt to establish a new broadly based consumption or value-added tax.⁵⁶ Later, in the 1993 election, Keating strongly opposed the Liberals' promise of introducing a comprehensive consumption tax. At least up until 1992—after Keating became Prime Minister—the Labor government was willing to redistribute some of the social costs of economic adjustment. A case can be credibly made, then, that Labor in government led to a modest renewal of the Australian welfare state.

Union relations with the Labor Party

The influence of industrial conciliation and arbitration

The story of the Australian compulsory arbitration system is much the same as that of New Zealand. Federal arbitration legislation was enacted in 1904, and compulsory arbitration was introduced at different times in the various Australian states.⁵⁷ Despite an initial ambivalence in the attitude of labour leaders to arbitration courts and processes of labour law, most soon decided that arbitration's spur to the growth of trade unionism—union density reached 60 per cent by 1951—and its provision of a minimum guarantee of industrial conditions—to weaker unions in particular—was sufficient to make it desirable.⁵⁸ For several decades, as in New Zealand, most union leaders—and employers—agreed that wage levels should not be determined purely by market forces, or 'through the cut and thrust of class conflict', but instead through a 'quasi-judicial process'.⁵⁹

However, as in New Zealand, the special legal recognition awarded to Australian unions brought with it a set of legislative constraints that defined their existence narrowly. They operated under strictly defined membership rules, which ensured a proliferation of small unions and an array of unions in any workplace; their financial resources were controlled by state limitations on membership fees; and they were heavily restricted in their range of bargaining issues. Strikes were prohibited, and the state could deploy a wide array of sanctions against striking unions, including monetary fines and the withdrawal of union registration under the arbitration system—that is, the dissolution of the union. Further, a narrow syndicalist perspective, concerned only with wages and benefits, was dominant in the Australian union movement as in that of New Zealand, reinforced

by the relative absence of labour-party governments after the Second World War.⁶⁰

It was after the mid-1970s that divergences between the two cases in bargaining structures and union strategy began. While in the 1960s and early 1970s decentralized bargaining at the industry, company, or workplace level outside the arbitration system had become more important in both Australian and New Zealand, this trend was reversed in Australia in 1975. There were various reasons for this. The end of full employment no longer made it easy for unions to put pressure on employers to offer wages and conditions better than those provided; the introduction of wage indexation strengthened the authority of the Conciliation and Arbitration Commission; and legislation was enacted by the Australian government to enforce greater observance by unions of regulations and awards under the Conciliation and Arbitration Act through stronger fines and penal provisions.⁶¹ This restoration of centralized arbitration contributed to the strengthening of the ACTU, through its coordination role at an industry level and its role in national wage cases. Mergers with white-collar peak organizations in 1978 and 1981⁶² and the ideological reconciliation between left- and right-wing forces within the labour movement also helped the ACTU grow in authority. Also of relevance was that the ACTU, unlike the New Zealand FOL, had established a research secretariat as early as 1959, when it employed an economics and law graduate: Bob Hawke. When Hawke became president of the ACTU in 1969, this research expertise expanded. By the late 1970s, union leaders with university qualifications were starting to take on crucial positions.⁶³

These factors led the Australian labour movement to become somewhat more cohesive and united than the New Zealand labour movement in the late 1970s and early 1980s. The ACTU began to cooperate more effectively with the Labor Party, and the Party became receptive to the possibility of a corporatist relationship. The ACTU demonstrated both a similar interest and an organizational capacity to move in a corporatist direction. It was no longer purely interested in the defence of wage rates; in the face of rising unemployment, unions became interested in taking on matters to do with social policy, which were traditionally considered 'beyond their turf'.⁶⁴ At the same time, as shown previously, the New Zealand labour movement remained essentially disunited and, apart from a few individuals, was

not ready to participate in corporatist arrangements, nor—with the FOL's organizational weakness—did it have the capacity to do so.⁶⁵ Furthermore, although both the ALP and the NZLP had seen declining numbers of manual workers and union officials who became parliamentarians, Australian unions remained closer to their historic party than New Zealand unions did to theirs because Australian unions did not undergo the process of depoliticization that characterized New Zealand unions. Former union officials assumed senior policy positions in the ALP; in the NZLP, no similar process took place.⁶⁶

Union strategy through the Accord

With the election of the Hawke government, the ACTU leaders gained unparalleled authority at the federal level of Australian politics, through representation on bodies such as the Economic Policy Advisory Council and direct access to key Labor ministers during the preparation of the annual federal budget and labour legislation.⁶⁷ Hawke's pledges in the Accord—to fight unemployment, increase social spending, and preserve wages in cooperation with the ACTU—seemed credible and attractive to Australian workers after the Liberal/National government's attacks on the unions, working-class living standards, and the record of unemployment of 1982–83.⁶⁸ A broad range of tripartite economic and industry consultative forums involving government, union, and business spokespersons were established.

It is generally agreed by commentators that union strategy went through a fundamental change by the late 1970s. After the fall of the Whitlam government, the ACTU began to distance itself from pure distributive bargaining and the attitude that inflation was solely the 'bourgeoisie's problem'.⁶⁹ Rising unemployment led to increased interest by the unions in social and industry policy with an aim towards economic growth. By the time of election of Labor in 1983 Australian unionism seemed to have transcended its narrowly economic 'labourist' past and embraced a 'political unionism', which would improve the wages and conditions of workers by affecting state policy and legislation, not merely by collective bargaining. This political unionism produced the Accord agreement with the ALP. The Accord's most enthusiastic supporters in the union movement saw it as a means towards turning Australia into a sort of southern

Sweden, where high value-added manufacturing exports were combined with humane social policies.⁷⁰ This goal was not reached, despite the differences between Australian Labor and New Zealand Labour in power in the 1980s. Some unionists' hopes that industry policy would play a central role in the Accord and erode managerial prerogatives over investment were quickly disappointed.⁷¹ What occurred was that an accommodation was reached between the government and the unions within the framework of making the Australian economy more competitive—that is, of promoting capital accumulation in Australia—despite the fact that business was not involved in the Accord and did not trust the Accord style of politics. This did not mean that the unions simply 'played dead' for the sake of business; as McEachern summarizes:

The ACTU did not give up its role of representing the claims of workers nor did it passively concede to business what ever business wanted but it did change the framework within which these claims were recognized and pursued. Both the ACTU's goals and methods (such as the pursuit of national superannuation funded from productivity increases) were sufficient to upset sections of business and business organisations. Nonetheless, while pursuing its objectives, ACTU strategies made room for business to increase profits and to pursue growth and investment. Indeed, the accommodationist stance of the trade unions, with an emphasis on productivity bargaining, award restructuring and union amalgamations shifted the debates between capital and labour more firmly in the direction of capitalist development than before.⁷²

Leading union figures agreed with the Labor governments that questions of profitability and competitiveness were primary. In 1989, ACTU secretary Bill Kelty argued that the economy was in good shape because the profit share had shifted back; seeing employer organizations as 'hopeless' and 'troglodyte', he saw the union movement as a sort of saviour for Australian capitalism, accepting it 'not only on the basis of money being put into the hands of employers, but on the basis of money being put into the hands of employees so they can employ people'.⁷³ But at the same time, the unions' support for the Accord was premised on the belief that workers generally would

benefit from higher rates of economic and employment growth and that wage restraint would be counterbalanced by supportive social wage policies, industry policy, and favourable industrial relations reforms.⁷⁴

The first incarnation of the Accord, in 1983, initiated a new incomes policy in which wages were very strictly regulated under a new form of wage indexation administered by the Conciliation and Arbitration Commission. It was strongly supported by the ACTU, which wanted indexation to maintain real wages. In practice, the policy was effective in promoting wage restraint, which enabled rapid employment growth. This apparent success helped the Hawke government deflect union demands for industry policy.⁷⁵ From 1985 through 1996, the agenda of the Accord progressively narrowed, in a sequence which echoed the deterioration of incomes policies in Britain under Labour governments between 1964 and 1979.⁷⁶ The Accord Mark II (1985) began this process, as the partners debated the effects on the Consumer Price Index of the sharp depreciation of the Australian dollar and whether this should be considered in the wage indexation process. The ACTU agreed to discounting for international factors—a major concession that would be compounded in subsequent rounds of the Accord.⁷⁷

In a situation characterized by degenerating terms of trade, a growing foreign debt and inflation, many of the unions' hopes for the Accord were dashed. The continuing balance of payments crisis exerted great pressure, with the ACTU leaders realizing that they could not expect the government to continue to agree to full indexation. In response, rather than allowing the Accord relationship to collapse, the ACTU offered a modified approach, which involved a two-tiered system of generalized wage increases from national wage cases and a second tier of specific increases for increased efficiency. In March 1987, the Arbitration Commission adopted this proposal. The unions were unable to prevent the government from announcing major tariff reductions in May 1988; this undermined the industry plans that were established in the Accord's early years. They were, however, able to ensure that the 1988 Industrial Relations Act was designed to meet the ACTU's desire to restructure the union movement into a small number of large industry unions (in contrast to the employers' desire for enterprise bargaining).⁷⁸ The ACTU also offered a detailed strategic plan for addressing Australia's economic woes,

entitled *Australia Reconstructed*. Hampson and Morgan summarize the plan:

[It] advocated recasting Australia's chaotic pattern of over 300 occupational and general unions to German-style industry unionism. It also advocated reforming Australia's skill formation and training system, in particular shifting from 'front-end training' to 'lifetime training' In lifetime training, continual upskilling required major changes to awards, in particular the construction of skill-based career paths. This would become known as 'award restructuring' Workers' skills would be 'objectively' determined by competency testing, rather than time served, or employer favoritism, and pay would be linked to skills acquired, rather than used. A national system of accreditation would help retain, recognize, and transfer skills otherwise underutilized as industries restructure. National reference points for training, policed by a National Training Board (NTB), would help prevent workers being immersed in an organizational culture controlled by their employer, at the expense of solidarity with their union.⁷⁹

Australia Reconstructed argued in favour of 'the Swedish Third Way or Rehn-Meidner model' and 'Austro-Keynesianism' and 'revived the issue of industrial democracy', but in doing so it '[flew] in the face of Canberra policies'.⁸⁰ It ran up against strong employer opposition and little interest from the Labor government, which became increasingly interested in industrial relations decentralization via enterprise bargaining, which would basis wage rises purely on increased productivity. Surprisingly, the ACTU accepted the idea that wage rises should be at least partly contingent on 'productivity offsets', and the fourth version of the Accord made wage rises conditional on union cooperation in award restructuring. The union leadership was not abandoning political unionism; during Accord Mark IV negotiations in 1988, it was at least implicitly trying to bring about the creation of a Euro-Scandinavian-style 'human-centered' form of work organization, which would provide workers with necessary skills.⁸¹

By 1989, the union leaders came to accept enterprise bargaining as an inevitability, but believed they could shape this move towards radical decentralization in union-friendly ways. They believed they could achieve a 'managed decentralism' in which a 'floor of rights'

could be maintained and greater workplace bargaining could raise union visibility and boost union membership. But as the Business Council of Australia's strong support for individual contractualism and the abolition of arbitration became the mainstream position among employers and was embraced by the most influential sections of the federal bureaucracy, the course of reform proved to be beyond the unions' control. Most notably, in 1993, under the new Labor Prime Minister Paul Keating, the government further encouraged enterprise bargaining by amending the federal arbitration legislation to allow non-union bargaining. The Industrial Relations Reform Act undermined the unions' prior privileged position in bringing industrial issues before the federal tribunal. Employers could now negotiate collective agreements (enterprise agreements) directly with employees and have them certified without unions being involved. Australian unions thereby lost their monopoly bargaining rights.⁸² The political pressure that unions mounted on the government in opposition to non-union bargaining proved to be insufficient, and the fact that such provisions were raised at all illustrates the waning of the unions' power within the Accord. Neoliberal reforms introduced at the state level encouraged such developments at the federal level; conservative coalitions won office in many states in the early 1990s (New South Wales (NSW) in 1990, Victoria in 1992, South Australia and Tasmania in 1993, Western Australia in 1994), implementing radical new labour laws characterized by anti-union measures and individual employment contracts.⁸³

Enterprise agreements acted to eliminate common conditions for people doing the same work, and commonly resulted in longer working hours, increased use of shift work, more casual and part-time employment, and fragmentation of workplace unionism and redundancies. Between 1992 and 1996, the Industrial Relations Commission gradually lost any genuine power to affect the content of enterprise agreements. Though awards still operated, their role was reduced to that of a safety net. Employees covered by awards received modest wage increases through national wage cases, but such increases lagged notably behind those available through enterprise bargaining. As Hampson and Morgan note, wage restraint made workers more receptive to wage rises delivered via such mechanisms as individual contracts, where employers could create and exploit a

wage differential between unionized and non-unionized labour. This contributed to a drop in union membership.⁸⁴

The ACTU did not provide wholesale resistance to such attacks on the award system and working conditions. Largely this was because it hoped to pre-empt an even more extreme version of labour market deregulation of the sort introduced in New Zealand under the National government via the Employment Contracts Act of 1991. Union leaders were afraid that if they broke off from the Accord, the result would be the end of the ALP government and the loss of the ACTU's privileged position in Australian politics. Moreover, the union leaders feared that if the Accord collapsed a conservative government with 'distinct Thatcherist overtones' would be the result.⁸⁵ Bargaining changes, which were implemented by the government, went sharply against the union movement's basic interest in preventing the segmentation of the labour market and the division of organized labour, yet the unions lacked a clear alternative strategy.⁸⁶

That said, the unions were still able to fight for and win legislative concessions such as the introduction of federal unfair dismissal provisions and other employment rights. They were able to blunt some of the practical effects of non-union enterprise agreements by ensuring that the legal procedures for certification were very complicated. In practice, unions remained the primary representatives of workers when collective bargaining occurred.⁸⁷ The changes in the arbitration system were more incremental than revolutionary; links with the established state-regulatory structure were preserved with the continued operation of awards and periodic wage adjustments available to workers, particularly the low-paid ones, in sectors where enterprise agreements were not on offer.⁸⁸ Even after the ALP lost the federal election of 1996, unions were still able to blunt the sharpest edges of the neoliberal trend in the party. For example, New South Wales Labor leader Bob Carr may have supported the economic policies of the federal Labor governments, but in 1997 the unions swayed his state government to repeal existing industrial legislation that stressed enterprise bargaining at the expense of both the state industrial tribunals and the unions. This experience provides evidence that the union movement's traditional view of the role of the state persisted despite the Hawke-Keating governments' emphasis on market forces.⁸⁹

Assessing the Accord

Critics of the Accord have characterized it as an 'engine of wage restraint' and a conduit for economic rationalism from the ALP leadership to the base of the labour movement, as—in the face of economic crisis and militantly right-wing employers pressuring the government—the course of economic reform ran beyond the unions' abilities to control it.⁹⁰ When wage increases did occur, they point out, it was through a centralized process that did not directly involve the participation of the union ranks, and while the actual reduction of real wages through the 1980s is debated, all Australian commentators claim that they fell by somewhere between 2 and 10 per cent. According to Chris Lloyd, national research officer for the Amalgamated Metal Workers Union (AMWU)—a union which had been key in formulating demands that led to the development of the Accord⁹¹—the Accord removed from workers 'the belief that they actually have some power in the wage-fixing process... [this] has led a lot of them to be somewhat uninterested and cynical about the way industrial relations operates', even if they believed that a centralized wage-fixing system was still necessary to guarantee wage protection.⁹²

Accord critics have also noted that the ACTU did little to oppose the privatizations that occurred under the ALP. The Labor government privatized a shopping mall in Canberra in 1985, and two years later the Williamstown Dockyard in Melbourne was sold. Little outrage was expressed in either case, except by the union concerned at the dockyard when all its members lost their jobs. Opposition to privatization by the unions was confined largely to the passage of resolutions at ACTU and ALP congresses. The government ignored these resolutions and approved the partial privatization of the Commonwealth Bank in August 1990, allegedly to prevent the state bank of Victoria from collapsing. What remained of the Bank was sold in 1993 and 1996. The publicly owned domestic airline was ultimately sold to private interests in 1995. Other state enterprises such as Australia Post and Telecom (now Telstra) were made to run along commercial lines. By the time of the 1996 election, both Labor and the conservative Coalition Party had identical privatization policies, save that the Coalition promised to privatize 30 per cent of Telstra, while Labor promised not to do so.⁹³

Some have argued that a more militant and confrontational strategy by the unions, independent of government economic and industrial policies and with an alternative policy package ready, might have done more to stave off the neoliberal trend than did the Accord. Kuhn claims:

it seems plausible to argue that given the international economic recovery and in the absence of the Accord, Australian workers could have achieved higher real wages during the 1980s, through confrontations with employers and possibly governments. These circumstances were much more propitious for effective responses to problems faced by the union movement and the working class than the recession of the early 1990s The experience of industrial struggle may have its downside in terms of wages lost. But it is also the essence of self-reliant shop-floor organization, necessary to resist concerted attacks from employers, on wages, conditions and jobs. The class-wide solidarity engendered by using industrial action to safeguard workers' living standards could have defended industrially weaker workers *more* effectively than the Accord, through 'flow-ons', not only of higher wages but also of the militancy that makes them achievable.⁹⁴

That said, even if the ACTU debatably had the wrong strategy, the fact that it had a coherent strategy at all made it more effective than British unions under the New Labour government or New Zealand unions under the 1980s Labour government. The Australian unions took their special relationship with the ALP seriously and were able to negotiate effectively with the party leadership, with articulated objectives and plans in detailed, public documents.⁹⁵ Moreover, the union movement centralized itself in such a way that it was able to maintain enough influence in the ALP to at least partially counteract the middle-class character of much of the party's membership and leadership. Former ACTU leader Bob Hawke, for his part, proved willing to restrict the Labor government's autonomy in order to ensure the loyalty of the unions—even if this was largely due to his desire to ensure that the unions refrain from industrial militancy.⁹⁶ The neoliberal Labour Party leaders in Britain and New Zealand, in contrast, felt no need to worry seriously about alienating the strategically aimless union leaders of their respective countries.

Simply because the ACTU maintained a close connection with the ALP—and did not merely acquiesce to Hawke as British unions initially did to Tony Blair—the Labor government was not able to pursue full labour market deregulation as quickly or completely as the Business Council of Australia wanted.⁹⁷ Awards remained more significant in Australia than multiemployer agreements in New Zealand, as they covered a far higher proportion of employees in the former than in the latter. Moreover, there was no equivalent in New Zealand to the Australian national wage cases. Even after the ALP lost the federal election of 1996, unions were still able to defeat neoliberal economic policy proposals at the state level; most notably, a series of resolutions opposing privatization were passed at the 1997 NSW ALP conference, including the privatization of the Pacific Power company.⁹⁸ Union influence in its traditional party may have diminished, but it was not as marginalized as in New Zealand or, later, in Britain. In comparison, the Accord—and the union authority within the ALP that it reflected—appears as, if nothing else, a ‘kinder strategy’.⁹⁹

Conclusion

Despite the justified criticisms of the ACTU’s corporatist strategy during the Hawke-Keating years, one must take into account the difference between the fate of Australian unions vis-à-vis the Labor Party in comparison to their New Zealand ‘cousins’, or the Trade Union Congress under British New Labour. The ALP remained sufficiently close to the unions, both in terms of personnel and policy, to see advantages in cooperation with them, while the 1980s NZLP government and Blair’s New Labour saw the unions simply as obstacles to be overcome. Comparatively, the autonomy of the ALP government was thus restricted.¹⁰⁰ The Accord involved much wider and more substantial policy trade-offs, including commitments to job creation targets, by the Labor government than anything negotiated between the British Labour Party and the TUC from the Social Contract of the 1970s onwards, and was a relatively better deal for unionists.¹⁰¹ In addition, during the first half of the Accord, union membership was stable in Australia while it fell in New Zealand, and between 1983 and 1991, the number of union members fell 17 per cent in New Zealand while rising 13 per cent in Australia.¹⁰² Throughout the entire period of the Accord, the ALP conference delegate proportion

remained fixed at 60 per cent of delegates for trade unions and 40 per cent for ALP electorate branches. This made possible instances of successful resistance to the Labor government's neoliberal economic agenda, such as the defeat of electricity privatization in NSW, and enabled union pressure on state Labor governments towards the removal of many aspects of industrial relations legislation that handicapped unions in the state arena.¹⁰³

The ALP leadership, unlike its New Zealand and British counterparts, saw the securing of trade union support as a priority coequal with that of the modernization of Australian capitalism; indeed, the former was seen as necessary to ensure the success of the latter. It did not attempt to genuinely resist the international trend towards neoliberalism, but at least during the Hawke years under the ALP remained 'tied closely to the unions and led by a union man', and attempted to balance 'historical tradition and contemporary loyalty against what seemed to be the weight of economic evidence'.¹⁰⁴ Hence, Australia's journey to neoliberalism was slower than in New Zealand, with the consequences of restrictive monetary and fiscal policy delayed for about seven years; Labor introduced at least some progressive changes in social welfare and social legislation, such as Medicare and supplementary pensions; and party-union relations were less antagonistic than in either David Lange's New Zealand or Tony Blair's (and then Gordon Brown's) Britain. Even under Keating, when the movement to neoliberalism gathered speed, the government was still bound to consultation with the union movement in policy formation. Rather than splitting apart as in New Zealand, the ALP remained the party of Australian trade unions, structurally linked via federal and state industrial relations systems, most notably through the union vote at ALP conferences, which itself was not weakened as it was in Britain. And as the party of the unions, the ALP could not drive Australia at full speed onto the neoliberal highway, regardless of the desires of its leadership.

Conclusion

In this work, I have attempted to account for divergences in the choice of neoliberal policies by labour-party governments. I have focused upon labour parties rather than social democratic parties generally because of the particular common aspects of labour parties—they are parties that were created to be the political expression of the interests of trade unions and in which the unions had influence over party policy. The ranks of the unions affiliated to labour parties were (indirect) members of the parties, alongside the dues-paying members of labour-party branches (as they are known in New Zealand and Australia) or constituency parties (the British equivalent). Labour parties could thus be guaranteed a virtual monopoly on working-class political representation, while other social democratic parties could not be so assured.

Explanations for the embrace of pro-market policies by social democratic parties have pointed to various factors, most commonly the globalization of production and finance, the shrinking of the blue-collar working class, and the rise of so-called postmaterialist politics. The dominant theme in the literature is the transformation of these parties—sometimes called ‘modernization’—under the pressure of the global capitalist economy. Global wage competition is a reality; non-inflationary demand-led growth within single countries is no longer possible; ‘profligate governments and uncompetitive economies’ are ‘mercilessly punished’, and social democratic governments have no choice but to adapt to this reality by implementing benefit cuts, market deregulation, and commercialization and privatization of the public sector.¹

I have argued that such accounts are insufficient because they do not take two important factors into account. The first factor is the diminishing of the influence of the unions within the very parties that are supposed to be their political representatives. The second factor is the lack of a strategy by the union movement to ensure that the party leadership must listen to them and take their interests into account when formulating policies. This may be due to a long-standing lack of interest by the unions in engaging in politics (New Zealand) or a passivity by the unions, which resulted from many years of anti-union Conservative rule (Britain). In the case of Australia, the unions were sufficiently united, disciplined, and strategically minded to ensure that a Labor Party government would integrate them into the making of policy—even before the ALP took office in 1983.

Ultimately, it is union–labour-party relations which determine how marginalized the unions affiliated to labour parties can become and, by extension, how quickly the neoliberal leadership of labour-party governments can initiate—or continue and deepen, as in the British case—radically pro-market economic policies. Such parties in office also seek to extend market mechanisms into social policy and industrial relations. Effectively doing this requires blunting the ability of trade unions to affect the party programme and how the party governs. The degree to which neoliberal labour-party leaderships are able to marginalize the unions depends on whether or not the unions—through their federation—have a coherent strategy to ensure that their interests are taken seriously. This requires that the unions be politically active within their historic parties and that they be both politicized and strategically coherent *before* the labour party takes office.

The experience of the Accord between the Australian Labor Party and the Australian Council of Trade Unions (ACTU) suggests that *the central organization of union federations* makes the union movement appear as a credible force to labour-party leaderships. The Australian unions communicated their objectives and plans in detailed public documents and pursued a policy agenda that was considerably broader than their previous ‘economistic’ concern with wages and working conditions alone.² As a result, rather than be dismissive of or even antagonistic to the unions in the manner of the fourth New Zealand Labour government or Tony Blair’s New Labour government

in Britain, the ALP leadership saw it as necessary to incorporate the union leadership into policy-making.

In this concluding chapter, I will first compare the economic, social, and industrial relations policies of the three labour-party governments that I have examined. The second section will compare how the union movements in Britain, New Zealand, and Australia attempted to influence the neoliberal governments of their respective labour parties, that is, the strategies they employed. I will then argue for the relevance of my work as regards to the theory of working-class power resources, revisit the counter-arguments that were presented in my initial chapter, and lastly discuss other relevant factors and suggestions for further research.

Comparison of labour government policies

In this section, it will be demonstrated that the economic policies of the three labour-party governments are quite similar, with the 1983–96 Australian Labor governments only slightly at variance; that the social policy of the ALP governments was more in keeping with social democratic tradition than that of the fourth New Zealand Labour government or the British Labour government of Tony Blair; and that Blair's industrial policies stand out as the most overtly anti-union of the three cases, with those of the New Zealand and Australian Labour governments being essentially the same.

Economic policy

All three Labour governments under review made a turn towards macroeconomic policies, which involved adaptation towards market forces and a rejection of indicative economic planning. In the case of British New Labour, policies inherited from the prior Conservative government were simply not reversed. Tony Blair and his co-thinkers unequivocally endorsed the idea that the only way for a country to flourish under globalized capitalism is to guarantee monetary and fiscal stability and to ensure that its infrastructure and 'flexible labour markets'—low wages, low social costs, weak trade unions, and a lack of legal constraints on firing surplus workers—are attractive to investors.³ Within the Labour Party, they successfully depicted alternatives to this agenda as inefficient and part of 'old Labour', that is an electoral liability. Notably, the 'Blairites' portrayed neoliberal

economics as the most effective means with which to realize traditional Labour aims such as welfare provision, employment, and economic growth, even as they sought to free themselves from the remains of the old Labour Establishment and realign themselves with capitalist forces.⁴ Where New Labour acted as a policy innovator was in adopting such initiatives as public–private partnerships and private finance initiatives (PPP/PFI) in transport, the prison service, education, and health care, and in granting operational independence to the monetary policy committee of the Bank of England.

In New Zealand, the 1984–90 Labour government of Prime Minister David Lange and Treasurer Roger Douglas executed a drastic and sudden neoliberal programme. The tax system was simplified, with marginal taxes and progressive tax programmes reduced. State-owned assets and public enterprises were commercialized and corporatized. Controls on capital movements were abolished. The financial sector was deregulated; a value-added tax (VAT) was introduced; the dollar was floated; and monetary policy was focused solely on keeping inflation levels low by containing wages, a result of the independence of the central bank.⁵ New Zealand's party of the left thus voluntarily implemented orthodox macroeconomic stabilization policies of the sort often imposed on developing countries by the International Monetary Fund, and it did so unilaterally, without outside consultation. Those in the Labour government who designed this programme—Finance Minister Roger Douglas and the Treasury—did not merely argue that economic crisis made it necessary, but that the values of classical liberalism and *laissez-faire* required the disembedding of the economy from society through an autonomous, self-regulating system of markets.⁶ After Labour's re-election in 1987, Douglas pushed an even more far-reaching economic programme to privatize many state-owned assets, introduce market principles into social policy, and implement a flat-rate income tax. Lange opposed the flat-tax proposal, but the tax system was still flattened from three to two steps.⁷

The Australian Labor government of Bob Hawke was elected in 1983 on a programme of fiscal expansion, one that was far less vague in its details than the New Zealand Labour Party's initial programme.⁸ But international economic pressures soon overtook the ALP's initial neo-Keynesian optimism. The government floated

the Australian dollar and deregulated the financial system with the hope that this would encourage productive investment. In the run-up to the November 1984 election, Labor pledged that it would not increase public expenditure, taxes, or the deficit as percentages of GDP; in mid-1986, a rapidly falling dollar led Treasurer Paul Keating to declare that Australia was in danger of becoming a 'banana republic'.⁹ This sense of emergency allowed the Labor government to accelerate economic restructuring to ensure the competitiveness of Australian exports. Trade was deregulated through tariff cuts and both bilateral and multilateral free trade agreements were entered into. It rewrote tax laws, thereby exacerbating income inequality despite the introduction of a capital gains tax, and by 1988 it began to support privatization of state property on a case-by-case basis.¹⁰ After Keating became prime minister in December 1992, economic policy increasingly embraced market forces, and privatization of state enterprises was pursued further despite electoral promises to the contrary. Decisions on industry policy reflected a near-total reliance on reductions in tariff protection and market forces to make Australian business globally competitive.¹¹

Though the Australian Labor governments were characterized by consultation with the union movement while the British and New Zealand Labour governments had no interest in incorporating unions into policy decision-making, the differences in macroeconomic policies between the regimes were not especially great. In all cases, privatization, financial deregulation, and the adoption of market efficiency-based criteria for the performance of state enterprises were embraced by Labour governments, though the degrees of privatization differed, with New Zealand having implemented the greatest amount of privatization.¹² The Australian experience differs from the others in that the tax system was made more progressive in certain instances via the introduction of capital gains and fringe benefits taxes, measures that ran against the regressive trend of 1980s OECD tax reform.¹³ It also differs in that certain reforms which met with substantial opposition by unions and welfare groups were withdrawn. Most notably, a goods and services tax proposed by Labour governments in both Australia and New Zealand in the 1980s was abandoned in the former country and imposed in the latter country despite lack of popular support.¹⁴

Social policy

British Labour's social policy under Blair included various reforms of a modestly social democratic character. These included the establishment of a legal minimum wage; a one-off tax on the windfall profits of privatized utilities to pay for an unemployment programme; increases in public expenditure on health and education; a family tax credit; legal recognition of union organization in the workplace; a maximum 48-hour working week; and new laws on sickness, maternity leave, and redundancy payments.¹⁵ Other elements of New Labour social policy design were more decidedly neoliberal, 'reforming' welfare in ways that neither Margaret Thatcher nor John Major dared. The Blair government introduced workfare for social assistance recipients, which gave 18–25-year-olds who were unemployed for over six months a series of routes back into work or training. Over time the requirements became ever more stringent; the 'carrot' of subsidized training and initial employment was joined to a 'stick' of reduced benefits.¹⁶ New Labour also introduced tuition fees for students in tertiary education at the same time that it continued means-testing in social assistance and went further with the introduction of the market into pension systems.¹⁷ New Labour claimed simply to be committed to the modernization of welfare provision, modifying it in light of the reality of capitalist globalization. One key element in that modernization was the extensive use of private finance in the capital expenditure programmes of the health service, which proved to be greatly controversial. National Health Service (NHS) premises became increasingly owned and operated by private corporations. Non-clinical work—hospital cleaning, laundry, catering—was outsourced to private companies, and services such as radiology also began to be privatized. Though assurances were given that direct clinical work with patients would remain public—with hospital doctors salaried, and general practitioners (GPs) independently contracted with the NHS—clinical work also started being handed to private companies in the year 2000.¹⁸

Indirect taxes under New Labour remained higher than under Thatcher, while credits for low-paid parents and pensioners—which gave the poorest 10 per cent an extra £15 per week—were offset by larger changes in underlying income distribution, with the overall pattern of inequality remaining at historically high levels. The minimum wage was set below labour-market rates for most of Britain,

while the UK Gini coefficient continued on the upward trajectory it had followed since 1979, reaching 0.35 in 2005–06.¹⁹ New Labour's overall social policy was constructed on the basis of reforms introduced by the Conservatives. It did not involve a clean break with Tory neoliberalism, but rather what Moschonas labels its 'enlightened and innovative administration'—a neoliberal 'big picture' with social democratic 'accompanying images'.²⁰

In the 1980s, the New Zealand Labour Party's initial social policy measures contained a series of cost-containing modifications of the existing system. A tax surcharge was added to national superannuation, which effectively amounted to an incomes test. Previously a flat-rate, pure lump-sum transfer from age 60 (a 'demogrant'), the Labour government announced the gradual phased-out eligibility of the 60–65 age groups. In the realm of family support, despite an increase in family poverty, the real value of universal child benefits was allowed to decline, though a new target benefit was launched for low-income families.²¹ Finance Minister Douglas and the Treasury clearly intended to bring about changes in social policy akin to the changes they advocated in economic policy. In 1984, the Treasury recommended targeted rather than universal provision, provision-in-cash rather than provision-in-kind, the 'market process' provision of social services, and greater individual responsibility. Similarly, in 1987, the Treasury was primarily concerned to 'harmonise systems for choice, payment, benefit and accountability' and for social policy to recognize the constraints of 'scarcity, uncertainty, information costs, interdependence and incentives', that is, for there to be a significant rollback of social expenditure.²² This view was most notably contested by a Royal Commission on Social Policy, established by the government in October 1986. This was the largest exercise in public consultation ever undertaken in New Zealand; it reaffirmed a commitment to a society in which there is 'a sense of community responsibility and collective values that provide an environment of security'.²³ Regardless, the government established task forces and review committees, which were headed by economists or people with business or management expertise, not social policy expertise. All the committees' recommendations were ideologically consistent with the changes that Labour had made in economic policy: changes in organizational structures, improved efficiency, increased targeting of social services, increased

reliance on market mechanisms, and the restraining of public expenditure, bureaucratic intervention, and public provision. Labour went into the 1990 election with proposals for a single base-rate for all benefits other than superannuation, which would have imposed significant reductions for many categories of beneficiaries. These proposals lapsed when the National Party proved victorious.²⁴

Ultimately, regardless of the desires of Douglas and his co-thinkers, it was primarily Labour's continued support of popular social policies which enabled it to win two consecutive terms in office, as they balanced out the strong and unpopular neoliberalism of its economic programme. Despite its introduction of competition into the welfare system and its emphasis on market principles and user charges,²⁵ the Labour government remained fairly traditionalist with regard to welfare policy. As British New Labour would later do, the New Zealand Labour government claimed to be modernizing the welfare system in order to save it, by making it more sustainable even as it increased spending on social assistance. Similarly, Labour increased spending in health and education even as it introduced greater competition in the provision of education (e.g. through a voucher-like system for primary education) and charged tuition fees for tertiary education (which, however, provided low-income students with targeted allowances, which made the reform redistributive).²⁶

The case of the Australian Labor Party governments' social policies between 1983 and 1996 is less ambiguous and overall less neoliberal than those of Britain under Blair or New Zealand under Lange (and Douglas). The ALP maintained and in some ways expanded social welfare, mainly due to its accommodating 'Accord' relationship in the employment relations sphere which traded wage restraint for a continued high level of social assistance (albeit means-tested) and universal social services in health and education.²⁷ Regarding social security income maintenance expenditure, it is true that selectivism was intensified during the years of Hawke and Keating, with an assets test imposed on age pensions, and child allowance—the single non-income-tested benefit—becoming tested against both income and assets. Various other minor adjustments were made in order to target need more precisely and to promote the transition from assistance to labour market participation. But public expenditure was not radically cut back; its growth merely became more controlled. (The costs of the new Medicare scheme led to a significant one-off increase

in government expenditure during the early Hawke era, which was funded by a 1 per cent tax levy on incomes.²⁸) As Castles notes, means tests were drawn not at the line separating the poor from the rest, but rather at the line which precludes so-called middle-class welfare. As of 1993, this meant that a one-child family earning less than A\$60,000 (approximately \$42,000) still received child benefit funds, and 72 per cent of the aged qualified for benefits.²⁹

Even if, via privatization, Labor cut public spending to a greater degree than did both Thatcher in Britain and Reagan in the United States,³⁰ real benefits did gradually increase over the course of the 1980s, despite the welfare system being made more selective.³¹ When both social wage and indirect tax changes were taken into account, the living standards of the bottom three income deciles improved by 5 per cent or more between 1984 and 1988. Labor policy specifically targeted one-parent families living in poverty, introducing an additional child payment and a very sizeable augmentation of the rent allowance as a way of combating family poverty arising from the lack of private home ownership. These policies led to a considerable decline in both poverty rates and poverty gaps for families with children between 1989–90 and early 1994.³² Also notable was the Labor governments' concern with the provision of superannuation. Although the unions' hopes for a national development fund which would invest in new capacity for industry and be financed by a levy on superannuation funds were never fulfilled, the approach that Labor took—providing superannuation through privately run funds, including industry-based schemes involving unions—provided better and more lasting outcomes than were achieved by the prior, 1970s Labor government of Gough Whitlam.³³

On the whole, there was a greater balance between liberalizing the economy and maintaining social policy during the 'Labor decade' in Australia than there was in Britain under New Labour or New Zealand under the 1980s Labour government. Australian Labor's social policy essentially reflected a social democratic ethos which had to make concessions to powerful neoliberal interests, while the British Labour government's social policies reflected a neoliberalism which had to make concessions to the social democratic heritage and expectations of the electorate.³⁴ Despite the image of 'fiscal rectitude' that the ALP promoted, the majority of its budgets created more new spending than savings through programme cuts, particularly with

the post-1990 counter-cyclical strategies.³⁵ The Blair government in Britain, by contrast, was able to build upon what Margaret Thatcher had already achieved in terms of social policy via the decidedly liberal nature of its welfare-to-work programme, which sharply demarcated the ‘deserving’ poor (those individuals who were poor despite their best efforts to secure paid work, in particular working families) and the ‘undeserving’ poor, and through its attempts to refigure the NHS as ‘a logo attached to the provision of health care by private hospitals and GP surgeries’.³⁶ As for New Zealand Labour, it is obvious that Roger Douglas and the Treasury aimed to radically restructure access to and provision of social services in the interests of market-defined efficiency and fiscal constraint. Generally, they did not succeed, and the neoliberal economic policies implemented by the Labour Party in the 1980s did not lead to a great decline in aggregate spending on the welfare state.³⁷ Most Labour MPs calculated that despite supporting neoliberal economic policies they could still expect to retain the loyalty of their traditional constituencies—including poorer workers—provided that they continued to support the welfare system.³⁸ However, what Douglas and the Treasury were able to achieve resulted in public sector job losses, greater community responsibility, user pays, and cuts in public expenditure.³⁹ Social provision based on citizenship was no longer prioritized.

Union–Party relationships and industrial relations policies

Until 1991—when the conservative National government in New Zealand implemented the Employment Contracts Act (ECA)—New Zealand and Australia shared similar industrial relations regulation and labour market outcomes. Many unions were organized on a craft basis; wages and conditions were regulated through legally enforceable rulings (known as ‘awards’) made by industrial tribunals; individual enterprises were often characterized by multiple rulings, the presence of multiple unions, and clear job delineation; the possibility existed for over-award payments and enterprise agreements that differed from existing rulings; wage relativities were important and fairly stable; and the government operated a public job placement service.⁴⁰ Such conditions did not exist in Britain and attempts by the British Trade Union Congress (TUC) in the 1980s to introduce the idea of state intervention in wage determination to the Labour Party fell on deaf ears. Tony Blair was unambiguous in 1995 when he

said that the next Labour government would not attempt to emulate the ALP government's corporatist Accord and that there would be no further attempts at a 'Social Contract' between the unions and the party as there were in the 1960s and 1970s.⁴¹

It was clear by the time of the 1997 election in Britain that the relationship between the Labour Party and the union movement had fundamentally changed. Blair promised the unions only 'fairness, not favours', that is, no privileged position in determining governmental policy. Though New Labour promised to support a statutory right to trade union recognition and to end Britain's opt-out from the European Union's Social Chapter, it also refused to revoke most of the very restrictive labour laws imposed during the Thatcher years. What little regulation of the labour market it allowed for generally took the form of individual legal rights, enforceable through labour courts and state agencies rather than collective rights designed to strengthen trade unions, which would then take on the role of regulating social relations through collective bargaining. Notably, in contrast to previous Labour governments, unions had very little formal or institutional access to the Blair government. Union influence was effectively informal, dependent upon personal relations between individual—usually junior—ministers.⁴² The unions' share of party funding also fell from 90 per cent in 1994 to 40 per cent in 1998. Correspondingly, unions donated 35 per cent of Labour's 2001 election campaign spending—half of what they contributed to the 1992 campaign.⁴³ Blair also backed a sweeping overhaul of party funding to further curb the remaining influence of the unions on the Labour Party, which would have required union members to agree to annual donations to the party through their unions and subject the total donation made by each union to a cap.⁴⁴

Particularly in its attempt to introduce private finance initiatives and public-private partnerships, the Blair government found itself in conflict with public sector unions. Strict public sector spending limits made new spending dependent upon selling off national assets or raising money from the private sector, resulting in the shrinking of the relatively protected state sector and thereby affecting public sector unions' ability to maintain recognition and full representational rights and their ability to engage in industrial action. Blair was eager to emphasize his commitment to efficiency and effectiveness within a public sector he portrayed as resistant to change; his government's

Comprehensive Spending Review (CSR), conducted in the summer of 1998, set spending plans for the next three years and was intended to expand performance-related pay in the public sector, as teachers and health care professionals were told that real pay increases would be dependent upon productivity improvements.⁴⁵ It is clear that in its industrial relations policy the Blair government consolidated the legacy of Thatcherism rather than departing from it.

The fourth Labour government in New Zealand was ambiguous in its labour market policy, even if its overall stance towards industrial relations was driven by the idea that strong trade unions were partially to blame for the crisis of the New Zealand economy. In 1984, the government abolished compulsory arbitration of interest disputes, which had been the heart of the industrial relations system since 1894. This let employers in weakly organized industries to refuse to settle a national ruling that proscribed conditions of employment and, on its expiration, to revert to individual contracts or house arrangements.⁴⁶ The Labour Relations Act of 1987 made an even more significant step in undermining the framework of national rulings. Though it restored compulsory unionism, it also prohibited unions from seeking access to enterprise bargaining (second-tier agreements) while still maintaining award coverage for the affected workers. Though relatively few unions deserted the award system, this stipulation promoted a process of union and award fragmentation as stronger groups of workers were encouraged to opt out of rulings, leaving their defence in the hands of weaker unions and non-union workers; it promoted the devolution of collective bargaining down to the enterprise level.⁴⁷ In conditions of considerable unemployment and economic recession, some employer groups were able to use the Labour Relations Act to their advantage. Between 1983–84 and 1989–90, real wages fell by A\$1032.21 on an annual basis, barely offset by an increase in the social wage of A\$57.07.⁴⁸ The Labour government thus paved the way for the ultimate abolition of rulings on conditions of employment and wages by its National Party successor in 1991.⁴⁹ The State Sector Act of 1988 undermined public sector unions, as it became easier for state organizations to hire and fire (although redundancy conditions remained generous relative to private sector norms) and the previous boundary in working conditions and incentive structures between the public and private sectors was broken down.⁵⁰ And yet the Labour government also implemented

legislation such as the Employment Equity Act (1990), which sought to solve the problem of gender discrimination in the workplace by requiring that employers provide 'equal pay' for work of 'equal value'. This reflected the government's 'internal contradictions', or, rather, its attempt to use concessions to its core labour constituency—and to its militantly feminist members—to distract them from radical economic changes.⁵¹

Regardless of these contradictions, the economic policies imposed by the Labour government had a decidedly anti-union effect. A rise in the exchange rate reduced the return in New Zealand dollars for most export industries in 1986–87, which put those industries' unions under great pressure as enterprises closed, unemployment rose, and the right wing of the business community became much more aggressively anti-union. They were not willing to allow wages to keep up with inflation; they demanded concessions in return; and they challenged established conditions such as bonus payment for weekend and night work.⁵² But while its *economic* policies were objectively anti-union, Labour's *industrial* policies proved to be far less pro-business than employer organizations expected. Despite the Labour Relations Act, and despite the decline in real wages, the traditional bargaining system remained untouched in most respects—until the National Party was elected in 1990 and began to radically alter the labour relations regime via the Employment Contracts Act.

The relationship between the Australian Labor Party and union movement between 1983 and 1996 contrasts with the party–union relationships of the other governments under review. The Labor governments sought consultation and negotiation with the unions in the Australian Council of Trade Unions (ACTU), and as a result the liberalizing reforms sought by the ALP leadership were implemented over a much longer period of time, with care taken to temper their socioeconomic impact and to debate their merits with the ACTU in order to assure consensus.⁵³ In fact, the first version of the Accord was negotiated before Labor was elected and was renegotiated several times throughout both the Hawke (1983–91) and Keating (1991–96) Labor governments. Initially, the Accord brought a new incomes policy in which wages were strictly regulated under a new form of wage indexation, administered between 1983 and 1986 by the federal Conciliation and Arbitration Commission. This system was nearly wholly centralized, effective in controlling wage increases,

and strongly supported by the ACTU. Though some decentralization to industry and workplace levels occurred between 1987 and 1990, this was closely 'managed' within a national framework by the arbitration tribunals.⁵⁴ Real wage decline fell primarily on public sector workers, but this was deemed acceptable by most of the labour movement because it also generated above-average growth and a significant decline in open unemployment—Australia generated jobs at about twice the OECD average until the 1990 recession.⁵⁵

By the late 1980s, the mix of substantive policy outcomes coming out of the Labor government moved gradually away from corporatism towards neoliberalism. The ALP government showed little interest in the unions' detailed strategic plan for addressing Australia's economic problems, *Australia Reconstructed*.⁵⁶ It became insistent on decentralizing bargaining towards the enterprise level, particularly once Keating took over from Hawke as prime minister. Over time, the increased importance of enterprise bargaining paralleled developments in New Zealand, as did the role of unions; in 1993, the government made it possible for employers to negotiate enterprise agreements directly with employees and have them certified without union involvement.⁵⁷ However, the arbitration court still imposed minimum wages and conditions on enterprise bargains. And while nonunionized firms could sign an enterprise agreement, doing so exposed them to the possibility of union intervention. Union pressure led to complications in the legal procedures for certification of non-union enterprise agreements, thus blunting their practical effect. By 1995, individual contracts remained uncommon—only 9 per cent of Australian employees in workplaces of more than 20 employees worked under them.⁵⁸

Overall, of the three cases, it is the British New Labour government which stands out as the most aggressively anti-union in its industrial relations policies. It inherited, without significant alteration, the most stringent labour laws in Western Europe and attempted to construct an industrial relations policy that envisioned 'a dwindling role for collective representation and action; in its place, individuals will have certain minimal rights at work, consistent with labour market flexibility, and the encouragement of a skilled, cooperative, and adaptable workforce'.⁵⁹ The dominant forces in the fourth New Zealand Labour government had much the same desires—to make the industrial relations system more 'flexible'—but failed to

implement pro-market policies of ‘significant stringency’.⁶⁰ Much the same can be said of industrial relations in Australia under the Labour governments of Hawke and Keating; the difference is that changes to the system were implemented over a longer period of time, a result of the process of negotiation between the government and the union movement. If the New Zealand Labour Party only ever conceded anything of importance to the unions within their ‘core domain’—the industrial relations system itself—the ALP’s strategy of cooperation with the union movement ensured that the Labor government was bound to consultation in policy formation, which affected policy outcomes in a significant way at least during the Hawke years.⁶¹ For a time, via the Accord, Australian unions were able to affect not only industrial relations policy but also economic and social policy, as the ‘social wage’ was used to offset wage reductions and to move income support out of the industrial relations system and into the social welfare budget. For all the criticisms that one could make of labour market reforms under the Accord,⁶² the ALP did not undermine Australia’s traditional labour market institutions as New Zealand Labour did via the Labour Relations Act, which not only constrained wage growth but *reduced* labour market flexibility via the elimination of second-tier (enterprise) bargaining.⁶³

Union strategies in relation to neoliberal Labour governments

Both the British and New Zealand trade union federations acted passively in response to the neoliberal policies implemented by their historic parties. The New Zealand Federation of Labour (FOL) had long enjoyed the benefits of New Zealand’s arbitration system—state protection and compulsory unionism—as well as a welfare state and a healthy economy that had remained essentially unchanged under governments of both the left and right. The result was that for many years the FOL did little to involve itself in Labour Party matters, as there appeared to be no need. It was only after the onset of economic crisis and the National government of Robert Muldoon antagonized the unions that they again made politics a priority. Though the unions worked hard to elect the Labour Party in 1984, their plan for a corporatist arrangement was dismissed by the

party leadership. In their eyes, the FOL was insufficiently centralized, and the union movement as a whole too divided between the FOL and the public sector Combined State Unions (CSU) to make effective corporatism possible. Despite the belief propounded by Roger Douglas and the Treasury that strong unions were in part responsible for New Zealand's economic woes, the unions did little to publicly oppose market liberalization, instead acting as a loyal opposition to the government. This loyalty was primarily based on the government's continued support for compulsory unionism, but little else was gained by the unions' stance.

In 1987, the FOL and CSU merged into the New Zealand Council of Trade Unions (NZCTU) and advocated 'strategic unionism', agreeing to exercise real wage restraint and discourage industrial action and political protest in exchange for greater union participation in the development of economic, social, and industrial relations policies by the government. But as the NZCTU still had little power over its affiliates, the Labour government did not take its proposals seriously. In fact, not all the NZCTU's individual unions supported strategic unionism, and moreover genuine corporatism had been ruled out by the government's wholesale embrace of radical neoliberal economic policy. The NZCTU lacked real influence in the Labour Party beyond the realm of industrial relations, yet its persistent loyalty to the government left it unable to openly criticize policies of privatization and deregulation. Years of non-involvement in NZLP affairs combined with a leadership committed to 'Rogernomics' were responsible for the unions' impotence in affecting how Labour governed.

British unions did not enjoy the benefits of compulsory unionism and never became depoliticized in the manner of the New Zealand union movement. However, they too became strategically adrift in the face of a Labour government, which was, if anything, even more hostile to union power than was the fourth NZLP government. British unions' passivity towards the Blair government was the result of 18 disastrous years under the Conservatives, during which the movement lost 40 per cent of its members. By the early 1990s, British union leaders were so desperate that they were willing to accept that the anti-union legislation of the 1980s would not be reversed. Throughout New Labour's first term, the union leadership supported the government essentially without criticism, in the vain hope that it would reward their loyalty with pro-union legislation.

By the middle of the second Blair government, the unions had become more vocal in its frustration, particularly over private financing initiatives (PFI) in transport, education, the prison service and the national health service, public sector spending limits, and privatization, all of which promised wage retrenchment, job insecurity and/or job cuts, and the creation of a two-tier labour force.⁶⁴ Strikes in 2002 and 2003 by council workers, teachers' unions, London Underground unions, and the firefighters' union seemed to indicate that the labour movement had moved towards a stance of challenging the Blair agenda both inside and outside the Labour Party. But the great chance given to the unions by Blair's unpopularity over the Iraq War was not taken; they made no attempt to find parliamentary allies to force his resignation. Even though Blair himself was not all that stood between New Labour policies and union preferences, had the major affiliated unions taken the initiative to help force him from office, it would have sent a clear message to the party leadership that they were serious about challenging the neoliberal agenda. But even after Blair announced his resignation in May 2007, the major unions did not try to find Labour MPs competent to stand for leader and deputy leader who would be supportive of the labour movement. Ultimately, given the absence of a centralized wage bargaining apparatus or the possibility of an Australian Accord-style agreement, there was no other option for the union movement to achieve its goals than consistent militancy both within the Labour Party and in industrial relations; yet, despite temporary militancy in opposition to public sector restructuring and privatization, the British union movement proved just as passive and strategically uncertain as the New Zealand movement.

The Australian union movement, however, was clear in its strategic orientation towards its Labour Party prior to its election in 1983. Never having had compulsory unionism to support them regardless of the party in government, Australian unions never became depoliticized as did the New Zealand unions—they were even willing to challenge the Labour government of Gough Whitlam in the 1970s—and they were not so demoralized by years of anti-union right-wing government that they were willing to accept whatever policies that a Labour government might implement. Also, unlike the New Zealand union movement, Australian unions in the 1970s broadened their concerns beyond wages and work conditions; they

took up a 'strategic unionism' that concerned itself with economic and social policy, particularly with industry development policy. The ACTU had become a strong 'peak' organization which could credibly sustain strategic unionism and participate in corporatist policymaking, while the ALP remained sufficiently close to the unions, both in terms of personnel and policy, to see advantages in corporatist cooperation.⁶⁵

The ACTU was not able to prevent the Hawke and Keating governments from instituting programmes of deregulation, corporatization, and privatization. Left critics of the Accord find the ACTU complicit in the erosion of many wage determination principles, the compromise of equity in favour of efficiency, and the failure to address problems faced by disadvantaged groups in the labour market.⁶⁶ They critique the general drift of ACTU strategy 'from asserting the merits of economic intervention (the first Accord) to grudgingly accepting economic deregulation and workplace change'.⁶⁷ In comparison to the strategies undertaken by the union movement under the fourth Labour government in New Zealand and British New Labour, however, it is clear that Australian unions were able at least to slow the 'relentless process' of labour market deregulation because of the Labour government's commitment to the Accord, despite how diminished that commitment became.⁶⁸ The ACTU would not have been able to accomplish this had it not radically consolidated itself in such a way that it was able to maintain its influence within the Labor Party, an influence that at least partially counteracted the middle-class character of much of the party's membership and leadership. Both British and New Zealand union federations failed to do this with respect to their labour parties. Because of the ACTU's influence, the ALP of 1983–96—despite the counter-influence of a pro-neoliberal federal bureaucracy and employer organizations—remained more of a genuine labour party than did the New Zealand Labour Party of the 1980s or the British Labour Party under Tony Blair.

Class politics and working-class power resources

From these cases, we can come to the conclusion that if union movements cannot cohere around consistent political and economic strategies, and if they do not attempt to limit the autonomy of labour parties when they take office, then it ultimately will not

matter if a governing party is a labour party; given the pressures of the global capitalist economy, that party will instigate neoliberal economic policies and even labour market deregulation, quickly and decisively—especially when the nation is undergoing an economic crisis. The party leadership may even seek to sever the link between the unions and the party in order to more easily implement a neoliberal agenda—and the unions will effectively be disenfranchised. If the popular parties of the left cease to be associations of working people specifically organized as workers, then *the organization of politics in terms of class* will have reached an end, unless new parties emerge, which are explicitly organized along class lines and capable of gaining mass votes and mass membership.

As Przeworski has correctly noted, there is nothing inherent in capitalism or in the logic of history, which makes the emergence of classes as collective subjects inevitable. Class only becomes relatively salient as a determinant of voting behaviour as the result of strategies pursued by leftist political parties. Class politics, strictly defined, only exists when class is an issue raised by political parties; specifically, parties which organize workers—the only class which is a potential proponent of the image of a society divided into class—as a class. In the absence of working-class political parties, the class image of society does not exist within a country's (mainstream) political discourse.⁶⁹ This is what makes the transformation of social democratic and labour parties so profound. As Moschonas remarks, this transformation is not purely ideological-programmatic; it 'simultaneously affects the power structure and class character of the organizations, the membership culture, location in the arena of partisan competition, ideas, economic and social policies, political style, image—everything that goes to make up an identity'.⁷⁰ What Moschonas labels the *old coherence* of social democracy—'party of the working class, organization with a strong working-class presence, strong link with the trade unions, bi- and tripartite negotiation, semi-working-class/semi-catch-all ideological profile, etc.'—has near-universally unraveled.⁷¹ Social democracy's *organizational* tradition, not merely its *cultural* tradition, has been mostly abandoned. As a result, the party elites and the leadership—which, in the union-based labour parties, have become dominated by professionals of prosperous backgrounds—have gained a near-exclusive privilege in defining party identity. That identity is not a class identity; not only is it not

anti-business, it does not even seek to be organizationally *separate from business* any more than are social democracy's bourgeois party rivals.⁷²

With the rejection of social democracy's organizational tradition comes a rejection of a commitment to the active role of government specifically on behalf of the popular classes. More often than not, the content of state interventionism under centre-left parties is *deregulatory*. Social democratic and labour parties may not embrace market forces as surely as their right-wing opponents. But they have moved from an approach of tempering and modifying markets to, at least, one of adapting to them.⁷³ This is certainly true of the Hawke government in Australia (1983–91). The Blair government in Britain may not have made a full ideological embrace of the market, but its claim that capitalist globalization made neoliberalism unavoidable provided a justification for policies that deepened the 'Thatcher revolution'. In the case of the fourth New Zealand Labour government, there was indeed a full ideological embrace of the market. Moschonas may claim that Friedrich Hayek 'has not become the social democrats' favourite prophet',⁷⁴ but in the 1980s the influence of the Hayekian, 'rationalist' Chicago School of economics was pervasive within the New Zealand Treasury. It permeated crucial elements of the Labour Party, Finance Minister Roger Douglas in particular.⁷⁵ Such doctrine had a similar influence in the Australian Treasury during the 1980s and a similar effect on the Labour Party via Treasurer (and later Prime Minister) Paul Keating between 1983 and 1996.

By the time of the victory of New Labour in the 2001 British election, it largely appeared that the 'left' version of the 'neoliberal paradigm' pioneered by the fourth New Zealand Labour government had been largely consolidated. With social democratic parties removing all traces of their self-images and perception as specifically class parties, their electoral fortunes have been increasingly tied to the middle classes rather than the increasingly disaffected working class. With the working class no longer the 'privileged sociological marker of social-democratic electorates', such electorates 'are now constructed on the basis of a profoundly inter-classist format, by far the most inter-classist in the whole history of social democracy'.⁷⁶ The sub-tradition of social democracy known as *labourism*—the tradition of the union-affiliated labour parties, characterized by a focus on higher wages, wealth redistribution through social policies, a refusal

of both highly defined ideology or theory, and long-term strategy, with a core blue-collar membership base—has effectively died.⁷⁷

That the labourist parties would attempt to reinvent themselves as liberal parties in all but name, however, was by no means inevitable; it was a conscious choice. With that choice comes what Howell dubs a ‘unitarist’ industrial relations project: one that recognizes ‘no distinction between the interests of labour and capital, no inherent sources of conflict between them, and thus no need for labour to have power to counterbalance that of the employer’.⁷⁸ That project was explicit in both the New Zealand and British cases; in the Australian case, given the formal compact between the Labour Party and the unions, it could not be so simply pursued. This is not to say that the Australian unions could not have or should not have acted differently vis-à-vis the Labor government. I am merely claiming that a Labour government, which finds it necessary to govern through an arrangement *with* the unions, will be forced to implement neoliberal policies more gradually and with a greater concern for the ‘social wage’ than one which tries to govern directly *against* the unions. It is, in fact, *only* the persistence of this union link which mitigates the dominance of the neoliberal leadership within labour-party and social democratic apparatuses and permits the category of ‘class’ to exist within mainstream political discourse.⁷⁹ Union movements do this simply by virtue of being movements specifically of workers, organized separately from their employers and managers.

Unions are, to be sure, very imperfect vehicles for working-class interests. The evidence suggests that Bramble’s assertions that the unions’ full-time representatives ‘constitute a conservatizing layer which . . . tends to restrain workers from militant struggles’ and that there exists a ‘tendency towards a concentration of power in the upper echelons of the union officialdom’ are correct.⁸⁰ Trade unions and the working class should not be conflated, nor should the rank and file and the leadership. But as unions remain organizations constituted by working people, and as they remain workers’ defense organizations, despite the distance between the union bureaucracy and the rank and file, it remains a *workers’ bureaucracy*, an expression—however distorted—of working-class power. When labour-party leaders with neoliberal inclinations have to assent to the influence of the union bureaucracy, they are assenting to a power *based on the organized working class*. Because of this, it is possible to apply *working-class*

power resources theory to the question of how the strength of the unions within their historic parties affects the parties' policies.

The working-class power resources perspective claims that it is primarily strong unions and left parties that account for the growth of social programmes, which limit the economic vulnerability of wage earners and increase worker solidarity. The relevance of this outlook has been repeatedly challenged. Pierson, for example, states that the power of the union movement and social democratic parties has greatly diminished in many advanced capitalist societies, but there is very little proof that this decline has fundamentally impacted welfare states:

Cutbacks in social programs have been far more moderate than the sharp drop in labor strength in many countries might lead one to expect, and there appears to be little correlation between declines in left power resources and magnitude of retrenchment....Cutbacks, if recognized, are likely to incense voters, and political competitors stand ready to exploit such opportunities... the unpopularity of program cutbacks... will give politicians pause even where unions and left parties are weak.⁸¹

My work has demonstrated that it is, indeed, difficult for *centre-left parties* to implement social programme cutbacks. The fourth New Zealand Labour government did not cut welfare programmes or benefit levels even as it engaged in wide-ranging privatization, corporatization, and financial deregulation. Though the Blair government in Britain did not initially reverse the welfare-state retrenchment that occurred under Conservative governance, it did not seek further rollback (as opposed to restructuring), and over time there were significant increases in public spending, particularly in health care and education. And while spending on social welfare transfers progressively declined under the Australian Labor governments between 1983 and 1996, new programmes in education, health, social security, and housing were introduced.⁸² Yet, the parties most associated with the *expansion* of the welfare state, when in government, have shown little interest in their traditional goals—a relatively equitable distribution of wealth, full employment, and the strengthening of the labour movement. Given these parties' leaders' commitment to neoliberalism—even if, as with Gordon Brown's

post-Blair Labour government, failing banks are nationalized and Keynesian fiscal policies are implemented in the wake of the global recession of 2008—one is left wondering how safe the welfare state can ultimately be expected to be in their hands. Pierson writes of welfare-state defenders and recipients of its programmes ‘exacting punishment at the polls’⁸³ against parties enacting cutbacks. But if all major parties—of the left and right—have at most a minimal commitment to the established policies of social democracy, how can voters ‘exact punishment’? This is a particular problem in states with Westminster-style electoral systems—such as Britain, Australia, and New Zealand before 1993—where alternative left parties face great barriers to electoral success.

The relevance of the working-class power resources theory becomes more apparent when it is applied to left parties themselves. With the diminution of the ‘privileged representative link between social democracy and working class/popular strata’,⁸⁴ the parties’ view of market forces changes. The more a labour party has lost its base in the working class—the less directly a political expression it is of organized labour—the easier it is for the party leadership to quickly and radically impose neoliberal policies. That is, the policy shift is a result of the *diminishing power resources* that unions have within their historic parties. These changes do not represent merely a pragmatic adaptation to the world economy, or a (misguided) accommodation to ascendant neoliberal values, norms, and practices, but an abandonment of the parties’ status as representatives of the political and economic interests of the working class. They no longer challenge any of the hierarchies that constitute capitalism. When British New Labour echoes American New Democrats by espousing ‘welfare-to-work’ programmes, which presume that *social* problems are the result of *individual* failure, it is apparent that the party of Clement Atlee and the National Health Service is not merely compromising in the face of difficult conditions; that party is now a very different creature.⁸⁵

Certain assumptions of the power resources perspective must now be modified, however, in light of the transformation of mainstream left parties. It was once obvious that when social democratic parties were in office, they routinely made trade union organization easier.⁸⁶ This can no longer be presumed. Public sector unions in particular have been a favourite target for neoliberal left governments; the fourth New Zealand Labour government made an overt attempt

to undermine them by eliminating job tenure and reducing other long-established employment conditions in the public sector, while British New Labour found itself in struggle—and in an open war of words—with public sector employees over the government’s attempt to introduce private finance initiatives and public–private partnerships. Tony Blair repeatedly made it clear that the days ‘when a large trade union would pass a policy and then it was assumed Labour would follow suit’ were ‘over’⁸⁷; New Labour clearly found its institutional relationship with the unions an embarrassment, and British unions were reduced to a ‘barely tolerated pressure group’ within the party.⁸⁸ Even the Australian Labor government of Paul Keating (1991–96)—crucially, with the unions’ consent, though the unions were able to win legislative concessions—gradually deregulated the labour market, with the 1993 Industrial Relations Reform Act giving employers the power to negotiate enterprise agreements directly with employees and have them certified without unions being involved. With the ebbing of trade union influence, centre–left parties cease to be effective forces for even the moderate promotion of working-class political influence and the limiting of inequality; they become incorporated as active agents in the reproduction and hegemony of neoliberal capitalism.⁸⁹

Revisiting initial counter-arguments

In my introduction, I discussed the various other explanations for the pro-market shift in the policies of left governments. The idea that capitalist globalization forces a uniform response by all governments—right or left—has been discredited, though certainly the fear of un-competitiveness in the world market is ever present and directly affects left governments’ economic policies, if not necessarily their social policies or industrial relations policies. But the shape of class politics inside each country affects how neoliberal economic policy is realized—all at once or gradually through negotiation.

The idea that the shrinking of the industrial working class in advanced capitalist societies requires a rightward shift by parties of the left to remain electorally viable has also been discredited; in fact, in the cases discussed, there is little evidence of a dramatic decline in the number of people who could easily be categorized as working

class. In New Zealand, in the mid-1980s, 47 per cent of the workforce consisted of manual labourers and low-wage service workers, with another 18 per cent in clerical occupations.⁹⁰ Blue-collar workers made up 48 per cent of the Australian workforce as of 1985.⁹¹ Though by 1996 this number had dropped to 33 per cent—and Australia had become a society with even higher rates of home ownership than in Britain—the ALP still won five consecutive elections between 1983 and 1996.⁹²

In Britain, by 2004 only 12.1 per cent of workers were employed in manufacturing—their numbers having fallen by 32 per cent in 20 years—while finance and business services employment grew by 80 per cent over the same period, until they accounted for 19 per cent of workers. But such figures ultimately exaggerate the changes in the nature of the workforce; some of the shift from the ‘industry’ to the ‘service’ sector amounts to merely a change in name for essentially similar jobs. A worker in a factory who puts food in a can for people to warm up to eat at home is a ‘manufacturing worker’, while one who works in the fast-food industry to provide near-identical food to people who lack the time to warm it up at home is a ‘service worker’.⁹³ The working class—even narrowly defined as manual workers—was still key to the electoral victories of the governments I have examined.⁹⁴

There also remains no evidence that the rise of postmaterialist politics was responsible for the rightward drift of labour-party policies. Many activists in New Zealand who identified with feminism, environmentalism, indigenous people’s rights, and opposition to apartheid in South Africa may have joined the Labour Party in the 1970s and 1980s, but this did not reflect a lack of interest in class-related issues by Labour Party voters. The British Labour Party was not radically affected by the rise of postmaterialism and never attempted to seriously integrate the themes of the ‘new politics’ into the way it governed, despite frequent reference to the environment in its 1997 Election Manifesto. In Australia, while those concerned with postmaterialist issues may have usually voted for the Labor Party, this had nothing to do with how the ALP governed. There is also no proof that the ALP had to become less of a class-identified party in order to address issues apart from those of social class or to attract new supporters.

Other factors and suggestions for further research

Various other factors besides changes in labour-party class composition and union movement strategy must be given their proper weight in explaining the policy choices of these labour-party governments. While the single-member-district, first-past-the-post Westminster parliamentary model is common to both Britain and New Zealand, Australia differs slightly in having a single-member-district, preferential electoral system. This system has not been a factor in the absence of any serious electoral challenge to Labor from the left at least since the 1940s. There are, however, some other noteworthy differences. Power in Australia is shared between the federal and state parliaments on the basis of a written constitution. New Zealand and Britain, in contrast, have unitary systems with single national governments. Also, both state and federal jurisdictions in Australia have bicameral parliaments, with the upper houses elected through different systems to the lower houses, while New Zealand is unicameral (since 1951), and the power of Britain's House of Lords pales in comparison to its House of Commons. New Zealand and British governments therefore have had considerably greater power than their Australian counterparts to execute radical policy changes without substantial challenge.⁹⁵ In Schmidt's view, this institutional difference partially explains why Australia's journey to neoliberalism differed from New Zealand's (or Britain's):

Australia got adjustment with a human face not only because change required consensus, given a more multi-actor system that demanded much more consultation and negotiation, but also because the politicians themselves, such as Prime Minister Hawke, valued this, in sharp contrast to Douglas in New Zealand. In Australia, the reforms themselves were implemented over a much longer period of time, with care taken to moderate their socioeconomic impact and to debate their merits with the relevant actors in order to assure consensus. In multi-actor Australia, this meant negotiating with a wide set of actors at the federal and state level; with the House of Representatives, elected on the basis of constituencies (like New Zealand), and the Senate, elected by proportional representation; and with the trade union movement, which most importantly for Australia and unlike New Zealand were willing and able to be cooperative.⁹⁶

The existence of ranked-ballot preferential voting in Australia is another institutional factor that has not figured into my analysis because it has not affected the dominance of the ALP on the Australian left. However, it would be worthwhile to investigate the effect of Australia's system of compulsory voting on the ALP, compared with the system of voluntary voting in Britain and New Zealand. Scott argues that Australian compulsory voting

may have tended to make the ALP take... safe seats for granted and focus its policies on middle-class swinging voters in marginal seats to a greater extent than the British Labour Party, which has had to reaffirm its basic ideology in order to ensure the faithful voters... actually have something to come out and vote for.⁹⁷

Yet, with the rise of Tony Blair, Labour's basic ideology changed decisively, and the party leadership had become much less concerned about the faithful voters even in the late 1980s.

In general, more research needs to be done on the changing class character of individual social democratic parties, on what Moschonas has termed the loss of social democracy's 'sociological specificity'.⁹⁸ This research would extend beyond the 'labour party' sub-category and extend to the entirety of the parties which were formed with the intent of representing working-class interests. The 'continental' (European) social democratic party model differs significantly from the labour-party model: it has no indirect membership because unions do not affiliate with the party; there is no union bloc vote. The influence which unions have—or no longer have—on such parties therefore takes on an institutionally different character than with the union-founded labour parties. More research also needs to be done in the next few years regarding the ideological and sociological directions of the parties, which I have discussed—two of which, the Australian and New Zealand labour parties, have recently governed again—as well as the strategic directions of their affiliated unions. For example, in 2007, British Labour Prime Minister Gordon Brown further reduced the role of unions in his party by removing the power of unions (and local labour parties) to submit political motions for debate at party conferences through a ballot process. The unions on Labour's National Executive Council did not fight

Brown on this issue, as they did not ‘wish to hand valuable ammunition to the Tories by provoking an early confrontation with the prime minister’.⁹⁹ This was despite the fact that Labour had, after 2005, increasingly relied on union funding because of the drying-up of contributions from wealthy donors as a result of the ‘cash for honours’ affair.¹⁰⁰ After the fall of Brown’s government in 2010, Ed Miliband, the current Labour leader, won the backing of three of the four biggest UK unions—Unite, Unison, and the GMB. Miliband has explicitly distanced himself from the New Labour era and has often sounded like an old-model social democrat¹⁰¹; notably, in July 2012, he became the first Labour leader since Neil Kinnock to address the Durham Miners’ Gala.

However, in March 2014, the Labour Party endorsed the Collins Review at its special London conference.¹⁰² Initially motivated on claims of misdeeds—later discredited—by the Unite union in Falkirk Constituency Labour Party, the Review calls for a £50 per union per candidate limit for all third parties including unions, requires union members to ‘opt in’ to become second-tier members of Labour (ones without the power to select the parliamentary candidate), introduces ‘one member, one vote’ for elections of the party leader, introduces closed primaries for the selection of the candidate for London mayor (regardless of the wishes of London Labour), and requires ‘registered supporters’ to pay a fee. The requirement ‘to opt into paying affiliation fees [will] greatly reduce the amount of union cash given to the party on an annual basis, rather than in one-off donations. Some estimates suggest it will cut union funding of the party by more than £4m a year’.¹⁰³ However, the unions will retain their 12 National Executive Committee seats and 50 per cent share of conference votes.

At the conference, a number of union general secretaries urged delegates to vote in favour of implementing the Review, including Paul Kenny (GMB), Dave Prentis (Unison), Len McCluskey (Unite), John Hannett (Usdaw), and Tosh McDonald (Aslef). Effectively, as one delegate remarked, through this choice to end collective affiliation, ‘the trade unions themselves block-voted for Labour to “distance itself” from them’.¹⁰⁴ This choice by Britain’s unions to not mount an all-out struggle for influence within their historic party may yet lead to a firm end of the ‘organic link’ between the two. As Mark Ferguson notes, ‘[i]t would be very hard for any union to justify continued party affiliation if only a small fraction of their membership choose

to affiliate'.¹⁰⁵ Thus, a party founded to politically represent the working class—in however imperfect a fashion—would soon become a pure-and-simple bourgeois party of 'economic responsibility and fiscal rigour', to quote Ed Balls MP's speech to the 2013 Labour Party Annual Conference.¹⁰⁶ It would be proven that even in a labour party the power resources of the union movement may become so depleted that the unions lose all influence over 'their' party.

I will conclude with a quote from Perry Anderson:

once, in the founding years of the Second International, [social democracy] was dedicated to the general overthrow of capitalism. Then it pursued partial reforms as gradual steps towards socialism. Finally it settled for welfare and full employment within capitalism. If it now accepts a scaling down of the one and the giving up of the other, what kind of a movement will it change into?¹⁰⁷

Notes

1 Introduction: The Transformation of Social Democratic Parties

1. Gerassimos Moschonas, *In the Name of Social Democracy: The Great Transformation, 1945 to the Present* (London: Verso, 2002).
2. Herman Schwartz, 'Social Democracy Going Down or Down Under: Institutions, Internationalized Capital and Indebted States', *Comparative Politics* Vol. 30 No. 3 (April 1998).
3. Paul Pierson, 'Coping with Permanent Austerity: Welfare State Restructuring in Affluent Democracies', Paul Pierson, ed., *The New Politics of the Welfare State* (Oxford: Oxford University Press, 2001), p. 432.
4. Herman Schwartz, 'Internationalization and Two Liberal Welfare States: Australia and New Zealand', Fritz Scharpf and Vivian Schmidt, eds., *Welfare and Work in the Open Economy, Volume 2: Diverse Responses to Common Challenges* (Oxford: Oxford University Press, 2000), p. 69.
5. John Stephens, 'The Scandinavian Welfare States: Achievements, Crisis, and Prospects', Gøsta Esping-Andersen, ed., *Welfare States in Transition: National Adaptations in Global Economies* (London: Sage Publications, 1998), p. 55.
6. Paul Pierson, 'Post-Industrial Pressures on the Mature Welfare States', Pierson, ed., p. 99. Pierson further states that 'Welfare state conflict is often portrayed as a clash between those wedded to the status quo and those eager to dismantle basic social protections. In countries where aggressive advocates of neoliberalism have been in power, such as New Zealand . . . this has not been too inaccurate a portrayal.' *Ibid*, p. 102.
7. Adam Przeworski and John Sprague, *Paper Stones: A History of Electoral Socialism* (Chicago: University of Chicago Press, 1986), p. 34.
8. Adam Przeworski, *Capitalism and Social Democracy* (Chicago: University of Chicago Press, 1985), p. 56.
9. Marx's prediction . . . that the displaced members of the old middle classes would either become proletarians or join the army of the unemployed did not materialize. The old middle classes, particularly the small agricultural proprietors, have become less numerous in industrialized countries, but their sons and daughters were much more likely to find employment in an office or a store than a factory. Moreover, while the proportion of the adult population engaged in any activity outside the household has fallen drastically in the course of capitalist development, those excluded from participation in gainful activities did not become a reserve proletariat. Extended compulsory education, forced retirement, large standing armies, effective barriers to participation by women—all had the effect of reducing entry into the ranks

of the proletariat. As a result... the proletariat has continued to be a minority of the population.

- Przeworski and Sprague, *Paper Stones*, p. 40.
10. Przeworski, *Capitalism and Social Democracy*, p. 62.
 11. Przeworski, *Capitalism and Social Democracy*, p. 240.
 12. Przeworski and Sprague, *Paper Stones*, p. 184.
 13. Dean Jaensch, *The Politics of Australia* (South Melbourne: MacMillan Education, 1992), p. 225.
 14. Geoff Eley, *Forging Democracy: The History of the Left in Europe, 1850–2000* (New York: Oxford University Press, 2002), p. 386.
 15. John J. Rodger, *From a Welfare State to a Welfare Society: The Changing Context of Social Policy in a Postmodern Era* (London: Palgrave Macmillan, 2000), pp. 27, 69–70.
 16. Eley, *Forging Democracy*, p. 386.
 17. Jack H. Nagel, 'Social Choice in a Pluralitarian Democracy: The Politics of Market Liberalization in New Zealand', *British Journal of Political Science* Vol. 28 No. 2 (April 1998): 230.
 18. Nagel, 'Social Choice': 230.
 19. Donald Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century* (New York: The New Press, 1996), p. 654.
 20. Jack Vowles and Ian McAllister, 'Electoral Foundations and Electoral Consequences: From Convergence to Divergence', Francis Castles, Rolf Gerritsen, and Jack Vowles, eds., *The Great Experiment: Labour Parties and Public Policy Transformation in Australia and New Zealand* (Auckland: Auckland University Press, 1996), p. 201.
 21. Kimberly Earles, 'The Gendered Effects of the Reregulation of the Swedish Welfare State', *Socialism and Democracy* Vol. 18 No. 1 (2004): 107–134.
 22. Bruce Jesson, *Fragments of Labour: The Story Behind the Labour Government* (Auckland: Penguin Books, 1989), p. 82.
 23. Ronald Inglehart, *Culture Shift in Advanced Industrial Society* (Princeton: Princeton University Press, 1990), pp. 253, 259.
 24. Nagel, 'Social Choice': 227.
 25. Serge Halimi, 'New Zealand: From Welfare State to Market Society: Test Tube Miracle of Total Capitalism', *Le Monde Diplomatique* (April 1997), <http://www.casi.org.nz/politiceconomy/wstoms.html>.
 26. Martin Lloyd Thomas, 'Postmodernisation and the Formation of a Postmodern Political Disposition' (Sheffield: Sheffield University, 2000), p. 5, http://www.sheffield.ac.uk/polopoly_fs/1.714531/file/thomas.pdf.
 27. Clive Bean, 'Class and Party in the Anglo-American Democracies: The Case of New Zealand', *British Journal of Political Science* Vol. 18 No. 3 (July 1988): 309–310.
 28. Arend Lijphart, *Electoral Systems and Party Systems: A Study of Twenty-Seven Democracies, 1945–1990* (New York: Oxford University Press, 1994); Fiona Barker and Elizabeth McLeay, 'How Much Change? An Analysis of the Initial Impact of Proportional Representation on the New Zealand Parliamentary Party System', *Party Politics* Vol. 6 No. 2 (2000): 131–154; Jonathan Boston, Stephen Levine, Elizabeth McLeay, and Nigel S. Roberts,

- New Zealand's Changing Political Identity, New Zealand Under MMP: A New Politics?* (Auckland: Oxford University Press, 1996), p. 58; Thomas Brechtel and Andre Kaiser, 'Party System and Coalition Formation in Post-Reform New Zealand', *Political Science* Vol. 51 No. 1 (July 1999): 7.
29. Geoffrey Evans, 'The Continued Significance of Class Voting', *Annual Review of Political Science* Vol. 3 (2000): 412–413.
 30. Muldoon's popularity among the middle and lower-middle classes depended not only on his appeal to their social conservatism but also on his concern for their economic interests, which centred on the maintenance of economic security... To protect the ordinary bloke, he reverted to New Zealand's statist tradition and embraced a series of desperate, dramatically interventionist programmes.
- Nagel, 'Social Choice': 230.
31. Further, 'Where survey research exists prior to the 1980s, it points to the Labour Party's strong hold over the votes of the working class.' Bryce Edwards, *Political Parties in New Zealand: A Study of Ideological and Organisational Transformation*, PhD dissertation (University of Canterbury, New Zealand, 2003), p. 265.
 32. Vowles and McAllister, 'Electoral Foundations', p. 197.
 33. Marcia Russell, *Revolution: New Zealand from Fortress to Free Market* (Auckland: Hodder Moa Beckett, 1996), p. 28; Edwards, *Political Parties in New Zealand*, p. 273.
 34. Vowles and McAllister, 'Electoral Foundations', p. 204.
 35. Some writers do link these aspects to the 'politics of postmodernism', defined by 'fragmented interests... [t]he decline of the traditional working class organizations and industrial interests... the absence of a unifying political interest'. Rodger, *From a Welfare State to a Welfare Society*, p. 71.
 36. Vowles and McAllister, 'Electoral Foundations', p. 204.
 37. Moschonas, *In the Name of Social Democracy*, pp. 290–291.
 38. Paul Pierson, 'The New Politics of the Welfare State', *World Politics* Vol. 48 (January 1996): 144.
 39. Cf. John Stephens, *The Transition from Capitalism to Socialism* (London: MacMillan Press, 1979), p. 46.
 40. Peggy G. Koopman-Boyden, 'Social Policy: Has There Really Been One?', Martin Holland and Jonathan Boston, eds., *The Fourth Labour Government: Politics and Policy in New Zealand*, 2nd edition (Auckland: Oxford University Press, 1992), p. 231.
 41. Tom Bramble and Rick Kuhn, 'Social Democracy after the Long Boom: Restructuring Under Australian Labor, 1983 to 1986', Martin Upchurch, ed., *The State and 'Globalization': Comparative Studies of Labour and Capital in National Economies* (New York: Mansell, 1999), p. 41.
 42. Richard Clayton and Jonas Pontusson, 'Welfare-State Retrenchment Revisited: Entitlement Cuts, Public Sector Restructuring, and Inegalitarian Trends in Advanced Capitalist Societies', *World Politics* Vol. 51 No. 1 (1998): 67–98.

43. I use the term 'working class' in Marxist fashion: those separated from the means of production, who cannot survive solely through income derived from property ownership, and therefore must find remunerative employment. This usually means working for a capitalist employer in what Marxists deem an exploitative social relationship. This definition does not include professional and managerial personnel located in a position in-between labour and capital, whom I consider 'middle class'.
44. New Zealand subsequently adopted mixed member proportional representation in 1993.
45. Maurice Duverger, *Political Parties: Their Organization and Activity in the Modern State* (New York: John Wiley & Sons, 1959).
46. Yves Mény and Andrew Knapp, *Government and Politics in Western Europe* (Oxford: Oxford University Press, 1998), p. 94.
47. Mény and Knapp, *Government and Politics in Western Europe*, pp. 94–95.
48. Stephens, *The Transition from Capitalism to Socialism*; Walter Korpi, *The Democratic Class Struggle* (London: Routledge and Kegan Paul, 1983); Gøsta Esping-Andersen, *Politics against Markets: The Social Democratic Path to Power* (Princeton: Princeton University Press, 1985).
49. David R. Cameron, 'The Expansion of the Public Economy: A Comparative Analysis', *American Political Science Review* Vol. 72 No. 4 (December 1978); Peter J. Katzenstein, *Small States in World Markets: Industrial Policy in Europe* (Ithaca: Cornell, 1985).
50. Walter Korpi and Joakim Palme, 'New Politics and Class Politics in the Context of Austerity and Globalization: Welfare State Regress in 18 Countries, 1975–95', *American Political Science Review* Vol. 97 No. 3 (August 2003): 425.
51. Korpi and Palme, 'New Politics and Class Politics': 426.
52. Korpi and Palme, 'New Politics and Class Politics': 429.
53. Korpi and Palme, 'New Politics and Class Politics': 441.
54. Clayton and Pontusson, 'Welfare-State Retrenchment Revisited': 92.
55. Evelyn Huber and John D. Stephens, 'Welfare State and Production Regimes in the Era of Retrenchment', *The New Politics of the Welfare State*, pp. 107–145.
56. Neil Gilbert, *Transformation of the Welfare State: The Silent Surrender of Public Responsibility* (Oxford: Oxford University Press, 2002). Nor does Gilbert discuss how corporate political power and its ability to promote an anti-welfare-state agenda varies across countries. For a critical review of Gilbert, see Sanford F. Schram, 'Illusions of Change: Rethinking the Current Welfare Retrenchment', *Social Service Review* (September 2003): 475–480.
57. Eric A. Nordlinger, *The Working-Class Tories: Authority, Deference and Stable Democracy* (Berkeley: University of California Press, 1967); Duncan Hallas, 'Towards a Revolutionary Socialist Party', Tony Cliff, Duncan Hallas, Chris Harman, and Leon Trotsky, *Party and Class* (London: Pluto Press, 1971).
58. Gregory Elliott, *Labourism and the English Genius: The Strange Death of Labour England?* (London: Verso, 1993).

59. Jim Delahunty, 'New Zealand: The Welfare State Ploughed Under', *Monthly Review* Vol. 45 No. 7 (November 1993): 28–40.
60. Moschonas, *In the Name of Social Democracy*, pp. 290–291.
61. Jesson, *Fragments of Labour*, p. 77.
62. Paul Keating, 'The Labor Government 1983–1996', speech given at the University of NSW (March 19, 1999); Greg Patmore and David Coates, 'Labour Parties and the State in Australia and the UK', *Labour History* No. 88 (May 2005): 130.
63. Jamie Peck and Nikolas Theodore, "'Work First": Workfare and the Regulation of Contingent Labour Markets', *Cambridge Journal of Economics* No. 24 (2000): 120; Sara C. Motta and David J. Bailey, 'Neither Pragmatic Adaptation nor Misguided Accommodation: Modernisation as Domination in the Chilean and British Left', *Capital & Class* No. 92 (Summer 2007): 119.
64. Motta and Bailey, 'Neither Pragmatic Adaptation nor Misguided Accommodation': 109, 111.
65. Moschonas, *In the Name of Social Democracy*, p. 299.

2 The New Zealand Labour Party

1. Serge Halimi, 'New Zealand: From Welfare State to Market Society: Test Tube Miracle of Total Capitalism', *Le Monde Diplomatique* (April 1997), <http://www.casi.org.nz/politicaconomy/wstoms.html>.
2. David Knutson, *Welfare Reform in New Zealand: Moving Toward a Work-Based Welfare System* (Wellington: Ian Axford New Zealand Fellowship in Public Policy, August 1998), p. 17.
3. Peter Conway, *The New Zealand Experiment 1984–1999* (Wellington: New Zealand Council of Trade Unions, 2002), p. 3; John Kay, 'Downfall of an Economic Experiment: New Zealand's Textbook Programme of Liberalisation has Left it Poorer than Before', *Financial Times* (August 30, 2000); Michael McKinley, 'Reluctant Campers Too Far from Home: The Enigma of Australia and New Zealand at the Close of the Twentieth Century', International Studies Association 40th Annual Convention, Washington, D.C. February 16–20, 1999, www.ciaonet.org/conf/mcm02/; Jane Kelsey, *Economic Fundamentalism: The New Zealand Experiment—A World Model for Structural Adjustment?* (London: Pluto Press, 1995).
4. David Lange, *Address to the New Zealand Federation of Labour* (Minutes of First Day's Proceedings of the Forth-Sixth Annual Conference held in the Wellington Town Hall, May 3, 1983), p. 78.
5. Paul Conway and Ben Hunt, 'Productivity Growth in New Zealand: Economic Reform and the Convergence Hypothesis' (Reserve Bank of New Zealand, June 1998), http://www.rbnz.govt.nz/research/discuss-papers/g98_2.pdf.
6. Halimi, 'New Zealand'.

7. Bryce Edwards, *Political Parties in New Zealand: A Study of Ideological and Organisational Transformation*, PhD dissertation (New Zealand: University of Canterbury, 2003), p. 104.
8. W. Hugh Oliver, 'The Labour Caucus and Economic Policy Formation, 1981–1984', Brian Easton, ed., *The Making of Rogernomics* (Auckland: University of Auckland Press, 1989), p. 24.
9. *Ibid.*, p. 28–29.
10. Michael Bassett, *The State in New Zealand 1840–1984: Socialism Without Doctrines?* (Auckland: Auckland University Press, 1998), p. 370.
11. Peter Brosnan, John Burgess, and David Rea, 'Labour Institutions, Government Policy and Economic Change in Australia and New Zealand', Paper Presented to the XIIIth Meeting of the International Working Party on Labour Market Segmentation (Bremen, Germany, July 11–16, 1991), p. 9.
12. Halimi, 'New Zealand'.
13. Interview with Mark Gosche MP, July 11, 2006.
14. Interview with Chris Trotter, June 27, 2006.
15. John Quiggin, 'Social Democracy and Market Reform in Australia and New Zealand', *Oxford Review of Economic Policy* Vol. 14 No. 1 (1998): 82; Vivien A. Schmidt, 'The Role of Values and Discourse in Welfare State Reform: The Politics of Successful Adjustment', Paper Prepared for Delivery at the Council for European Studies Conference (Chicago, March 30–April 2, 2000), p. 12.
16. Francis Castles, Rolf Gerritsen, and Jack Vowles, 'Introduction: Setting the Scene for Economic and Political Change', Francis Castles, Rolf Gerritsen, and Jack Vowles, eds., *The Great Experiment: Labour Parties and Public Policy Transformation in Australia and New Zealand* (Auckland: Auckland University Press, 1996), p. 16.
17. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', p. 14.
18. Jack H. Nagel, 'Social Choice in a Pluralitarian Democracy: The Politics of Market Liberalization in New Zealand', *British Journal of Political Science* Vol. 28 No. 2 (April 1998): 237.
19. Castles, Gerritsen, and Vowles, 'Introduction', p. 17.
20. Paul G. Buchanan and Kate Nicholls, *Labour Politics in Small Open Democracies: Australia, Chile, Ireland, New Zealand and Uruguay* (New York: Palgrave, 2003), p. 100.
21. Edwards, *Political Parties in New Zealand*, p. 120. Chris Ford, a Labour Party activist who later joined the breakaway New Labour Party, argues that the real disconnect between the Labour Party and the working class as a whole

became apparent at the 1987 general election when, for the first time, there was almost a reversal in terms of where Labour secured support. In working class districts, there was a slight swing against the party, whereas in wealthier districts, the party saw an upswing in its vote in areas that had previously voted National, all thanks to Rogernomics.

E-Mail interview, August 15, 2006.

22. Buchanan and Nicholls, *Labour Politics in Small Open Democracies*, p. 100.
23. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', p. 12.
24. Marcia Russell, *Revolution: New Zealand from Fortress to Free Market* (Auckland: Hodder Moa Beckett, 1996), pp. 213–214.
25. Peggy G. Koopman-Boyden, 'Social Policy: Has There Really Been One?', Martin Holland and Jonathan Boston, eds., *The Fourth Labour Government: Politics and Policy in New Zealand*, 2nd edition (Auckland: Oxford University Press, 1992), p. 213.
26. Francis G. Castles and Ian F. Shirley, 'Labour and Social Policy: Gravediggers or Refurbishers of the Welfare State?', Castles, Gerritsen, and Vowles, eds., pp. 98–99.
27. Koopman-Boyden, 'Social Policy', pp. 224–225.
28. Nagel, 'Social Choice in a Pluralitarian Democracy': 235; Castles and Shirley, 'Labour and Social Policy', p. 95; Koopman-Boyden, 'Social Policy', pp. 228, 230.
29. Bruce Jesson, *Fragments of Labour: The Story Behind the Labour Government* (Auckland: Penguin Books, 1989), p. 17.
30. *Ibid.*, p. 18.
31. Shane Hanley, 'Labour: A Middle Class Electoral Party', *Revolution* Vol. 14 (March 2001), p. 30; Douglass C. Webber, 'Trade Unions and the Labour Party: The Death of Working-Class Politics in New Zealand', Stephen Levine, ed., *Politics in New Zealand: A Reader* (Boston: George Allen & Unwin, 1978), p. 189.
32. Brosnan, Burgess, and Rea, 'Labour Institutions', p. 8.
33. Oliver, 'The Labour Caucus and Economic Policy Formation', p. 40.
34. *Ibid.*
35. Address by David Lange to the New Zealand Federation of Labour, *Minutes of first day's proceedings of the forty-sixth annual conference held in the Wellington Town Hall* (May 1983), p. 82.
36. Jesson, *Fragments of Labour*, p. 58.
37. Paul Dalziel, 'The Economic Summit: What People Were Thinking', Easton, ed., p. 155.
38. Mark Bray and David Neilson, 'Industrial Relations Reform and the Relative Autonomy of the State', in Castles, Gerritsen, and Vowles, eds., p. 75; Mark Bray and Pat Walsh, 'Differing Paths to Neo-Liberalism? Comparing Australia and New Zealand', *Industrial Relations* Vol. 37 No. 3 (July 1998): 368.
39. Jesson, *Fragments of Labour*, pp. 90–91.
40. David Denmark, 'Social Democracy and Contextual Unemployment: New Zealand Labour in 1990', *Australian Geographer* Vol. 30 No. 2 (1999): 199.
41. Tom Bramble and Sarah Heal, 'Trade Unions', Chris Rudd and Brian Roper, eds., *The Political Economy of New Zealand* (Oxford: Oxford University Press, 1997), p. 131.
42. Ian Duncan, 'Public Enterprises', Brian Silverstone, Alan Bollard, Ralph Lattimore, eds., *A Study of Economic Reform: The Case of New Zealand* (Amsterdam: Elsevier Science B.V., 1996), p. 397.

43. Bramble and Heal, 'Trade Unions', op. cit.; Jesson, *Fragments of Labour*, p. 89; W. J. (Jim) Knox, Presidential Address, *Minutes of the First Day's Proceedings of the Fiftieth Annual Conference Held in the Wellington Town Hall* (New Zealand Federation of Labour, May 1987), p. 8.
44. John Martin, 'Remaking the State Services', Holland and Boston, eds., p. 127; Bray and Neilson, 'Industrial Relations Reform', p. 77.
45. Bramble and Heal, 'Trade Unions', p. 133.
46. Bray and Neilson, 'Industrial Relations Reform', p. 77.
47. Brian S. Roper, 'Leading from the Rear? A Theoretical Analysis of the Contingent Bureaucratic Conservatism of the NZCTU Leadership', *New Zealand Journal of Industrial Relations* Vol. 21 No. 3 (October 1996): 267.
48. Bray and Neilson, 'Industrial Relations Reform', p. 79.
49. Herman Schwartz, 'Small States in Big Trouble: The Politics of State Reorganization in Australia, Denmark, New Zealand and Sweden in the 1980s', *World Politics* Vol. 46 No. 4 (July 1994): 547; Castles, Gerritsen, and Vowles, 'Introduction', p. 17.
50. Raymond Harbridge and Anthony Honeybone, 'External Legitimacy of Unions: Trends in New Zealand', *Journal of Labor Research* Vol. XVII No. 3 (Summer 1996): 427; Buchanan and Nicholls, *Labour Politics in Small Open Democracies*, p. 93.
51. Pat Walsh, 'From Arbitration to Bargaining: Changing State Strategies in Industrial Relations', Chris Rudd and Brian Roper, eds., *The Political Economy of New Zealand* (Oxford: Oxford University Press, 1997), pp. 186–187; Brosnan, Burgess and Rea, 'Labour Institutions', p. 1.
52. Buchanan and Nichols, *Labour Politics in Small Open Democracies*, pp. 92–93.
53. Jesson, *Fragments of Labour*, p. 14, Walsh, 'From Arbitration to Bargaining', p. 189.
54. Harbridge and Honeybone, 'External Legitimacy of Unions': 427–428.
55. Bassett, *The State in New Zealand 1840–1984*, pp. 88, 91; Buchanan and Nicholls, *Labour Politics in Small Open Democracies*, p. 96.
56. Bramble and Heal, 'Trade Unions', p. 126.
57. Erik Olssen, 'The New Zealand Labour Movement, 1920–1940', Eric Fry, ed. *Common Cause: Essays in Australian and New Zealand Labour History* (Wellington: Allen & Unwin, 1986), p. 24.
58. Bramble and Heal, 'Trade Unions', pp. 126–127.
59. *Ibid.*, p. 128.
60. Jim Delahunty, *Night's Black Agents: The NZ Labour Party Since 1984* (Wellington: 1999), <http://www.thrall.orcon.net.nz/textsnightblack.html>.
61. Buchanan and Nicholls, *Labour Politics in Small Open Democracies*, p. 98.
62. Bramble and Heal, 'Trade Unions', p. 129.
63. Buchanan and Nicholls, *Labour Politics in Small Open Democracies*, op. cit.; Harbridge and Honeybone, 'External Legitimacy of Unions': 428; Bray and Walsh, 'Differing Paths to Neo-Liberalism': 363.
64. Pat Walsh, *Trade Unions in New Zealand and Economic Restructuring* (Sydney: ACCIRT—University of Sydney, 1991), p. 4; Buchanan and Nicholls, *Labour Politics in Small Open Democracies*, p. 99.

65. Buchanan and Nicholls, *Labour Politics in Small Open Democracies*, op. cit.
66. Nagel, 'Social Choice in a Pluralitarian Democracy': 223. Matt McCarten, secretary of the Unite union, who in the early 1980s was active in the Hotel and Hospital Workers in South Auckland, claims that 'in my union . . . none of us really paid any attention to the Labour Party'. Interview with Matt McCarten, June 30, 2006, Auckland.
67. Webber, 'Trade Unions and the Labour Party', p. 185; Jesson, *Fragments of Labour*, p. 46.
68. Socialist Unity Party, *Communism in New Zealand* (Auckland: Socialist Unity Party, 1986), p. 37.
69. Jesson, *Fragments of Labour*, p. 92.
70. *Ibid.*, p. 56.
71. New Zealand Federation of Labour (Alf Kirk), *Towards an Alternative Economic Strategy* (Federation of Labour, August 1981), p. 26.
72. Jesson, *Fragments of Labour*, op. cit.
73. Bray and Neilson, 'Industrial Relations Reform', pp. 70–71.
74. *Ibid.*, p. 76.
75. Bray and Walsh, 'Differing Paths to Neo-Liberalism', op. cit.
76. Jesson, *Fragments of Labour*, p. 94.
77. Interview with Matt McCarten; Jesson, *Fragments of Labour*, pp. 74–75. Lange justified the GST before the FOL by claiming that the government would make the revenue from the tax 'available to finance tax cuts for those on low and middle incomes, and to make proper benefits provision for those on no income'. Address by David Lange to the New Zealand Federation of Labour, *Minutes of first day's proceedings of the forty-eighth annual conference held in the Wellington Town Hall* (May 1985), p. 43.
78. Jesson, *Fragments of Labour*, p. 75. Lange told the FOL in 1986 that
- The Labour Party and the trade union movement will always have their differences. Where I believe we are in agreement is in the wisdom of trade unions promoting worthwhile reform in co-operation with a Government that if far from perfect in your eyes, is not like its opponent rabidly anti-union, and never will be.
- Address by David Lange to the New Zealand Federation of Labour, *Minutes of first day's proceedings of the forty-ninth annual conference held in the Wellington Town Hall* (May 1986), p. 36.
79. Jesson, *Fragments of Labour*, p. 94.
80. Brosnan, Burgess, and Rea, 'Labour Institutions', p. 9.
81. Bray and Neilson, 'Industrial Relations Reform', op. cit.
82. Jesson, *Fragments of Labour*, p. 95; Bramble and Heal, 'Trade Unions', pp. 132–133.
83. Brosnan, Burgess and Rea, 'Labour Institutions', p. 11.
84. Russell, *Revolution*, p. 215.
85. Bramble and Heal, 'Trade Unions', op. cit.
86. Bray and Neilson, 'Industrial Relations Reform', p. 78.

87. Bramble and Heal, 'Trade Unions', pp. 134–135; Brian Roper, 'The New Zealand Council of Trade Unions and the Struggle against the Employment Contracts Act', *Red & Green* No. 6 (2007), p. 17.
 88. Jesson, *Fragments of Labour*, p. 121.
 89. Bray and Neilson, 'Industrial Relations Reform', p. 78; Roper, 'The New Zealand Council', p. 17.
 90. Bramble and Heal, 'Trade Unions', p. 135; Bray and Neilson, 'Industrial Relations Reform', p. 79.
 91. Jesson, *Fragments of Labour*, p. 121; Bray and Neilson, 'Industrial Relations Reform', p. 78; Roper, 'The New Zealand Council', p. 16.
 92. Bramble and Heal, 'Trade Unions', p. 136; Bray and Neilson, 'Industrial Relations Reform', p. 78.
 93. Bray and Walsh, 'Differing Paths to Neo-Liberalism': 369.
 94. Ellen Dannin, 'We Can't Overcome? A Case Study of Freedom of Contract and Labour Law Reform', *Berkeley Journal of Employment and Labour Law*, Vol. 16 No. 1 (1995): 39; Roper, 'The New Zealand Council', pp. 17–18. According to Russell, by 1990 the union movement 'was beginning to believe that the Opposition [National] might be a gentler and more attractive alternative'. Russell, *Revolution*, p. 215.
 95. Jesson, *Fragments of Labour*, p. 93.
 96. Webber, 'Trade Unions and the Labour Party', p. 189.
 97. Nagel, 'Social Choice in a Pluralitarian Democracy': 233; Schwartz, 'Small States in Big Trouble': 546.
 98. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', p. 14; Jonathan Boston, 'The Treasury and the Organisation of Economic Advice', Easton, ed., p. 78.
 99. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', p. 14; Nagel, 'Social Choice in a Pluralitarian Democracy': 228.
 100. Jesson, *Fragments of Labour*, p. 134.
 101. Russell, *Revolution*, p. 130.
 102. Knutson, *Welfare Reform in New Zealand*, pp. 17–18.
 103. Nagel, 'Social Choice in a Pluralitarian Democracy': 234–235.
 104. Arend Lijphart, *Democracies: Patterns of Majoritarian and Consensus Government in Twenty-One Countries* (New Haven: Yale University Press, 1984). Nagel argues that

institutions like Britain's and New Zealand's before 1993 ought to be called 'pluralitarian' rather than 'majoritarian'. Obviously, at the basic constituency level, their elections employ plurality rather than majority rule. Moreover, at the national level, the frequent presence of electorally futile minor parties means that typically only an aggregate plurality of voters supports the winning party.
- Nagel, 'Social Choice in a Pluralitarian Democracy': 224.
105. Nagel, 'Social Choice in a Pluralitarian Democracy': 224.
 106. Poul Erik Skov Christensen, *The Experiment in New Zealand: The Consequences and Experiences of the Reforms in New Zealand* (Economic Council of the Danish Labour Movement, June 2001), pp. 8–9.

107. Nagel, 'Social Choice in a Pluralitarian Democracy': 224.
108. Electoral Reform Society, '5 May 2005: Worst Election Ever' (May 13, 2005), <http://www.electoral-reform.org.uk/publications/briefings/election2005.pdf>.
109. Geoff Eley, *Forging Democracy: The History of the Left in Europe, 1850–2000* (New York: Oxford University Press, 2002), 461–463; Leo Panitch and Colin Leys, *The End of Parliamentary Socialism: From New Left to New Labour*, 2nd Edition (New York: Verso, 2001).
110. The manifesto was less radical than two economic strategy documents produced in 1982 that reflected the new ('Bennite') Labour Left's influence at the time, the Trade Union Congress-Labour Party Liaison Committee's *Economic Planning and Industrial Policy* and the Home Policy Committee's *Labour Programme 1982*. Panitch and Leys note that 'nothing that has been produced by the British labour movement since this time comes anywhere near as close to making any significant progress towards the development of socialist strategy'. Panitch and Leys, *The End of Parliamentary Socialism*, pp. 204–205.
111. Eley, *Forging Democracy*, pp. 463–464.
112. Panitch and Leys, *The End of Parliamentary Socialism*, p. 208. In contrast, in New Zealand, 'party factions had long been discouraged, and only began to emerge formally in the mid-1980s, and then only as a by-product of the intense internal policy debates'. Jack Vowles and Ian McAllister, 'Electoral Foundations and Electoral Consequences: From Convergence to Divergence', Castles, Gerritsen, and Vowles, eds., p. 202.
113. Christensen, *The Experiment in New Zealand*, p. 11.
114. Anthony Downs, *An Economic Theory of Democracy* (New York: Harper, 1957); Kenneth J. Arrow, *Social Choice and Individual Values* (New Haven: Yale University Press, 1963).
115. When National took office for the first time in 1949, its leader Syd Holland declared, 'There is going to be no more socialism in New Zealand'... Nevertheless, in power the National Party embraced the main features of Labour's historic compromise—which the National Party had previously defined as 'socialist'. In particular, National now accepted the Labour Government's social security legislation. A societal consensus had developed about its value, and conservative politicians therefore had no choice but to promise not to undermine it... That National had reluctantly accepted Labour's Keynesian economics and the welfare state in the 1940s and 1950s might have seemed like a huge defeat for the right, but this concession was actually the basis on which the National Party, like other parties of the right around the Western world, was able to dominate politics in the second half of the twentieth century.
- Edwards, *Political Parties in New Zealand*, p. 97.
116. Edwards, *Political Parties in New Zealand*, p. 103.
117. One might then ask why National did *not* implement a radically pro-market program in the early 1980s. The primary reason lies in the person of Robert Muldoon, who openly espoused the interventionism

and protectionism that had long secured prosperity for New Zealand. He had no hesitation in imposing price or pay freezes, or committing the state to the risky, extravagant industrial enterprises of 'Think Big'. He was no Ronald Reagan or Margaret Thatcher. Indeed, the mainstream right in New Zealand in the 1970s and early 1980s generally supported big industrial complexes and Keynesian policies. But certain people in business circles started pushing for drastic change from the Keynesian consensus, most notably Donald Brash, general manager of Broadbank Corporation, who became National's candidate in the East Coast Bays by-election in September 1980. It became obvious to the free-marketeers in the National Party that if 'big government' in New Zealand was to end, Muldoon first had to be removed from office—and indeed, a group of younger National MPs tried and failed to remove him from the prime ministership after he failed to give unqualified support to Brash. Many in National who opposed Muldoon's policies ended up joining either the Labour Party—without the party refusing their membership, as one might expect—or the New Zealand Party of Bob Jones, previously one of National's major financial backers, which won 12.2 per cent in the 1984 election. The post-Muldoon National government of 1990, however, fully embraced neoliberalism, continued the previous Labour government's economic agenda and further deregulated the labour market. Bassett, *The State in New Zealand 1840–1984*, pp. 348–349; Nagel, 'Social Choice in a Pluralitarian Democracy': 228.

118. Schwartz, 'Small States in Big Trouble': 546.
119. Nagel, 'Social Choice in a Pluralitarian Democracy': 333–334.
120. Edwards, *Political Parties in New Zealand*, p. 266; Roger Douglas, *Unfinished Business* (Auckland: Auckland University Press, 1993).
121. Nagel, 'Social Choice in a Pluralitarian Democracy': 334.
122. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', op. cit.
123. Jesson, *Fragments of Labour*, p. 82.
124. Webber, 'Trade Unions and the Labour Party', p. 190.
125. Hanley, 'Labour', p. 31.
126. David Denmark, 'Social Democracy and the Politics of Crisis in New Zealand, Britain, and Sweden', Martin Holland and Jonathan Boston, eds., *The Fourth Labour Government: Politics and Government in New Zealand*, 2nd Edition (Auckland: Oxford University Press, 1992), p. 280.
127. *Ibid.*, p. 283.

3 The British Labour Party

1. Sara C. Motta and David J. Bailey, 'Neither Pragmatic Adaptation nor Misguided Accommodation: Modernisation as Domination in the Chilean and British Left', *Capital & Class* No. 92 (Summer 2007): 115.
2. Stewart Wood, 'Labour Market Regimes Under Threat? Sources of Continuity in Germany, Britain, and Sweden', Paul Pierson, ed., *The New Politics of the Welfare State* (Oxford: Oxford University Press, 2001), p. 395.

3. Greg Patmore and David Coates, 'Labour Parties and the State in Australia and the UK', *Labour History* No. 88 (May 2005): 134; Chris Howell, 'From New Labour to No Labour? The Industrial Relations Project of the Blair Government', *New Political Science* Vol. 22 No. 2 (2000): 201.
 4. Motta and Bailey, 'Neither Pragmatic Adaptation nor Misguided Accommodation': 116.
 5. Labour Party, *New Labour: Because Britain Deserves Better* (1997), <http://www.psr.keele.ac.uk/area/uk/man/lab97.htm>.
 6. Richard Hefferman, 'New Labour and Thatcherism', Andrew Chadwick and Richard Hefferman, eds., *The New Labour Reader* (Cambridge: Polity, 2003), p. 49.
 7. *Ibid.*, p. 51.
 8. Labour Party, 'Labour's Business Manifesto: Equipping Britain for the Future', in Chadwick and Hefferman, eds., p. 100.
 9. David Coates, *Prolonged Labour: The Slow Birth of the New Labour Nation* (Basingstoke: Palgrave, 2005), p. 28.
 10. Leo Panitch and Colin Leys, *The End of Parliamentary Socialism: From New Left to New Labour*, 2nd Edition (New York: Verso, 2001), p. 274.
 11. *Ibid.*, p. 283.
 12. Gerassimos Moschonas, *In the Name of Social Democracy: The Great Transformation, 1945 to the Present* (London: Verso, 2002), p. 184.
 13. Blair appears far more comfortable around business executives than trade unionists, and he has recruited large numbers of industrialists to his government; getting off a corporate jet which had shuttled him to the TUC Congress in 1995, he reputedly told his hosts: 'I'd much rather carry on talking to you than to this lot'.
- Howell, 'From New Labour to No Labour': 209.
14. Coates, *Prolonged Labour*, p. 86.
 15. Panitch and Leys, *The End of Parliamentary Socialism*, p. 254.
 16. Coates, *Prolonged Labour*, p. 87.
 17. Patmore and Coates, 'Labour Parties': 135.
 18. John Palmer, 'New Labor Faces New Left Challenge', *New Politics* Vol. 7 No. 4 (Summer 1998): 34-35.
 19. David Osler, 'After New Labour', *Weekly Worker* Vol. 449 (September 26, 2002), <http://weeklyworker.co.uk/worker/449/after-new-labour/>.
 20. Lucy Ward and Steven Morris, 'Device that Keeps Ministers at Arm's Length from their Money', *The Guardian* (December 9, 2002), <http://politics.guardian.co.uk/-cherie/story/0,,857371,00.html>. It was later revealed that Blair attempted to conceal millions of pounds of financial aid from multi-millionaire supporters who were subsequently nominated for peerages. For details on the secret long-term strategy by New Labour to lure and reward major party donors, see Andrew Alderson and Melissa Kite, 'Revealed: Birth of Plot to Sell Access to Blair', *Sunday Telegraph* (April 22, 2007), <http://www.telegraph.co.uk/-news/main.jhtml?xml=/news/2007/04/22/nhons22.xml>.
 21. Panitch and Leys, *The End of Parliamentary Socialism*, p. 282.

22. Andrew Glyn and Stewart Wood, 'New Labour's Economic Policy', Andrew Glyn, ed., *Social Democracy in Neoliberal Times: The Left and Economic Policy Since 1980* (Oxford: Oxford University Press, 2001), pp. 201, 220.
23. Moschonas, *In the Name of Social Democracy*, p. 209; Colin Hay, 'That Was Then, This Is Now: The Revision of Policy in the "Modernization" of the British Labour Party, 1992–97', *New Political Science* Vol. 20 No. 1 (1998): 20.
24. James E. Cronin, *New Labour's Pasts: The Labour Party and its Discontents* (London: Pearson Education Limited, 2004), p. 417.
25. Colin Crouch, 'A Third Way in Industrial Relations?', Stuart White, ed., *New Labour: The Progressive Future?* (Basingstoke: Palgrave, 2001), p. 99.
26. *Ibid.*, pp. 101, 104; Coates, *Prolonged Labour*, pp. 56, 81.
27. Coates, *Prolonged Labour*, pp. 87–88.
28. Crouch, 'A Third Way in Industrial Relations?', pp. 101–102, 104.
29. Cronin, *New Labour's Pasts*, pp. 434–135.
30. Crouch, 'A Third Way in Industrial Relations?', p. 104.
31. Panitch and Leys, *The End of Parliamentary Socialism*, p. 254; Coates, *Prolonged Labour*, p. 88.
32. Liz Davies, 'The Fraud of "New Labor"', *New Politics* Vol. 8 No. 2 (Winter 2001): 157.
33. Coates, *Prolonged Labour*, pp. 89–90.
34. Cronin, *New Labour's Pasts*, pp. 436–437.
35. David Osler, *Labour Party PLC: New Labour as a Party of Business* (London: Mainstream Publishing, 2002), p. 120. The lobbying industry in Britain, essentially an offshoot of PPP/PFI, began to provide 'an appreciable living for middle men and women who offer a bridge between business and the cash-starved public sector, to an extent that would have been considered suspect throughout the relatively gentlemanly years of the post-war [social democratic] consensus'. Among those benefiting are 16 fairly prominent 'Blairites' who received profitable posts working for lobbying companies, such as GPC Market Access director Derek Draper, who commanded 'upwards of £225 an hour' due to his former position within New Labour. Osler, *Labour Party PLC*, pp. 99, 101.
36. Susan Watkins, 'A Weightless Hegemony: New Labour's Role in the Neoliberal Order', *New Left Review* Vol. 25 (January-February 2004): 13–14.
37. Motta and Bailey, 'Neither Pragmatic Adaptation nor Misguided Accommodation': 119; Jamie Peck and Nikolas Theodore, "'Work First": Workfare and the Regulation of Contingent Labour Markets', *Cambridge Journal of Economics* No. 24 (2000): 120.
38. Hay, 'That Was Then, This Is Now': 21.
39. Stuart Hall, 'The Great Moving Nowhere Show', Hefferman, ed., p. 86.
40. Moschonas, *In the Name of Social Democracy*, p. 194.
41. The IFS argues that 'Spending provides a more direct measure of people's material well-being, since it more directly captures the consumption of goods and services' and that it 'may provide a better picture of households' long-term financial circumstances than income because, while

incomes tend to fluctuate over time, most people borrow and save to ensure that their standard of living changes by less'. Institute for Fiscal Studies, Press Release (May 17, 2006), p. 2; Gary Younge, 'Left's Labour Lost', *The Nation* (April 10, 2006), <http://www.thenation.com/doc/20060410/younge>.

42. Cronin, *New Labour's Pasts*, p. 355.
43. Colin Crouch, *The Politics of Industrial Relations* (Manchester: Manchester University Press, 1979), p. 103.
44. David Denmark, 'Social Democracy and the Politics of Crisis in New Zealand, Britain, and Sweden', Martin Holland and Jonathan Boston, eds., *The Fourth Labour Government: Politics and Government in New Zealand*, 2nd Edition (Auckland: Oxford University Press, 1992), p. 280.
45. Panitch and Leys, *The End of Parliamentary Socialism*, p. 111.
46. Crouch, 'A Third Way in Industrial Relations?', p. 90; Peter Hall, *Governing the Economy: The Politics of State Intervention in Britain and France* (New York: Oxford University Press, 1986), p. 83.
47. Hall, *Governing the Economy*, p. 82.
48. Cronin, *New Labour's Pasts*, pp. 170–172.
49. Panitch and Leys, *The End of Parliamentary Socialism*, p. 112; Crouch, 'A Third Way in Industrial Relations?', p. 97.
50. Cronin, *New Labour's Pasts*, p. 176.
51. Crouch, 'A Third Way in Industrial Relations?', p. 100.
52. Lewis Minkin, *The Contentious Alliance: Trade Unions and the Labour Party* (Edinburgh: Edinburgh University Press, 1991), pp. 169–170; Panitch and Leys, *The End of Parliamentary Socialism*, p. 148.
53. Cronin, *New Labour's Pasts*, p. 177.
54. *Ibid.*, p. 178.
55. Crouch, 'A Third Way in Industrial Relations?', p. 104.
56. Hall, *Governing the Economy*, p. 83.
57. Cronin, *New Labour's Pasts*, p. 189; Crouch, 'A Third Way in Industrial Relations?', p. 105.
58. Hall, *Governing the Economy*, p. 84.
59. Panitch and Leys, *The End of Parliamentary Socialism*, p. 130.
60. Hall, *Governing the Economy*, p. 84.
61. Panitch and Leys, *The End of Parliamentary Socialism*, p. 131.
62. Denmark, 'Social Democracy', pp. 280–281. Cronin points out that between 1974 and 1979

social spending had increased as a share of total public expenditure and ... had grown by almost 2 per cent in real terms ... In seeking to distribute burdens equitably and to protect what it regarded as the core social programmes, the government saw itself as continuing to operate in the social-democratic tradition.

- Cronin, *New Labour's Pasts*, p. 186.
63. Crouch, 'A Third Way in Industrial Relations?', p. 187.
64. Cronin, *New Labour's Pasts*, pp. 191–192.
65. Wood, 'Labour Market Regimes under Threat?' p. 395.

66. Martin Thomas, 'The Crisis of British Socialism', *New Politics* 5 (4) (1996): 116.
67. *Ibid.*, 117–118.
68. Coates, *Prolonged Labour*, p. 82.
69. Patmore and Coates, 'Labour Parties': 134.
70. Sheila Cohen, *Ramparts of Resistance: Why Workers Lost Their Power and How To Get It Back* (London: Pluto Press, 2007), p. 127.
71. Davies, 'The Fraud of "New Labor"': 157. Davies was at this time on the National Executive Committee of the Labour Party.
72. Watkins, 'A Weightless Hegemony': 32.
73. Coates, *Prolonged Labour*, p. 92.
74. Cronin, *New Labour's Pasts*, p. 437.
75. *Ibid.*; Coates, *Prolonged Labour*, pp. 92–93; Rebecca Smithers, 'London Teachers' Strike Call Enrages Minister', *The Guardian* (March 6, 2002), <http://education.guardian.co.uk/-schools/story/0,,662602,00.htm>; Kevin Maguire, 'The Guardian Profile: Bob Crow', *The Guardian* (July 2, 2004), <http://www.guardian.co.uk/guardianpolitics/story/0,3605,1252026,00.html>.
76. Cronin, *New Labour's Pasts*, pp. 434–435; Coates, *Prolonged Labour*, pp. 93–94.
77. Cronin, *New Labour's Pasts*, p. 438; Kevin Maguire, 'Blair Lashes Left as He Calls for Partnership', *The Guardian* (September 11, 2002), <http://society.guardian.co.uk/ppp/story/0,,800412,00.html>.
78. Coates, *Prolonged Labour*, p. 94.
79. Cronin, *New Labour's Pasts*; Coates, *Prolonged Labour*, pp. 94–95. However, the RMT has also affiliated to the Labour Representation Committee, the internal Labour group established by a number of left-wing MPs. Gregor Gall, 'The End of an Enduring Alliance? Trade Union-Labour Party Relations', <http://www.word-power.co.uk/view-Platform.php?id=45>.
80. Current rules require unions to ask members every 10 years whether they want to contribute to a political fund. The unions then take money from the political fund and distribute it as they wish. The arrangement enables union leaders to wield considerable financial clout—and political pressure. But MPs believe [Blair] will [support] 'individualisation', where each union member opts in or out of contributing to political parties.

Will Woodward, 'Blair Supports Plan to Weaken Unions' Grip on Party, MPs Told', *The Guardian* (December 12, 2006), <http://politics.guardian.co.uk/unions/story/0,,1970176,00.html>.
81. Coates, *Prolonged Labour*, p. 90.
82. Osler, *Labour Party PLC*, p. 224; Panitch and Leys, *The End of Parliamentary Socialism*, p. 283.
83. Coates, *Prolonged Labour*, p. 95.
84. Cronin, *New Labour's Pasts*, p. 438.
85. *Ibid.*, p. 467.
86. *Ibid.*, p. 473.
87. Coates, *Prolonged Labour*, p. 95; Gall, 'The End of an Enduring Alliance?'

88. John McDonnell MP, 'Time for a New Trade Union Bill', <http://www.john4leader.org.uk/2006/09/time-for-trade-union-freedom-bill.html>.
89. Stan Crooke, 'McDonnell's Lack of Support Poses Questions for Unions', *Scottish Socialist Voice* No. 308 (May 25, 2007), p. 8.
90. Ben Davies, 'Union's Election Warning to Brown', *BBC News* (May 17, 2006), http://news.bbc.co.uk/2/hi/uk_news/politics/4986118.stm.
91. The warning was delivered by Mark Serwotka, general secretary of the PCSU. David Hencke and John Carvel, 'Public Sector Unions Warn Brown Over Summer of Discontent', *The Guardian* (May 17, 2007), <http://society.guardian.co.uk/futureforpublicservices/-story/0,,2081562,00.html>.
92. This is a paraphrase of a statement by Dave Prentis, the leader of Unison:

We will work with Gordon Brown to rebuild public confidence in our public services to usher in a new era that will see the restoration of real Labour values If he's up for it—he can just say the word . . . if he's not, our fight will continue until we get real change until we have public and health services we can all be proud of.

Yet, 'Mr Prentis insisted that he that he did not want to be seen as making an oppositionist speech'. David Hencke, 'Change Direction or Lose Election, Brown Warned', *The Guardian* (June 19, 2007), <http://society.guardian.co.uk/futureforpublicservices/story/0,,2106630,00.html>.

93. Gall, 'The End of an Enduring Alliance?'
94. Glyn and Wood, 'New Labour's Economic Policy', pp. 220–221.
95. Moschonas, *In the Name of Social Democracy*, pp. 194–195. For further details, see Maurice Mullard and Raymond Swaray, 'New Labour and Public Expenditure', Matt Beech and Simon Lee, eds., *Ten Years of New Labour* (Basingstoke: Palgrave Macmillan, 2008), pp. 35–49.
96. See Polly Toynbee and David L. Walker, *Better or Worse? Has Labour Delivered?* (London: Bloomsbury, 2005).
97. Andrew Scott, *Running on Empty: 'Modernising' the British and Australian Labour Parties* (Sydney: Pluto Press, 2000), pp. 237–238; Glyn and Wood, 'New Labour's Economic Policy', pp. 220–221.
98. Patrick Seyd and Paul Whiteley, *Labour's Grass Roots: The Politics of Party Membership* (Oxford: Clarendon, 1992), p. 177–178.
99. Watkins, 'A Weightless Hegemony': 10. See also Simon Jenkins, *Thatcher and Sons: A Revolution in Three Acts* (London: Allen Lane, 2006).

4 The Australian Labor Party

1. Dean Jaensch, *The Politics of Australia* (South Melbourne: MacMillan Education, 1992), p. 227.
2. Dean Jaensch, *The Hawke-Keating Hijack: The ALP in Transition* (Sydney: Allen & Unwin, 1989), pp. 161–162. After entering federal office in 1972, the Whitlam government dramatically increased welfare expenditure, ending the long period of stagnation under the Liberals, but by the

end of its term in 1975 this was still not enough to have any significant impact on cross-national relativities in welfare spending. Whitlam introduced Medibank, which provided for universal health benefits, but this was not nationalized medicine; private sector medicine and health insurance companies were subsidized. Pensions were raised, and means tests were abolished for pensioners aged over 70 years, but Australia, like New Zealand, still lagged behind the European welfare states. The basic pension rate was not raised to the level of the poverty line, nor was it accompanied by a substantial rise in supplementary assistance. Francis G. Castles, *The Working Class and Welfare* (Wellington: Allen & Unwin, 1985), p. 35; Greg Patmore and David Coates, 'Labour Parties and the State in Australia and the UK', *Labour History* No. 88 (May 2005): 128; Carol Johnson, *The Labor Legacy: Curtin, Chifley, Whitlam, Hawke* (Sydney: Allen & Unwin, 1989), p. 68.

3. Hawke said of the ALP's commitment to 'socialism' in 1985:

To the extent that it may frighten some people and direct them from the real issues, it may be better that it's not here In terms of what I need to do in party and in government, I'm not going to be wasting my time about something which I think is an irrelevancy.

Jaensch, *The Politics of Australia*, p. 231.

4. John Langmore, 'The Labor Government in a De-Regulatory Era', Brian Galligan and Gwynneth Singleton, eds., *Business and Government Under Labor* (Melbourne: Longman Cheshire, 1991), p. 75.
5. *Ibid.*, p. 76.
6. Tom Bramble, 'Managers of Discontent: Problems with Labour Leadership', Rick Kuhn and Tom O'Lincoln, eds., *Class and Class Conflict in Australia* (Melbourne: Longman, 1996), p. 49; Rick Kuhn, 'The Limits of Social Democratic Economic Policy in Australia', *Capital & Class* 51 (Autumn 1993): 19.
7. Russell Mathews and Bhajan Grewal, *Fiscal Federalism in Australia: From Whitlam to Keating* (Melbourne: Centre for Strategic Economic Studies, Victoria University, 1995), p. 23.
8. Andrew Scott, *Running on Empty: 'Modernising' the British and Australian Labour Parties* (Sydney: Pluto Press, 2000), pp. 218–219; Patmore and Coates, 'Labour Parties': 132.
9. Keating was able to mount a successful challenge for Labor leadership because although he, as Treasurer, was the key author of the Labor government's economic policies, it was Hawke who was generally blamed for the recession and high interest rates of the late 1980s. Brian Timms, 'Keating Replaces Hawke as Australia's Prime Minister', *Washington Post* (December 20, 1991), p. A40.
10. John Wiseman, 'A Kinder Road to Hell? Labor and the Politics of Progressive Competitiveness in Australia', Leo Panitch, ed., *Socialist Register 1996* (New York: Monthly Review Press, 1996), pp. 97–98.
11. Langmore, 'The Labor Government', 79–80.
12. Kuhn, 'The Limits of Social': 23.

13. Cliff Walsh, 'The National Economy and Management Strategies', Galligan and Singleton, eds., *Business and Government Under Labor* (Melbourne: Longman Cheshire, 1991), pp. 40–41; Wiseman, 'A Kinder Road to Hell?', p. 98.
14. Scott, *Running on Empty*, p. 219; Langmore, 'The Labor Government', p. 81; Walsh, 'The National Economy', p. 41.
15. Scott, *Running on Empty*, p. 224.
16. Mark Bray and Pat Walsh, 'Different Paths to Neo-Liberalism? Comparing Australia and New Zealand', *Industrial Relations* Vol. 37 No. 3 (July 1998): 367; Wiseman, 'A Kinder Road to Hell?', p. 99; Scott, *Running on Empty*, pp. 224, 229.
17. Wiseman, 'A Kinder Road to Hell?', p. 100. Between 1985 and 1989, business debt increased by 25 per cent a year, and by the end of 1989 the private sector owed the banks and other financial institutions close to A\$330 billion. Langmore, 'The Labor Government', p. 84.
18. Langmore, 'The Labor Government', p. 85.
19. Wiseman, 'A Kinder Road to Hell?', p. 100.
20. Tom Bramble and Rick Kuhn, 'Social Democracy After the Long Boom: Economic Restructuring Under Australian Labor, 1983 to 1996', Martin Upchurch, ed., *The State and 'Globalization': Comparative Studies of Labour and Capital in National Economies* (Mansell: New York, 1999), p. 37.
21. Bramble, 'Managers of Discontent', pp. 49–50.
22. Walsh, 'The National Economy', p. 43.
23. Kuhn, 'The Limits of Social': 39.
24. Brian Easton and Rolf Gerritsen, 'Economic Reform: Parallels and Divergences', Francis Castles, Rolf Gerritsen and Jack Vowles, eds., *The Great Experiment: Labour Parties and Public Policy Transformation in Australia and New Zealand* (Wellington: Allen & Unwin, 1996), p. 47.
25. *Ibid.*, p. 36.
26. Peter Brosnan, John Burgess, and David Rea, 'Labour Institutions, Government Policy and Economic Change in Australia and New Zealand', paper presented to the 18th Meeting of the International Working Party on Labour Market Segmentation (Bremen, Germany, 11–16 July 1991), pp. 1–2.
27. Peter Beilharz, 'The Australian Left: Beyond Labourism?', Ralph Miliband, John Saville, Marcel Liebman and Leo Panitch, eds., *Socialist Register 1985/86* (New York: Monthly Review Press, 1985), p. 212; Scott, *Running on Empty*, p. 233.
28. Scott, *Running on Empty*, pp. 233–235.
29. Bob Bennett and Kathryn Cole, 'Industrial Relations', Brian W. Head and Allan Patience, eds., *From Fraser to Hawke* (Melbourne: Longman Cheshire, 1989), pp. 178–179.
30. Brosnan, Burgess, and Rea, 'Labour Institutions', p. 3.
31. Unlike in New Zealand, where both the arbitration system and the introduction of social benefits predated the emergence of the Labour Party in 1916, in Australia the Labor Party was largely responsible for the creation of both. Social protection through wage control thereby became part of the Australian Labor Party tradition in a way that it did not for the New

- Zealand Labour Party. This shared belief by both the ALP and the unions in centralized wage fixing helped make the Accord possible—though the Labor leadership would rethink that belief in the late 1980s.
32. Patmore and Coates, 'Labour Parties': 133.
 33. Beilharz, 'The Australian Left', p. 212.
 34. *Ibid.*, p. 215.
 35. *Ibid.*, p. 215; Brosnan, Burgess, and Rea, 'Labour Institutions', pp. 1–2.; Patmore and Coates, 'Labour Parties': 133.
 36. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 367.
 37. *Ibid.*: 370.
 38. Beilharz, 'The Australian Left', pp. 217, 219.
 39. Rick Kuhn, 'The Accord and Business', Brian Galligan and Gwynneth Singleton, eds., *Business and Government Under Labor* (Melbourne: Longman Cheshire, 1991), p. 69.
 40. Bennett and Cole, 'Industrial Relations', p. 186; Richard Higgott, 'International Constraints on Labor's Economic Policy', Galligan and Singleton, eds., *Business and Government Under Labor*, p. 16; Cliff Walsh, 'The National Economy and Management Strategies', Galligan and Singleton, eds., *Business and Government Under Labor*, pp. 40–41.
 41. Bramble and Kuhn, 'Social Democracy After the Long Boom', pp. 32–33.
 42. Ian Hampson and David E. Morgan, 'Post-Fordism, Union Strategy, and the Rhetoric of Restructuring: The Case of Australia, 1980–1996', *Theory and Society* Vol. 28 No. 5 (October 1999): 772.
 43. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 373.
 44. Patmore and Coates, 'Labour Parties': 133. Keating, always on the right wing of the ALP, had 'gained his economics education at the feet of Treasury mandarins, and thus was not receptive to the Accord (especially given its origins on the Left)'. Hampson and Morgan, 'Post-Fordism': 767.
 45. Scott, *Running on Empty*, p. 239.
 46. Kuhn, 'The Limits of Social': 51.
 47. Mark Bray and David Neilson, 'Industrial Relations Reform and the Relative Autonomy of the State', Castles, Gerritsen and Vowles, eds., *The Great Experiment: Labour Parties and Public Policy Transformation in Australia and New Zealand* (Auckland: Auckland University Press, 1996), p. 83.
 48. A survey published in 1997 ... found that 49 per cent of all employees [in New Zealand] worked under some kind of individual employment contract, 34 per cent worked under a single-employer collective employment contract, and only 11 per cent worked under a multiemployer employment contract.... Individual contracts in Australia, however, were far less common. The second Australian Workplace Industrial Relations Survey found that in 1995, 46 per cent of Australian employees in workplaces of more than 20 employees worked under awards... 44 per cent worked under collective agreements, and only 9 per cent worked under individual contracts.

Bray and Walsh, 'Different Paths to Neo-Liberalism?': 376.

49. Francis S. Castles and Ian F. Shirley, 'Labour and Social Policy: Gravediggers or Refurbishers of the Welfare State', Castles, Gerritsen and Vowles, eds., *The Great Experiment: Labour Parties and Public Policy Transformation in Australia and New Zealand* (Auckland: Auckland University Press, 1996), pp. 94–95.
50. Patmore and Coates, 'Labour Parties': 135.
51. *Ibid.*, 135–136; Scott, *Running on Empty*, p. 227.
52. Patmore and Coates, 'Labour Parties': 135.
53. Bramble and Kuhn, 'Social Democracy After the Long Boom', p. 41.
54. Castles and Shirley, 'Labour and Social Policy', p. 95.
55. Mathews and Grewal note

an increase in basic health funding, from 0.74 per cent in 1982–83 to 0.94 per cent in 1992–93 as a consequence of the Government's Medicare program, and partly to a proliferation of recurrent programs in social security and welfare, housing and community services, culture and recreation, and legal aid. During the mid-1980s, employment programs were also important. The number of recurrent programs increased from 45 in 1982–83 to 72 in 1992–93.... Schools funding was roughly maintained, from 0.69 per cent to 0.71 per cent of GDP... while housing funding increased from 0.20 per cent to 0.24 per cent.

Mathews and Grewal, *Fiscal Federalism in Australia*, p. 27; Easton and Gerritsen, 'Economic Reform', pp. 30–31.

56. Easton and Gerritsen, 'Economic Reform', p. 39; Scott, *Running on Empty*, p. 228.
57. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 361.
58. John Rickard, *Class and Politics: New South Wales, Victoria and the Early Commonwealth, 1890–1910* (Canberra: Australian National University Press, 1976), p. 279; Hampson and Morgan': 760.
59. Hampson and Morgan, 'Post-Fordism', *op. cit.*; Bray and Walsh, 'Different Paths to Neo-Liberalism?': 365.
60. Bray and Neilson, 'Industrial Relations Reform', p. 71; Bray and Walsh, 'Different Paths to Neo-Liberalism?': 362–363.
61. Russell Lansbury, 'The Return to Arbitration: Recent Trends in Dispute Settlement and Wages Policy in Australia', *International Labour Review* Vol. 117 No. 5 (1978): 615.
62. The possibility of a merger between the ACTU and the white-collar peak councils was first raised publicly in 1969. By 1981, the Australian Council of Salaried and Professional Associations (ACSPA) and the Council of Australian Government Employee Organisations (CAGEO) had disbanded and most of their former members had affiliated to the ACTU. A number of factors, such as converging policies, the changing nature of white-collar unionists and, after 1975, a hostile federal government, pointed to the logic of unification. [...] The ultimate success of these discussions is largely attributable to the attitudes and actions of senior ASPCA officials and their belief in the concept of one peak council for all trade unions.

- Gerard Griffin and Vincent Guica, 'One Union Peak Council: The Merger of ACSPA and CAGEO with the ACTU', *Journal of Industrial Relations* Vol. 28 No. 4 (1986): 483.
63. Bray and Neilson, 'Industrial Relations Reform', p. 71; Bray and Walsh, 'Different Paths to Neo-Liberalism?': 365–366.
 64. Peter Beilharz, *Transforming Labor: Labour Tradition and the Labor Decade in Australia* (Cambridge: Cambridge University Press, 1994), p. 126.
 65. Bray and Walsh, 'Different Paths to Neo-Liberalism?', op. cit.
 66. Bray and Neilson, 'Industrial Relations Reform', p. 73. The trade unions already had considerable institutional power in the ALP; 1971 had seen the establishment of the 60:40 ratio of union delegates to delegates representing direct members of the party at most state conferences. Bob Gould, 'Submission to the ALP Committees of Inquiry after the 2001 Federal Elections', *Ozleft*, <http://members.optushome.com.au/spainter/Laborsubmission.html>.
 67. Patmore and Coates, 'Labour Parties': 132–133.
 68. Kuhn, 'The Limits of Social': 26.
 69. Beilharz, *Transforming Labor*, p. 126.
 70. Wiseman, 'A Kinder Road to Hell?', p. 101; Hampson and Morgan, 'Post-Fordism': 765–766.
 71. 'One interpretation is that the commitment to industry policy in the Accord was a simple sop to the Left by other elements of the union movement, which would hopefully persuade the Left not to wreck the strategy through wages militancy'. Hampson and Morgan, 'Post-Fordism': 767.
 72. Doug McEachern, 'Taking Care of Business: The Hawke Government and the Political Management of Business', Galligan and Singleton, eds., *Business and Government Under Labor* (Melbourne: Longman Cheshire, 1991), p. 137.
 73. Kuhn, 'The Limits of Social': 27, 31.
 74. Hampson and Morgan, 'Post-Fordism': 765.
 75. Brosnan, Burgess and Rea, 'Labour Institutions', p. 3; Bray and Walsh, 'Different Paths to Neo-Liberalism?': 368; Hampson and Morgan, 'Post-Fordism': 768.
 76. Patmore and Coates, 'Labour Parties': 133.
 77. Brosnan, Burgess and Rea, 'Labour Institutions', p. 4.
 78. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 371; Brosnan, Burgess and Rea, 'Labour Institutions', pp. 5–6.
 79. Hampson and Morgan, 'Post-Fordism': 771–772.
 80. Beilharz, *Transforming Labor*, p. 140.
 81. Hampson and Morgan, 'Post-Fordism': 772–773.
 82. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 373; Bramble, 'Managers of Discontent', p. 50; Hampson and Morgan, 'Post-Fordism': 773.
 83. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 373–374.
 84. Hampson and Morgan, 'Post-Fordism': 777; Bramble, 'Managers of Discontent', op. cit. Union membership fell from 51 per cent of the

- workforce in 1976 to 30.3 per cent in 1997. Greg Patmore and David Coates, 'Labour Parties and the State in Australia and the UK', *Labour History* (88): 133.
85. Hampson and Morgan, 'Post-Fordism': 770.
 86. Peter Ewer, Ian Hampson, Chris Lloyd, John Rainford, Stephen Rix, Meg Smith, *Politics and the Accord* (Leichhardt: Pluto Press, 1991), p. 55; Patmore and Coates, op. cit.
 87. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 374–375.
 88. Bray and Neilson, 'Industrial Relations Reform', p. 84.
 89. Patmore and Coates, 'Labour Parties': 133.
 90. Hampson and Morgan, 'Post-Fordism': 773.
 91. Beilharz, *Transforming Labor*, p. 113.
 92. Clare Curran and Chris Lloyd, 'Accord in Discord', *Australian Left Review* (July 1990), pp. 12–13.
 93. Peter Fairbrother, 'The Ascendancy of Neo-Liberalism in Australia', *Capital & Class* Vol. 63 (Autumn 1997): 6.
 94. Kuhn, 'The Limits of Social': 30–31. Notably, the ACTU was hostile to any union or section thereof which attempted to break discipline on the Accord. Unions which attempted to evade the Accord's wage principles, such as the Federation of Airline Pilots, which went on strike in 1989, were snubbed by the ACTU and the Labor government. Hawke used the military to break the pilots' strike; the ACTU did not publicly question the government's tactics. This was not a great departure from Labor tradition, however, as the Curtin and Chifley governments (1941–5 and 1945–9 respectively) had also used the military to defeat unions that challenged their industrial relations policies. Patmore and Coates, 'Labour Parties': 134, 137; Bramble and Kuhn, 'Social Democracy After the Long Boom', pp. 33–34.
 95. Bray and Neilson, 'Industrial Relations Reform', p. 84.
 96. 'Although union industrial campaigns had played a key role in the demise of Labor's opponents, the ALP's "special relationship" with the union movement allowed it to claim that it alone could "control" the unions'. Hampson and Morgan, 'Post-Fordism': 748.
 97. Wiseman, 'A Kinder Road to Hell?', p. 99.
 98. Patmore and Coates, 'Labour Parties': 133.
 99. Wiseman argues that the 12 years of ALP government 'provided some breathing space and room to move for those sections of the labour movement... who continue to challenge the inevitability and irreversibility of globalisation'. Wiseman, 'A Kinder Road to Hell?', p. 113.
 100. Bray and Neilson, 'Industrial Relations Reform', p. 85.
 101. Scott, *Running on Empty*, p. 235.
 102. Admittedly, there was a steep decline in union membership during the second half of the Accord—a drop of 55,000 members between 1990 and 1997. David Peetz, *Unions in a Contrary World: The Future of the Australian Trade Union Movement* (Cambridge: Cambridge University Press, 1998), pp. 6, 159.
 103. Gould, 'Submission to the ALP Committees of Inquiry'.
 104. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 380.

Conclusion

1. Gøsta Esping-Andersen, 'After the Golden Age?' Gøsta Esping-Andersen, ed., *Welfare States in Transition: National Adaptations in Global Economies* (London: Sage Publications, 1998), pp. 2–3.
2. Mark Bray and David Neilson, 'Industrial Relations Reform and the Relative Autonomy of the State', Francis Castles, Rolf Gerritsen and Jack Vowles, eds., *The Great Experiment: Labour Parties and Public Policy Transformation in Australia and New Zealand* (Wellington: Allen & Unwin, 1996), pp. 81–82.
3. Paul Anderson and Nyta Mann, *Safety First: The Making of New Labour* (London: Granta Books, 1997), pp. 183–184.
4. Sara C. Motta and David J. Bailey, 'Neither Pragmatic Adaptation nor Misguided Accommodation: Modernisation as Domination in the Chilean and British Left', *Capital & Class* No. 92 (Summer 2007): 118–119; Peter Kennedy, 'Labourism and Social Democracy Post-1945', *Critique* No. 35 (April 2004): 94.
5. Poul Erik Skov Christensen, *The Experiment in New Zealand: The Consequences and Experiences of the Reforms in New Zealand* (Economic Council of the Danish Labour Movement, June, 2001), p. 9; Mark Bray and Pat Walsh, 'Different Paths to Neo-Liberalism? Comparing Australia and New Zealand', *Industrial Relations* Vol. 37 No. 3 (July 1998): 368.
6. Vivien A. Schmidt, 'The Role of Values and Discourse in Welfare State Reform: The Politics of Successful Adjustment', Paper Prepared for Delivery at the Council for European Studies Conference (Chicago, March 30–April 2, 2000), p. 14.
7. Francis Castles, Rolf Gerritsen, and Jack Vowles, 'Introduction: Setting the Scene for Economic and Political Change', Francis Castles, Rolf Gerritsen, and Jack Vowles, eds., *The Great Experiment: Labour Parties and Public Policy Transformation in Australia and New Zealand* (Auckland: Auckland University Press, 1996), pp. 16–17.
8. In its election campaign, Labor had left its plans with regard to economic policy rather vague, although there was general acceptance that something had to be done. But there was certainly little suggestion that it would engage in such radical neo-liberal economic reform. Much the contrary, given campaign references to ensuring an 'active role for government', instituting 'prices and incomes policy' and an 'investment strategy', which gave the impression that a new Labor government would be as interventionist as its predecessor. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', op. cit.
9. Cliff Walsh, 'The National Economy and Management Strategies', Brian Galligan and Gwynneth Singleton, eds., *Business and Government Under Labor* (Melbourne: Longman Cheshire, 1991), p. 40.
10. Castles, Gerritsen and Vowles, 'Introduction', p. 15; John Wiseman, 'A Kinder Road to Hell? Labor and the Politics of Progressive Competitiveness in Australia', Leo Panitch, ed., *Socialist Register 1996* (New York:

- Monthly Review Press, 1996), pp. 98–99; Greg Patmore and David Coates, 'Labour Parties and the State in Australia and the UK', *Labour History* No. 88 (May 2005): 132.
11. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 372–373.
 12. Privatized firms in New Zealand under Labour include state trading departments, telecommunications, the ministry of (public) works, interests in gasoline/petroleum, banks, airlines, electricity generation, sea-ports and airports. These privatizations 'were accompanied by reforms to open markets, remove price and exchange rate distortions, and encourage the development of the private sector through free entry'. Sunita Kikeri, John Nellis, Mary Shirley, 'Policy Views from the Country Economics Department' (World Bank, July 1992), <http://www.worldbank.org/html/prddr/outreach/or3.htm>.
 13. Brian Easton and Rolf Gerritsen, 'Economic Reform: Parallels and Divergences', Castles, Gerritsen and Vowles, eds., *The Great Experiment: Labour Parties and Public Policy Transformation in Australia and New Zealand* (Auckland: Auckland University Press, 1996), p. 39; Francis G. Castles, 'Needs-Based Strategies of Social Protection in Australia and New Zealand', Gøsta Esping-Andersen, ed. *Welfare States in Transition: National Adaptations in Global Economies* (London: Sage Publications, 1998), p. 105.
 14. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', p. 18.
 15. Gerassimos Moschonas, *In the Name of Social Democracy: The Great Transformation, 1945 to the Present* (London: Verso, 2002), pp. 194–195.
 16. David Coates, *Prolonged Labour: The Slow Birth of the New Labour Nation* (Basingstoke: Palgrave, 2005), pp. 75–76.
 17. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', p. 12.
 18. Of course some clinical work has long been privatized But now 15 per cent of all hospital procedures are to be provided by the 'independent sector'. Privately owned specialist treatment centres, undertaking routine hip and knee replacements and cataract surgery, have been given special risk-free terms, being paid at rates well above those of NHS hospitals, and with guaranteed revenues for five years. By 2008, when all hospital trusts will have become foundation trusts, 80 per cent of their income will come as 'payment by results'—separate payments for every completed 'episode of care'—so that for all intents and purposes they will be like private businesses. They will no longer be subject to direction by the health secretary, and will be free to enter into joint ventures with private companies. Indeed next year, for the first time in the history of the NHS, they have been told to make a profit (described as a 'surplus').

Colin Leys, 'Not Safe in Their Hands', *Red Pepper* (March 2006), <http://www.redpepper.org.uk/article290.html>; Patmore and Coates, 'Labour Parties': 136.

19. Susan Watkins, 'A Weightless Hegemony: New Labour's Role in the Neoliberal Order', *New Left Review* Vol. 25 (January–February 2004): 13; Sara Grainger and Sandy Stewart, 'Income Distribution in Scotland', *Scottish Economic Statistics 2007* (Edinburgh: Scottish Executive National Statistics, July 2007), p. 5.
20. Moschonas, *In the Name of Social Democracy*, p. 196.
21. Castles, 'Needs-Based Strategies of Social Protection', p. 107.
22. Peggy G. Koopman-Boyden, 'Social Policy: Has There Really Been One?', Martin Holland and Jonathan Boston, eds., *The Fourth Labour Government: Politics and Policy in New Zealand*, 2nd edition (Auckland: Oxford University Press, 1992), p. 221.
23. Castles, 'Needs-Based Strategies of Social Protection', pp. 107–108.
24. Koopman-Boyden, 'Social Policy', 225; Castles, 'Needs-Based Strategies of Social Protection', 108.
25. 'The Labour government cut the unemployment benefit for teenagers and means-tested them against parental income. Temporary employment projects were scrapped and unemployed young people were forced onto training schemes. Benefit waiting times were increased and beneficiaries were expected to work for the dole plus a small supplement'. Peter Brosnan, John Burgess, and David Rea, 'Labour Institutions, Government Policy and Economic Change in Australia and New Zealand', Paper Presented to the 18th Meeting of the International Working Party on Labour Market Segmentation (Bremen, Germany, July 11–16, 1991), p. 11.
26. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', p. 15. Admittedly, by 1989 Labour had begun to reduce government spending on health services—between 1989 and mid-1991, there was a 6.7 per cent reduction. Jim Delahunty, *Night's Black Agents: The NZ Labour Party Since 1984* (1999), <http://www.thrall.orconhosting.net.nz/textsnightblack3.html>.
27. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', p. 18.
28. Francis S. Castles and Ian F. Shirley, 'Labour and Social Policy: Gravediggers or Refurbishers of the Welfare State', Castles, Gerritsen and Vowles, eds., *The Great Experiment: Labour Parties and Public Policy Transformation in Australia and New Zealand* (Auckland: Auckland University Press, 1996), p. 95.
29. Castles, 'Needs-Based Strategies of Social Protection', pp. 106–107.
30. Andrew Scott, *Running on Empty: 'Modernising' the British and Australian Labour Parties* (Sydney: Pluto Press, 2000), p. 224.
31. Tom Bramble and Rick Kuhn, 'Social Democracy After the Long Boom: Economic Restructuring Under Australian Labor, 1983 to 1996', Martin Upchurch, ed., *The State and 'Globalization': Comparative Studies of Labour and Capital in National Economies* (Mansell: New York, 1999), p. 41.
32. Castles, 'Needs-Based Strategies of Social Protection', p. 107.
33. Scott, *Running on Empty*, p. 227; Patmore and Coates, 'Labour Parties': 135.

34. Colin Crouch, 'A Third Way in Industrial Relations?', Stuart White, ed., *New Labour: The Progressive Future?* (Basingstoke: Palgrave, 2001), p. 104.
35. 'Examination of the portfolio areas that between 1983 and 1992 suffered cumulative cuts—defense and transfers to the states—and the areas where new programs offset cuts and expanded overall outlays—education, health, social security, housing, industry assistance, labour and employment programs—reveal a traditional Labor fiscal policy pattern'. Easton and Gerritsen 'Economic Reform', pp. 30–31.
36. Leys, 'Not Safe in Their Hands'.
37. The Department of Statistics records a rise in general government expenditure (excluding transfers) of 8.1 per cent between 1983/84 and 1990/91 (while volume GDP grew by 8.4 per cent), but this increasing expenditure was offset by population growth of 5.5 per cent, leaving a per capita volume increase in government expenditure of 0.25 per cent per annum. In specific social policy areas such as health, total spending as a percentage of GDP remained stable as did per capita expenditure.
Castles and Shirley, 'Labour and Social Policy'.
38. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', p. 14.
39. Koopman-Boyden, 'Social Policy', p. 230.
40. Brosnan, Burgess, and Rea, 'Labour Institutions', pp. 1–2.
41. Scott, *Running on Empty*, pp. 235–236. There had been corporatist-type arrangements throughout all of the 'Old Labour' governments. Union access to MPs was extensive and frequent during the Attlee governments (1945–51); the later Wilson governments of the 1960s created corporatist bodies and entered into a pattern of national bargaining with unions and wages and productivity; and the 1970s Labour governments negotiated a series of national wage policies directly with union leaders, which led to rank and file resistance to those policies—the 'winter of discontent'. It was the fear that union leaders would again lose control over the ranks which led to Labour leaders' total opposition to corporatism. Patmore and Coates, 'Labour Parties': 127.
42. Chris Howell, 'From New Labour to No Labour? The Industrial Relations Project of the Blair Government', *New Political Science* Vol. 22 No. 2 (2000): 210, 222.
43. Motta and Bailey, 'Neither Pragmatic Adaptation': 125–126.
44. Will Woodward, 'Blair Supports Plan to Weaken Unions' Grip on Party, MPs Told', *The Guardian* (December 12, 2006), <http://politics.guardian.co.uk/unions/story/0,,1970176,00.html>.
45. Howell, 'From New Labour to No Labour?': 213; Motta and Bailey, 'Neither Pragmatic Adaptation': 126. Howell notes that for Blair 'the primary task of industrial relations institutions (collective bargaining as well as legislation) is not to correct an imbalance of power in the workplace, but to create a context in which the productivity and creativity of workers is properly harnessed for the good of the firm'. Howell, 'From New Labour to No Labour?': 223.

46. Brosnan, Burgess and Rea, 'Labour Institutions', p. 10.
47. Tom Bramble and Sarah Heal, 'Trade Unions', Chris Rudd and Brian Roper, eds., *The Political Economy of New Zealand* (Oxford: Oxford University Press, 1997), p. 131; Paul G. Buchanan and Kate Nicholls, *Labour Politics in Small Open Democracies: Australia, Chile, Ireland, New Zealand and Uruguay* (New York: Palgrave, 2003), p. 100.
48. Peter Ewer, Ian Hampson, Chris Lloyd, John Rainford, Stephen Rix, Meg Smith, *Politics and the Accord* (Leichhardt: Pluto Press, 1991), p. 32.
49. During negotiations on the Labour Relations Bill, the unions

argued the issue in terms of the interests of workers in small enterprises, who would be vulnerable to pressure from their employers. However, a more pressing problem from the union point of view was coverage. The union structures were based on their coverage of various occupations. The abolition of rulings and the centralised wage-fixing mechanism would be costly to the union in terms of members and fees, and might set in motion a process of disintegration.

Bruce Jesson, *Fragments of Labour: The Story Behind the Labour Government* (Auckland: Penguin Books, 1989), p. 90.

50. Ian Duncan, 'Public Enterprises', Brian Silverstone, Alan Bollard, Ralph Lattimore, eds., *A Study of Economic Reform: The Case of New Zealand* (Amsterdam: Elsevier Science B.V., 1996), p. 399; Bramble and Heal, 'Trade Unions', op. cit. Jesson argues that there was 'a new aggressive labour relations regime within the new [state] corporations; in the most extreme case, Forestcorp, the industry has been largely deunionised'. Jesson, *Fragments of Labour*, p. 89.
51. Buchanan and Nicholls, *Labour Politics in Small Open Democracies*, pp. 100–101; Herman Schwartz, 'Small States in Big Trouble: The Politics of State Reorganization in Australia, Denmark, New Zealand and Sweden in the 1980s', *World Politics* Vol. 46 No. 4 (July 1994): 547; Schmidt, 'The Role of Values and Discourse in Welfare State Reform', op. cit.
52. Jesson, *Fragments of Labour*, p. 95.
53. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', p. 17.
54. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 367–368.
55. Herman Schwartz, 'Social Democracy Going Down vs. Social Democracy Down Under? Institutions, Internationalized Capital, and Indebted States', *Comparative Politics* Vol. 30 No. 3 (April 1998): 268.
56. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 371.
57. Ibid.: 374–375.
58. Herman Schwartz, 'Internationalization and Two Welfare States: Australia and New Zealand', Fritz Scharpf and Vivian Schmidt, eds., *Welfare and Work in the Open Economy, Vol. II: Diverse Responses to Common Challenges* (Oxford: Oxford University Press, 2000), p. 114; Bray and Walsh, 'Different Paths to Neo-Liberalism?': 375.
59. Howell, 'From New Labour to No Labour?': 228.
60. Brosnan, Burgess and Rea, 'Labour Institutions', p. 11.

61. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 380.
62. Left critics have argued that
- from 1987 the Accord...narrowed to little more than an engine of wage restraint, a mechanism to achieve minimum award wage adjustments, and an agent to enforce the neo-liberal agenda on the workforce.... As greater costs were born by workers, the national income share to employers rose, but was often squandered on inept investment strategies or increases in executive salaries.
- Ian Hampson and David E. Morgan, 'Post-Fordism, Union Strategy, and the Rhetoric of Restructuring: The Case of Australia, 1980–1996', *Theory and Society* Vol. 28, No. 5 (October 1999): 784.
63. Brosnan, Burgess and Rea, 'Labour Institutions', p. 13.
64. Coates, *Prolonged Labour*, p. 93.
65. Bray and Neilson, 'Industrial Relations', p. 85. Rawson notes that 'During the 1970s and 1980s, the Australian trade union movement became one of the most consolidated in the world, by bringing manual and non-manual unions within the same federation.... This is an example of adjustment which strengthens rather than destroys the core rationale of the labour movement, including the ALP'. Dan Rawson, 'How Labour Governs: Labor in Vain?', Galligan and Singleton, eds., *Business and Government Under Labor* (Melbourne: Longman Cheshire, 1991), p. 198.
66. Brosnan, Burgess and Rea, 'Labour Institutions', p. 7.
67. Hampson and Morgan, 'Post-Fordism, Union Strategy, and the Rhetoric of Restructuring': 783–784.
68. Bray and Neilson, 'Industrial Relations Reform', p. 87.
69. Adam Przeworski, *Capitalism and Social Democracy* (Chicago: University of Chicago Press, 1985), pp. 99–102.
70. Moschonas, *In the Name of Social Democracy*, p. 313.
71. *Ibid.*, p. 314.
72. Or, more specifically, than the US Democratic Party is separate from business. Bill Clinton and his wing of the Democrats 'provided Tony Blair and other modernizers in the British Labour Party with a model.... The international reference point for political comparisons and inspirations in the New South Wales [Australian Labor Party] Right is also, almost invariably, the US...' Scott, *Running on Empty*, p. 163.
73. *Ibid.*, pp. 321, 323.
74. *Ibid.*, p. 323.
75. Len Richards, 'Class Struggle and Traveling Theory: From the Chile Experience to the New Zealand Experiment', *New Zealand Sociology* Vol. 18 No. 2 (2003): 126–127.
76. Moschonas, *In the Name of Social Democracy*, pp. 353–354; Willie Thompson, *The Long Death of British Labourism: Interpreting a Political Culture* (London: Pluto Press, 1993), p. 158.
77. Max Ogden, *The ALP, Social Democracy, and a New Relationship with Unions* (Melbourne: Australian Fabian Society, 2007), <http://www.fabian.org.au/954.asp>.

78. Howell, 'From New Labour to No Labour?': 228.
79. Moschonas, *In the Name of Social Democracy*, p. 225.
80. Tom Bramble, 'Managers of Discontent: Problems with Labour Leadership', Rick Kuhn and Tom O'Lincoln, eds., *Class & Class Conflict in Australia* (Melbourne: Longman, 1996), pp. 40, 45.
81. Paul Pierson, 'The New Politics of the Welfare State', *World Politics* Vol. 48 (1996): 150–151.
82. Mathews and Grewal note

an increase in basic health funding, from 0.74 per cent in 1982–83 to 0.94 per cent in 1992–93 as a consequence of the Government's Medicare program, and partly to a proliferation of recurrent programs in social security and welfare, housing and community services, culture and recreation, and legal aid. During the mid-1980s, employment programs were also important. The number of recurrent programs increased from 45 in 1982–83 to 72 in 1992–93.... Schools funding was roughly maintained, from 0.69 per cent to 0.71 per cent of GDP... while housing funding increased from 0.20 per cent to 0.24 per cent.

Russell Mathews and Bhajan Grewal, *Fiscal Federalism in Australia: From Whitlam to Keating* (Melbourne: Centre for Strategic Economic Studies, Victoria University, 1995), p. 27.

83. *Ibid.*: 151.
84. Moschonas, *In the Name of Social Democracy*, p. 291.
85. Motta and Bailey, 'Neither Pragmatic Adaptation': 107, 109, 121.
86. John Stephens, *The Transition from Capitalism to Socialism* (London: MacMillan Press, 1979), p. 99.
87. Motta and Bailey, 'Neither Pragmatic Adaptation': 126.
88. Howell, 'From New Labour to No Labour?': 228.
89. Moschonas, *In the Name of Social Democracy*, p. 291; Motta and Bailey, 'Neither Pragmatic Adaptation': 109.
90. Jack Vowles, 'Who Joins the Labour Party and What Do They Think?' Margaret Clark, ed., *The Labour Party after 75 Years* (Wellington: Victoria University of Wellington, 1992), p. 78.
91. Jonathan Kelley and Ian McAllister, 'Class and Party in Australia: Comparison with Britain and the USA', *British Journal of Sociology* Vol. 36 No. 3 (September 1985): 389
92. Scott, *Running on Empty*, p. 123.
93. Hardy further notes:

This distinction between the sectors has been further blurred by the way many manufacturing firms have responded to competition by transforming themselves into service or part-service firms. For example, a large part of Xerox's activity is now in servicing as well as making and selling office equipment, and Volvo not only make buses but design local transport systems. The outsourcing of cleaning, computer programming, transport and a whole range of other functions

which used to be carried out in-house inflates the scale of the shift from 'manufacturing'.

Jane Hardy, 'The Changing Structure of the British Economy', *International Socialism* No. 106 (April 2005), <http://www.isj.org.uk/index.php4?id=92&issue=106>.

94. Labour in Britain received 61 per cent of the manual worker vote in 1996–7. Scott, *Running on Empty*, p. 127.
95. Bray and Walsh, 'Different Paths to Neo-Liberalism?': 360–361.
96. Schmidt, 'The Role of Values and Discourse in Welfare State Reform', p. 17.
97. Scott, *Running on Empty*, pp. 116–117.
98. Moschonas, *In the Name of Social Democracy*, p. 296.
99. Jean Eaglesham and Andrew Taylor, 'Brown Wins Support to Reduce Union Influence', *Financial Times* (September 19, 2007), http://www.ft.com/cms/s/0/9c416ebe-6642-11dc-9fbb-0000779fd2ac,dwp_uuid=-ce240942-6a88-11dc-9410-0000779fd2ac.html. Earlier, in March 2006, as Chancellor of the Exchequer under Blair, Brown

proudly announced the establishment of an International Business Advisory Council to help ensure that British economic policy remained in the best interests of global capital. Its members included Lee Scott, president and chief executive officer (CEO) of Wal-Mart; Lord Browne, chief executive of BP; Jean Pierre Garnier, CEO of GlaxoSmithKline; Bill Gates, chairman of Microsoft; Robert Rubin, chairman of Citigroup; Ratan Tata, chairman of the Tata Group; Sir John Rose, CEO of Rolls Royce; Sir Terry Leahy, CEO of Tesco; and Meg Whitman, CEO of eBay. [...] Needless to say, these people are not friends of the labour movement, either in Britain or abroad....

John Newsinger, 'Brown's Journey from Reformism to Neoliberalism', *International Socialism* No. 115 (July 2007), <http://www.isj.org.uk/?id=334>.

100. Marie Woolf, 'Labour "Bankrupted" by Secret Loans', *The Independent* (February 4, 2007).
101. 'He has pledged a number of commitments aimed at easing economic pressures on struggling families: freezing energy bills, breaking up the banks, building a million new homes, banning zero-hours contracts and increasing the minimum wage'. *Observer* editorial, 'The Observer view on Ed Miliband and his leadership of the Labour party', *The Observer* (November 8, 2014), http://www.theguardian.com/commentisfree/2014/nov/09/observer-view-on-ed-miliband-and-his-leadership-of-labour-party?CMP=share_btn_tw.
102. Ray Collins, *Building a One Nation Labour Party: The Collins Review into Labour Party Reform* (London: Labour Party, 2014).
103. Patrick Wintour, 'Labour Review Proposes Cap on Union Spending in Parliamentary Selections', *The Guardian* (February 3, 2014), <http://www.theguardian.com/politics/2014/feb/03/labour-unions-collins->

- review. The timetable given for the transition from 'opt-out' to 'opt-in' for the unions is five years, considerably after the 2015 general election.
104. Charles Gradnitzer, 'Labour: Unions Vote to be Distanced', *Weekly Worker* (March 6, 2014), <http://weeklyworker.co.uk/worker/1000/labour-unions-vote-to-be-distanced/>.
 105. Mark Ferguson, 'Miliband is Fundamentally Changing the Union Link—and Taking a Leap into the Unknown', *LabourList* (July 8, 2013), <http://labourlist.org/2013/07/miliband-is-fundamentally-changing-the-union-link-and-taking-a-leap-into-the-unknown/>.
 106. Ed Balls MP, 'Speech to Labour Party Annual Conference 2013', *LabourPress*, <http://press.labour.org.uk/post/62052732090/ed-balls-mps-speech-to-labour-party-annual-conference>. Balls is currently Labour's Shadow Chancellor. Miliband himself has made clear that the next Labour government will not attempt to reverse spending cuts scheduled by the current Conservative–Liberal Democratic coalition government for 2015–16.
 107. Perry Anderson, 'Introduction', Perry Anderson and Patrick Camiller, eds., *Mapping the West European Left* (New York: Verso, 1994), pp. 15–16.

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