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Cyclical woes ahead with return to '70s?

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VALUE ADDED

Enough is never enough, it seems, for big business or **John Howard's** Government, writes Alex Millmow.

'WHAT is it with these people?' Paul Keating intoned when discussing how big business groups eagerly got behind **John Howard's** latest IR reforms.

The decision to remove the role of the **Industrial** Relations Commission and further emasculate the trade unions comes at a time of a historic shift between labour and capital.

The share of national income going to capital at 27.2 per cent of gross domestic product has never been higher just as the wage share, at 53 per cent, has never been lower.

As the then federal treasurer, Howard would remember the 1970s when such ratios would incite a wages free-for-all. Now he would see them as a beautiful set of numbers.

The share going to capital is a little inflated because of the super **industry** and privatisation but they are still startling ratios. When Howard first became treasurer in 1978, the profit share was just 13 per cent. Those were the days when government and business complained there was a real wage overhang.

It followed the Whitlam government campaign to make the public sector the pacesetter in lifting the share of income going to labour. It was argued that the subsequently suppressed profit share held back investment simply because the return upon business ventures was too low.

In early 1975 there was even a capital strike by big business unhappy with the direction of national economic policy.

When Labor won back government in 1983, Hawke and Keating got the unions to sign up with the Accord for 10 years and got the wage-profit

share down to more conventional rates by reducing real wages but compensating workers with an increase in the social wage.

It was argued at the time that the big end of town did not live up to its historic role and pour its greater profits into productive investment that would lead to the capital deepening of Australian **industry**. Much of it went in a frenzy of takeovers.

The new IR legislation will penalise those at the bottom end of the income totem pole. Inner-city professionals, independent contractors and small-business operators will make do. We always knew that Howard and Costello entertained long-held extreme views about dismantling the Australian IR system down to its last piece of scaffolding but the fact is that the labour market is already fairly competitive.

Even the lowest rate of **unemployment** in nearly 30 years and no signs of a wages break-out are not enough for the Government and its backers.

With the highest profit shares in its history, Australia has become a capitalist paradise. Labour's share of the economy has fallen but, it seems, with little angst.

The great militant Australian working class has been tamed, mesmerised by globalisation, cowed by economic rationalism and sedated by the media.

Access to cheap credit has allowed workers to live beyond their means. Cheaper consumer goods, maybe even a share in the company, have blinded them to the higher profit share.

The economics of envy vanished once workers learnt that a bout of wage-led inflation meant rising **unemployment**. Today the only greed in the economy occurs within the boardroom, not the shopfloor.

The pressure is always on to cut costs. When Henry Ford showed some of his workers **industrial** robots putting a car together, he told them that these robots would never strike. A unionist chimed in that they wouldn't buy a car either!

Now the Business Council of Australia has launched a campaign to reduce the company tax rate below 30 per cent, saying they already pay enough tax because of bumper profits!

But is Howard about to return us to a '70s era of class politics? Will the new laws bring a rise in workers asserting their own rights? Will unions stage a comeback? Even if they do not, the wage-profit divide is not just that of a lopsided economy but also one more vulnerable to cyclic disturbance.

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