

To have and to hold on to: wealth, power and the capitalist class

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Who runs Australia? At first the answer may seem obvious; elected politicians, chosen by the people, occupy the most important political positions. Perhaps judges, top public servants or police chiefs come to mind. These are certainly all powerful people. Yet they have little or no control over many important decisions, which affect the lives of millions of people. For example, who decides how many people will be employed, the jobs they do and how much they are paid? How will society's wealth be invested? How will natural resources be used? Often, these sorts of decisions are blamed on the anonymous 'invisible hand' of the market. But actually they are made by the very real individuals who hold economic power in capitalist society: the owners and managers of large public and private enterprises, the capitalist class.

Wealth and power

There is a myth that Australia is, or at least once was, an 'egalitarian' nation, where there are no serious social divisions. To some degree the very visible aspects of social rank found in countries such as Britain are lacking in Australia. Nonetheless, inequalities of various sorts have always been present in white Australia, which began as a settler society, based on convict labour, that dispossessed the Indigenous peoples.

Certainly, there are no legal barriers to people moving into the capitalist class, nor any guarantees that those in it will stay there. Ruthless competition in the pursuit of profits is one way in which capitalism retains its vitality. This is used to justify the claim that class does not exist in Australia because anyone who works hard can 'get ahead'. By far the easiest way to enter the capitalist class is, however, to be born to parents who are already wealthy. Conversely, from birth working class children face a range of barriers which make advancement in the class system difficult.¹

Prime Minister, John Howard claimed that Australia would soon become a 'shareholder democracy', in which everyone has a stake in the system.² Such views are apparently confirmed by a 2002 ASX (Australian Stock Exchange) survey. It found that more than half of Australian adults owned shares directly or indirectly.³

But the ASX survey also revealed that 42 per cent of direct shareholders owned shares worth less than \$10 000. For most workers, buying shares is a way of saving for retirement. Their share income alone is not large enough to live on. More importantly, ordinary people will never own enough shares to exert any effective control over an individual company, let alone the economy as a whole.

There have always been some small shareholders; in fact joint stock companies exist precisely to combine small lumps of capital into the huge concentrations necessary for profitability in modern economies. The existence of even substantial numbers of small shareholders in no way weakens the class structure of Australian society.

Because class is a social relation, rather than a set of formally defined categories, there is no precise definition of who is 'in' the ruling class. Such a definition would draw arbitrary lines between, for example, the owners of smaller and larger businesses, or lower and higher levels of corporate and public bureaucracies.⁴ The class structure includes intermediate layers, who can be drawn into the political orbit of either the working or ruling class. The makeup and behaviour of the ruling class therefore depends on the historical context, including the balance of social forces and the state of the class struggle.

There are, nonetheless, some characteristics of the capitalist class which allow us to estimate its size. For example, one study calculated that in 1998 the wealthiest 5 per cent of families in Australia (including single people) owned 76 per cent of shares and similar investments, 46 per cent of bank deposits, 46 per cent of rental properties and 29 per cent of private business equity,⁵ giving them substantive control over the bulk of Australia's productive resources. It is clear that society's wealth is concentrated in the hands of a tiny minority of people.

Large public companies are the most important vehicles for the contemporary capitalist class. The following analysis examines the top 20 companies by market capitalisation to illustrate ownership patterns.⁶ The main sectors of the Australian economy are represented, including banking and finance (including Commonwealth Bank and Westpac), resources (BHP Billiton, Woodside Petroleum), media and communications (News Corp, Telstra) retail trade (Coles Myer, Westfield Holdings), agriculture and food production (Fosters), manufacturing (Amcor) and transport and business services (Brambles).

Ownership is extremely concentrated. On average, the top twenty shareholders held 58 per cent of the shares in each company. There was some variation in this figure, ranging from 37 per cent in Wesfarmers up to 92 per cent in News Corporation. But all of Australia's top companies are controlled by relatively few people, an exclusive club. In most companies it is necessary to hold around 10 per cent of shares to exercise any real control.⁷ This is way beyond the reach of most people. Even to make it into the top 1 000 shareholders in BHP, Australia's largest company, you would need around 100 000 shares, costing around \$1.25 million.

The key issue, however, is not formal ownership, but actual control over economic resources. Large public companies are bureaucratic organisations, run by armies of managers, accountants and lawyers. Top managers are therefore also part of the capitalist class. Occasional conflicts notwithstanding, managers and owners generally have precisely the same goals: maximising profit and expanding the business. That many managers are themselves sizable shareholders reinforces this alliance.

As mentioned in the Introduction, however, economic inequality does not in itself constitute the capitalist class system; it is a symptom of it. The problem with class is not simply that some people are richer than others. Rather, it is that capitalists' control over the means of production, and workers' lack of it, leads to inequalities which permeate every aspect of capitalist society, from the decisions made by parliament right down to day to day living conditions.

Dictatorship in workplaces

The power of the capitalist class is most obvious at work. Owners and/or top managers make the fundamental policy decisions, such as investment strategies and employment levels. Within this framework, issues of detail may be delegated to lower level managers.

Capitalist production aims to extract as much surplus value as possible from workers. In contrast workers have an interest in improving their wages and work conditions. So managers seek to control the pace, intensity and quality of employees' work, through the design of the production process itself and by influencing workers' attitudes.

The division and redivision of labour--breaking down jobs into distinct specialised activities--has been an important feature of capitalist production for centuries.⁸ It can boost productivity by reducing the skills needed to complete the job, thus lowering wage costs, by aiding supervision and an increased pace of work, and by facilitating automation. The history of computer programming illustrates processes involved. Originally dependent on the efforts of highly skilled individuals, major software is now produced by hierarchies of programmers, whose lowest ranks perform highly routine tasks on small modules of code. This shift has seen the emergence of union organisation and struggles in some companies.⁹

Bosses also try to increase productivity by persuading their employees that they want or have to work harder. Salesforce, a firm which operates call centres, won an award for best employer in 2004. But its managing director opposed an industrial award for call centre workers that would establish a base rate of pay and conditions. That would undermine his strategy of squeezing employees by using 'performance-based pay', a fun atmosphere in the workplace and 'certificates signed by management, as well as days out and gifts'. His belief that 'companies--particularly those that offer low-paying, supposedly unskilled work--have a responsibility to create an atmosphere employees can identify with and aspire to' was, consciously or not, a reference to companies' responsibility to make profits.¹⁰

Dedication can be used to extract hard work and long hours. But it is also fear of being sacked or not promoted that has created cultures of unpaid overtime in many workplaces. For the threat of dismissal is always in the background when bosses are trying to control workers' behaviour, whether they do it with a democratic smile or an authoritarian snarl.

Ruling class power does not stop at the factory gate or the office block foyer. It extends throughout society, affecting every kind of political activity. At times, the political influence which money can buy is obvious, for example in 'donations' by businesses and their associations to politicians. The head of the Hotels' Association justified political donations by saying 'Democracy's not cheap... everybody's involved with assisting political parties because... we need to keep these people in place'.¹¹ Criticism of such 'democratic' practices is often aimed at 'elites', who have become separated from the mass of the 'people' by their wealth or social status.¹² However, this criticism is rarely part of a systematic account of the social structures which maintain inequalities in wealth and power. Appreciation of these structures helps reveal that 'the present system of property and privilege... continues to exist because the class that benefits from it defends it, and does so successfully'.¹³

How the capitalist class rules

Examining patterns of share distribution and corporate authority demonstrate the existence of a class that owns and controls property, but not that this is a *ruling* class, a class actually engaged in managing society for its own benefit.¹⁴ Does the capitalist class constitute a ruling class in Australia?

Capitalism is an economic system based on antagonist ownership. Businesses ruthlessly compete to make a profit. Smaller and less efficient companies go bankrupt or are acquired by other, usually larger, enterprises. Competition is most obvious amongst firms within the same industry. But it also takes place between industries, such as agriculture, retailing and manufacturing. Capitalists in each industry favour patterns of growth and government policies which improve their own profits, but which may undermine profitability in other industries. Lower taxes on diesel fuel used in agriculture, for example, means that the tax burden on individuals and other sectors is likely to be higher.¹⁵ Businesses are also divided by their scale and level of integration with the global economy. Individual firms across the economy, what is more, compete with each other indirectly for loans from banks, based on their profitability and therefore credit-worthiness. These differences in economic activity can lead to political differences. Tariffs, for example, were long contentious in Australian business circles. Many manufacturers wanted protection from foreign goods; industries focused on exporting their products, such as agriculture and mining, preferred free trade.

Divided by competition, the idea of a unified ruling class seems contradictory. But individual capitalists do not all have to agree on all questions for the capitalist class to rule. A degree of consensus and coherence is enough.

Although capitalists compete with one another on a daily basis, they also share certain fundamental political and economic interests. Most broadly, they seek to maintain capitalist property relations. The vast majority of capitalists can agree on other more specific priorities like the need to undermine the strength of unions or to keep down wages in order to maximise profits. To

paraphrase Marx, the capitalist class is a band of hostile siblings,¹⁶ internally divided over many issues, but generally united in defence of their class power. A variety of personal and organisational ties reinforce that unity.

Directors of the top twenty Australian companies traded on the ASX, for example, hold an average of 2.2 directorships on the boards of other corporations. Most of the top twenty are linked to at least one other company on the list, through a shared director, who is often on the board of one of the banks. Other studies have confirmed this pattern of interlocking directorships. More broadly, in 1992 the top 250 companies in Australia had an average of 4.6 links to other companies through mutual directors.¹⁷

The ruling class is not a conspiracy; its is too numerous involved for society to run society through some sort of secret committee of corporate executives. Some business people are involved in directly managing society, for example in 2004 six out of nine members of the Reserve Bank's board were company directors.¹⁸ But the every day management of the common affairs of the capitalist class is generally undertaken by the government and public service (see Chapter 2).

Ruling class cohesion begins to be built well before its hereditary members reach adult life. They generally attend certain private schools, grow up in particular suburbs and participate in leisure activities that are the preserve of the rich.¹⁹ Later in life, the ruling class socialises at exclusive private clubs, in corporate boxes at the football, at prestigious cultural events and charity fundraisers.²⁰ This shared social milieu helps creates close contacts and shared social outlooks at least amongst a core of the ruling class. It provides informal opportunities to discuss matters of concern among a wider circles of associates than is possible within individual corporations. The ruling class does, nevertheless, recruit to some extent from outside established networks and families. But the success of newcomers is often marked by entry into elite social circles, helping to integrate fresh talent into the existing structures of power.

Sometimes ruling class networks form around certain individuals or circles of acquaintances. Consider Frank Lowy, Australia's second richest man, reportedly worth \$4.2 billion in 2004; his family controls the Westfield shopping centre empire. Lowy also owned media interests in the United Kingdom, and sat on the board of the Reserve Bank of Australia. John Howard requested he chair the board of the Australian Soccer Association, which he then filled with directors of Westfield and other business contacts. He set up a new Australian foreign policy 'think-tank', and endowed it with \$30 million. His connections placed Lowy in a powerful political position: he reportedly talked to John Howard 'every week, if not, every fortnight', in particular advising the Prime Minister on foreign relations.²¹

Broader layers of the capitalist class and its supporters are indirectly engaged in the ordering of society, through the processes of *hegemony* (see Introduction). Networks linking businesspeople, politicians, bureaucrats and certain intellectuals debate the way forward for capitalist society, and attempt to influence each other to further their own interests. To a significant degree, their efforts set the policy agenda for governments' responses to social and economic changes, or challenges from the working class and other groups. They also help to build political consensus and awareness of common interests within the ruling class, vital factors in times of more open political conflict, such as those discussed in the next section.

Intellectuals committed to the established order play an important role in formulating ideas and strategies for the capitalist class. Sections of the mass media allow supporters of the ruling class to openly debate the best ways to advance its interests, although this is often cloaked in terms of the 'national interest'. Of particular significance are *The Australian Financial Review* and the opinion pages and business sections of the 'quality' press, such as *The Australian*, Melbourne's *Age* and *The Sydney Morning Herald*. Precisely because they serve to canvass a variety of opinions, the media carry criticism of governments. So *The Australian* was consistently more sympathetic to refugees than the Howard government. The debate among the ruling class over the merits of the invasion and

occupation of Iraq provided an opening for dissenting opinion in many papers. The press even carries the occasional item that expresses quite radical ideas.

Academics--like journalists, people employed full time to develop and disseminate ideas--debate policy in greater depth. Conservative think-tanks employ relatively small groups of intellectuals, and rely on the financial support of private (and sometimes public) sector donors.²² Australia's first think-tank was the Institute of Public Affairs (IPA). Established in 1942 by industry groups, it played a key role in the founding of the Liberal Party.²³ Especially since the 1970s, other organisations, such as the Centre for Independent Studies (CIS) and the Sydney Institute, have joined the IPA in promoting conservative ideas and the wonders of free markets.²⁴ Think-tanks can influence and complement government policy. In 2003, for example, the CIS released two papers which argued that many countries in the Pacific region were already or would soon become 'failed states', requiring a more active policy response from Australia.²⁵ Soon the Howard government used these arguments to justify military intervention in the Solomon Islands and the establishment of substantial Australian control over government activities in Nauru and Papua New Guinea (see Chapter 10).

Members of the ruling class whose activities require them to generalise to some degree about strategies for the operation of capitalism are also involved in the production and diffusion of hegemonic ideas. In this sense, corporate managers play an important coordinating role for the whole capitalist class. Because many work in more than one company over their careers, they are able to spread ideas about management, the economy, government regulations and so on.²⁶ Managers also shift between the private and public sectors.

The capitalist class has further specialised organisations that represent its interests. Chief amongst these are business associations and the conservative political parties. Business associations may lobby government and public servants, donate money to politicians and attempt to influence public opinion on behalf of particular groups of capitalists. Currently, the most influential association is the Business Council of Australia (BCA), which represents the largest 100 corporations, and hence the 'commanding heights' of the economy. However there are numerous groups representing other sections of capital. Some associations, such as the Australian Mines and Metals Association, the Master Builders Association, and National Farmers Federation, represent specific industries or sectors. Others, like the State Chambers of Commerce and Industry, organise geographically. The Australian Chamber of Commerce and Industry is a peak body of business associations and claimed to represent over 350 000 firms in 2004. Business groupings also form to mobilise around specific political issues. The Business Coalition for Tax Reform lobbied for the introduction of a Goods and Services Tax, while the Australia United States Free Trade Agreement Business Group pushed for a free trade agreement with the USA.

The conservative political parties are not directly controlled by capitalists and have a degree of autonomy in making and implementing policy.²⁷ But the capitalist class maintains very close ties with the Liberals and Nationals, and in general offer these parties their full support. In contrast, the ruling class only favours the Australian Labor Party when the conservative parties seem ineffective (see Chapter 4). The relationship between capitalists and the conservative parties is one of 'symbiosis'.²⁸ In return for representing capitalists' political interests, the conservative parties receive campaign donations, public support and, in general, the backing of the mainstream press. They also usually benefit from shifts in 'business confidence', expressed through the vagaries of the share and foreign exchange markets.

The Liberal Party of Australia is the main party of urban capital and big business. Sometimes this is expressed remarkably openly. In 1998 the Minister for Workplace Relations, Peter Reith, declared to a gathering of business people that 'we [the Liberals] are on the side of making profits. We're on the side of people owning private capital.'²⁹ Businesspeople also play a prominent role in the Party machine. John Elliot, then the high profile CEO of Elders IXL, was Federal President of the Party between 1987 and 1990.

Nevertheless, in order to attract wider electoral support, the Liberals also claim to govern in the 'national interest'. This allows them to appeal to other layers in society, notably the middle class that includes owners of small businesses and professionals, who are attracted by the Liberals' platform of economic individualism, nationalism and conservative 'family values'. The Liberals therefore have genuine mass support. People with middle class backgrounds make up the bulk of Liberal Party membership as well as its parliamentarians, a trend exemplified by the former Sydney solicitor John Howard. Despite the importance of this middle class support, the Liberals consistently work in the interests of big business, on whose financial and ideological backing they depend.

The role of the National Party of Australia is similar to that of the Liberals, but it has a rural support base. The organisation was set up, as the Country Party, in 1919 to secure the interests of rural capital against both workers and urban business groups. In practice, the Nationals have played a subordinate role in coalitions with the Liberals. The National Party, like the Liberals, draws its core popular support from the middle classes, in its case by appealing in particular to owners of family farms and small businesses in country towns. But agriculture in Australia is increasingly dominated by large scale agribusinesses, which, where they do not operate farms themselves, supply the machinery, chemicals etc that are increasingly necessary in sophisticated farming. Together with financial institutions, agribusinesses now have substantial control over the activities of many farms formally owned by individual families.³⁰ The Nationals have close links with agribusinesses and mining companies. It is these large corporations which have benefited most from the Nationals' embrace of free-market economic policies since the mid-1970s.³¹ Changes in the regulation of the sugar and dairy industries to the detriment of small producers are just two examples. As with the Liberals, this has caused tension with sections of their middle class support base and was an important factor in the rise of Pauline Hanson's One Nation Party between 1997 and 2001.

Ruling class mobilisations

The state and political hegemony usually mean that most members of the capitalist class are not directly involved in politics. When it appears, however, that the basic interests of the entire ruling class are threatened, generally in the face of intense working class struggles and/or economic crises, large sections of the ruling class do mobilise politically. Both the examples examined here, the campaign against Ben Chifley's proposed bank nationalisation and the dismissal of Gough Whitlam, raise fundamental questions about Australia's system of democracy.

Ben Chifley became Prime Minister in 1945, just as World War II was ending.³² Encouraged by war-time rhetoric, the ALP's supporters expected that post-war reconstruction would include major social transformations. While Chifley was no radical, he advocated government intervention in the economy to maintain growth, in line with the emerging new 'Keynesian' orthodoxy in economics. Because failures in the financial sector were regarded as a major cause of the economic depression of the 1920s and 1930s, a key aspect of the Labor Government's plans was greater government control over banking. But legislation to bring this about was judged unconstitutional in 1947. Committed to making Australian capitalism more efficient by overhauling the financial system, Chifley responded by announcing his intention to nationalise the private banks.

Although Chifley did not intend it as a stepping-stone to nationalism of other industries, let alone socialism, bank nationalisation was unacceptable to broad sections of the ruling class. Their response was efficient and politically devastating. Another constitutional challenge was mounted against Chifley's new legislation and the High Court declared the bank nationalisation scheme unconstitutional in 1949. Legal challenges, however, were just the beginning. The ruling class set out to defeat Labor in the 1949 elections, at which bank nationalisation was a key issue.

The private banks led the campaign, spent considerable sums of money on advertising and publishing propaganda, and encouraged bank staff to spend work time agitating against Chifley. Customers were told that 'all Australians who value their freedom and who oppose dictatorship'

should protest against the government's plan.³³ But the mobilisation went well beyond the banks: 'the whole business community was implacably hostile to the Government'.³⁴ Funds were not only raised locally, but also in England from companies with investments in Australia. Leaflets condemning nationalisation were inserted in workers' pay packets. New organisations, like the Australian Women's Movement Against Socialization, and existing right-wing groups, including the fascist League of Rights, joined in. Crucially, business lobby groups provided effective co-ordination for the campaign. Not surprisingly, Chifley lost the election.

Only a militant counter-mobilisation of the working class could have countered such a concerted ruling class attack. But the Labor Government had itself recently taken on the most radical sections of the labour movement, in particular by using troops, in August 1949, to break a coal miners' strike it had denounced as a Communist plot.³⁵ Chifley had previously frozen wages to ensure the economy's post-war profitability. In the unions, sections of the ALP equated militancy with Communism and subversion. As the Cold War intensified, Chifley had cemented Australia's alliance with the United States against the 'communist' Soviet Union. Labor itself therefore laid the groundwork for the ruling class attacks on bank nationalisation as 'communistic' and undermined the possibility of working class resistance to the conservative campaign. By restricting the political contest to the parliamentary and legal spheres, rather than mobilising thousands of workers through industrial action, Chifley ensured his own demise.³⁶

On November 11th 1975, Governor General John Kerr dismissed the Whitlam Labor Government from office and appointed Liberal Party leader Malcolm Fraser Prime Minister. Labor had won office in 1972 and was returned in 1974, but never held a majority in the Senate. Fraser, in October 1975, used his numbers there to block the supply of money needed to continue running the country, precipitating a political crisis. Many people see the dismissal as a result of Fraser's political deviousness or as a 'constitutional crisis'.³⁷ Others favour conspiracy theories, even suggesting CIA involvement.³⁸ These explanations fail to reveal the class dynamics beneath the political manoeuvring.³⁹

Whitlam came to power on the back of the largest working class mobilisations since the 1940s. High levels of industrial action, as well as the 'new' social movements demanding liberation for oppressed groups, including women, Aborigines and homosexuals, challenged the status quo. The Liberal government seemed incapable of dealing with these issues, or of revitalising Australian capitalism. Accordingly, important sections of the ruling class, including press baron Rupert Murdoch, called for a Whitlam government, which might 'resolve the crisis in Australian society through collaboration between capital and labour'.⁴⁰

Whitlam's early policies included some significant reforms. Medibank provided more affordable health care, ensuring a more reliable supply of labour power for capital. Increased participation of women in paid work, encouraged through funding for pre-schools, also expanded the labour force. The elimination of university fees and increased Commonwealth funding for schools allowed business to take greater advantage of working class talent. In foreign relations, Whitlam recognised 'Communist' China, providing opportunities for trade and investment.

But Whitlam's government was ultimately based on a contradiction: promises to deliver economic gains for both capitalists and workers. World-wide economic crisis, triggered by the war in Vietnam and soaring oil prices, meant that he was unable to deliver to either group. Unemployment and inflation began to rise. In an attempt to convince the ruling class that he was a responsible economic manager, Whitlam sacked left-wing Treasurer Jim Cairns. The 1975 budget then substantially cut spending, a policy justified by conservative monetarist economic theory, the latest policy fashion in developed countries.

Many capitalists concluded that conciliation with the working class had failed. While some were wary about the tactic of blocking supply, all agreed that Whitlam had to go. The mainstream press turned against Labor. Demonstrations against unions and 'socialism' were organised in some regional centres. Plans for the state to provide flood insurance were denounced by private insurance

companies as ‘nationalisation by stealth’, and they launched a campaign similar to that of the private banks against Chifley. Many doctors opposed Medibank. Finally, once supply was blocked, the private banks refused to lend money to the Government. A political mobilisation of the ruling class therefore underpinned Kerr’s dismissal of Whitlam.⁴¹

As with Chifley before him, Whitlam played a major role in his own downfall, by failing to mobilise the working class in his defence. As news of the dismissal spread, many workers spontaneously went on strike in protest. But Whitlam, afraid of unleashing fundamental changes, discouraged direct political action, and focussed on winning the upcoming election. However, as in 1949, the Liberals had all the advantages in the electoral sphere, in particular the full support of the mainstream press. Attention turned to narrow issues of ‘government responsibility’ and Fraser easily won at the polls.

An Australian ruling class?

Australian politics cannot be considered in isolation from the rest of the world. Globalisation means that economic activities are now organised across national borders at levels unprecedented in history.⁴² Two rival, but mutually exclusive views of globalisation have some support on the left. First, some argue that overseas interests, particularly the United States of America, dominate Australian capital. For example, in 2004 a group of academics described the proposed free trade agreement with the USA as ‘sign[ing] up to become the first overseas province of the new American economic empire’.⁴³ Similar views are expressed by unions like those representing maritime and manufacturing workers.⁴⁴ Secondly, in contrast to these left-nationalist positions, Hardt and Negri, for example, assert that there is now a *global* ruling class, which maintains its dominance through a single worldwide ‘Empire’, as opposed to the Marxist account of competing *national* ruling classes.⁴⁵

In June 2003 there was around \$906 billion of accumulated foreign investment in Australia, representing 24 per cent of total investments.⁴⁶ Foreign investment is particularly important for large scale projects in mining and manufacturing, totalling nearly half and over a third of capital in these industries respectively in 2000-2001.⁴⁷ Australian enterprises have sought out overseas capital in order to accelerate capitalist development here, and many rely on foreign owned companies as partners, customers and/or suppliers. But at the same time, Australian investments overseas amounted to \$463 billion, that is over half the level of overseas investment here. The Australian economy is highly integrated into the global economy, but it is not subordinate to foreign capital.

Moreover, foreign investment should not be equated with foreign control. Only around one quarter of foreign investment in Australia is so-called ‘direct investment’, that is either local branches of multinational corporations or stakes in Australian companies of 10 per cent or more, providing their owners with significant control.⁴⁸ A majority of the top twenty companies on the ASX have, at most, one or two foreign directors.⁴⁹

Australian-based control is by no means total. Rupert Murdoch’s News Corporation (the second biggest company in Australia until 2004, when it shifted its place of incorporation to the United States) and the mining companies BHP Billiton and Rio Tinto (the biggest and third biggest corporations on the ASX), are truly multinational, both in operations and management. In addition, Singtel (which controls Optus) and Telecom New Zealand are overseas based companies with sizeable presences in the Australian market.

Nonetheless, Australian based capital remains, on the whole, dominant in the Australian economy, paralleling the situation in the USA, Europe and Japan.⁵⁰ The Australian ruling class decides its own future path within the global economy. Thus, while the sugar industry was against the free trade agreement with the USA, the most important sections of Australian capital, represented by the BCA, strongly supported the deal. They were not ‘selling out’ the ‘national interest’. They simply calculated that this rather minor extension of Australia’s integration with the global economy was in their own best interests. But in fact, on the vast majority of issues, the Australian operations of

foreign transnational corporations have the same goals as Australian owned corporations. Consequently, business associations generally organise both local and overseas-based enterprises in the industry or segment of the economy they represent.

Australia is not subordinate to other countries. It is an imperialist power in its own right, albeit one of the second rank (see Chapter 10). At the same time, the Australian capitalist class remains wedded to the Australian state, quite simply because there is no other state which can meet its needs (see Chapter 2).

Resistance and crisis

From our examination of the capitalist class it may seem that its economic, social and political power is unchallengeable, that all opposition to its agendas can easily be defeated. Yet, despite its formidable resources, the ruling class is not omnipotent. This is precisely why it needs to actively mobilise in its own interests. Capitalist society is full of contradictions, which open up possibilities for resistance. Sometimes these contradictions are ideological. For example, when the Howard Government detained refugees in desert concentration camps, many people questioned the assumption that Australian capitalist society is inherently free and democratic.

More fundamentally, because capitalism is a system based on economic competition, it inevitably goes through periods of economic conflict and crisis. Companies need to be as profitable as possible, in order to avoid bankruptcy or being taken over by rival firms. An important way of improving profitability is by reducing wages and salaries and by extracting more work from employees. The conflict of interests between workers and employers can remain latent for years, but periodically breaks into open struggle, especially in the form of strikes, lockouts and layoffs.

The continual drive for profits under capitalism also leads to economic crises, which are generally known as recessions or depressions.⁵¹ Capitalists can reduce their wage costs by investing in more productive machinery and technology. The first company to do so gains a temporary increase in profits. But its rivals have to follow suit, eliminating the first company's initial advantage. The end result is that the amount of labour power employed, which is the source of new value and hence also of profits (see Introduction), has been lowered compared to total investment in that industry. Over time the rate of profit, the amount of surplus value produced compared to outlays, tends to fall, making it harder and harder for capitalists to find profitable ways to invest their money. Recessions paradoxically involve both mass unemployment and an excess of capital, which cannot be profitably invested. Capitalist relations of production, especially its drive to make profits, becomes a fetter on the forces of production, the capacity of workers and technology to increase output.

Periods of depression obviously pose political problems for the ruling class. Ongoing prosperity, or at least the avoidance of mass poverty, is a crucial aspect of contemporary capitalism's self-justification. When capitalism no longer provides many workers with at least the essentials of life, it becomes clearer that the system does not serve the interests of the majority of the population. In Marx's words, the ruling class is revealed as 'unfit to rule because it is incompetent to assure an existence to its slave within his slavery'.⁵² Economic problems do not automatically lead to working class resistance; on the contrary, high unemployment can often make workers afraid to challenge their bosses, while boom times can give workers the confidence to ask for a bigger slice of the cake. Capitalism is, nevertheless, haunted by its inability to avoid economic crises, which disrupt social stability. Economic crises are ruptures in the capitalist production process, which can find their political counterpart in the breakdown of hegemony and increases in class consciousness.⁵³ They can open up a political space in which workers can fulfil their potential to become capitalism's 'gravediggers'.⁵⁴

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