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Social Democracy and the Rudd Labor Government in Australia

■ As the Rudd Labor Party Government in Australia celebrates two years in office following the Party's many years in opposition, it is in a strong position. However, it needs to more clearly outline its social democratic ambitions in order to break free from the policies of the former right-wing government, from three decades of neo-liberal intellectual dominance and from association with the ineffectual policy approach of British Labour's »Third Way«.

■ This can be done with a greater and more sustained commitment to improve industrial relations in favour of working families, including by further expanding paid parental leave. There also need to be further increases in public investment, including in all forms of education, and policy action to broaden the nation's economic base by rebuilding manufacturing industry. Other priorities should be to better prevent and alleviate the plight of the unemployed, and to tackle the inadequate taxation presently paid by the wealthy.

■ Australia needs now to look beyond the English-speaking world to envisage social democratic job creation programs in community services, and to greatly reduce child poverty. Australia also needs better planning for the major cities, where the population is growing most. Consistent with the wish for a greater role as a medium-sized power in the world, Australia's Labor Government needs to take more actions towards a humanitarian refugee policy. The Australian Labor Party's present position presents a number of lessons for European social democratic parties

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The Rudd Australian Labor Party (ALP) Government is about to celebrate two years in government following the Party's eleven years in opposition. The Prime Minister and Government are in a strong position: well ahead in opinion polls, facing a deeply divided nominal Coalition of political parties on the Right, and with Australia having experienced the international economic downturn more mildly than most countries.

The unemployment rate is still officially below 6 per cent, and Australia has not experienced a technical recession, unlike nearly all other OECD nations, following the 2008 Global Financial Crisis. Indeed the Reserve Bank of Australia is now (though perhaps prematurely) increasing interest rates. Since winning government power, Rudd's Labor has remarkably wrested from the Coalition (between the Liberal Party and the National Party) the public's confidence on economic policy.

The ALP won the November 2007 national election, after losing the preceding four elections, primarily because issues and differences between the main parties on questions of social class displaced the culture wars', i.e. conflict over issues such as acceptance of asylum seekers, as the main determinant of voters' choices.

Working people in Australia moved back to Labor following the decision by the Howard Coalition Government (in office from 1996 to 2007) to push through radically neo-liberal new industrial relations laws (so-called »WorkChoices«) which further undermined job security and reduced fairness at work.

Just as the change in the economic approach of the ALP towards market liberalism in its period of government from 1983 to 1996 (under prime minister Bob Hawke and treasurer and then prime minister Paul Keating) lost it support from its core constituency, so the ALP's commitment to repeal the Howard Government's aggressively neo-liberal laws regained it support in 2007.

Newspoll data showed a dramatic rise in industrial relations as an issue of importance to Australian voters, and an equally dramatic improvement in Labor's standing among voters as the best Party to handle this issue, following the 2004 national election. These trends coincided with the increase in Australian Labor's standing to levels which it had not reached since before the economic policy departures which culminated in its 1996 defeat under Keating.

The industrial relations issue also revived some ideological differences between the two major parties in Australia and regained Labor in 2007 much of the

support among »manual« or »blue-collar« voters which it had lost during the Hawke and Keating years, with its support in this occupational group rising from 42 per cent in 2004 to 55 per cent in 2007.¹

The First 100 Days

To sustain support, the Rudd Labor government may need to ensure that the primacy of differences on the industrial relations issues continues. In this respect it is positive that among the actions in its first 100 days the Rudd Government moved to rescind »WorkChoices«, although not all elements of the former industrial relations regime have been removed. The Rudd Government may need to more fully restore a centrally planned system of wage determination rather than just wind back the excesses of the Howard Government's individual contracts if it is to genuinely claim the credentials of a social democratic government. It is also continuing a building industry commission which exerts controversial coercive powers against trade unions.

There are some obstacles to a progressive industrial relations policy under the Rudd Government, partly because of Blairite British »New Labour« influences; which continue despite the blatant, deep malaise of British Labour now as a result of the Blair/Brown legacy. Blair and Brown in many respects have themselves been re-runs of Australia's Hawke and Keating Labor governments of 1983 to 1996, and British Labour is now facing the same negative electoral consequences, out of which Australian Labor has only recently emerged after eleven long years in opposition. So **to now re-enact Blair and Brown's own re-enactment of Hawke and Keating will not be a forward-looking strategy.**

The more thorough, substantial and successful approach of the northern European social democratic nations in policy terms needs now to be examined for Australia. There are some positive signs that there may be wider international influences at work, at least in some sections of the Rudd Government.

These include on **parental leave**. Australia, in 2011, will finally leave the United States behind as the only OECD nation without statutory provision for paid

1 Data from Clive Bean and Ian McAllister, »Voting Behaviour: Not an Election of Interest (Rates)«, in Marian Simms and John Warhurst (eds.), *Mortgage Nation: The 2004 Australian Election*, API Network, Perth, 2005, p. 325; and Clive Bean and Ian McAllister, »The Australian Election Survey: The Tale of the Rabbit-less Hat: Voting Behaviour in 2007«, written for forthcoming Special Issue of *Australian Cultural History*, 2009.

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maternity leave. The Rudd Government's decision to introduce a form of national paid parental leave is positive, however, it is only for maternity leave and it will only be for 18 weeks, without requiring any substantial contribution from the many businesses who will benefit from the new arrangements. More measures, including explicit provision for paid paternity leave, will also be needed and are feasible to help Australia's workplaces further change to better enable work to be combined with caring for children and to bring provisions up to standards which are taken for granted in much of Europe.

Questions have also been asked about why this Labor Government, if it is really socially democratic rather than neo-liberal, does not take more serious action against continuing excessive executive salaries and bonuses. Only the Greens in the national Parliament are currently arguing for such action, which puts them on Left social democratic ground from which they might electorally threaten Labor more in the near future.

Among the most notable actions in its first 100 days, the Rudd Government ratified the Kyoto Protocol on the setting of binding targets for reduction of greenhouse gas emissions. It also issued the historic Apology to the Stolen Generations of indigenous (Aboriginal) children and their families on the first full sitting day in which it faced Parliament. Both of these were actions which the former Government had refused to take for a decade.

The Rudd Government has since endeavoured to introduce an **environmental** Emissions Trading Scheme; but, lacking control of the upper house of parliament (the Senate), it has found it difficult to secure legislative passage for it. The Greens Party, which has five representatives in the 76 member Senate, wants more action than the Labor Party proposes to respond to **climate change**, while the divided Liberal and National parties, and one other right-wing Senator, want less.

The government's major domestic policy objective announced prior to its election was for an **»education revolution«**. The challenge facing the Rudd Government is to reform the entire Australian education system, from early childhood through schools, vocational and university education. The steps in the **»Building the Education Revolution«** program undertaken so far are positive in directing large sums of money to primary schools, which in the past have suffered most from wear and have frequently missed out on refurbishment funds. However, much more substantial amounts of money are still needed, including for higher education, to rectify decades of neglect and funding decline.

This is related to the question whether Australia is now more willing to fund **research and development** (R&D) appropriately. The Federal Government has signalled support for key recommendations from a parliamentary inquiry to substantially boost R&D spending, though it is unlikely to be anywhere near the extent of an additional \$5 billion which some experts estimate is needed to bring Australia's efforts up to the OECD average.

There is concern, too, that the Government, due to its restrictively Anglo focus on policy options, is holding up ill-considered examples of US educational policy as the best Australia can learn from. Alarm has been expressed that children's entitlement to a broad and balanced primary education is being compromised by a **»standards«** agenda for schools. Further, there is evidence that the economic downturn has particularly dented the prospects of Australian school leavers, with unemployment among teenagers rising more than it has in decades and their chances of gaining post-school skills formation deteriorating over the past year. Action is required to rebuild quality vocational skills training in Australia, including to revive apprenticeships. This presents a further challenge to realising the Rudd Government's proclaimed **»education revolution«**.

The Global Financial Crisis

In response to the **global financial crisis** which erupted in 2008, Prime Minister Rudd published a comprehensive and thoughtful essay earlier this year (2009) asserting that now is the time when social democracy will replace three decades of neo-liberal greed.² This intervention in particular has led to the Rudd Government offering some hope of a more progressive Labor course on economic policy than the Hawke and Keating Labor Governments did. In his essay Rudd analysed the global financial crisis' origins in the US **»sub-prime«** housing loans failures and underlying problems, including the outrageously high ratio of the highest executive salaries to the wages of average workers.

The Rudd Government's readiness since to go into deficit and spend many billions of dollars in public funds in a timely and well-targeted way has helped Australia, unlike most of the rest of the developed world, to avoid a recession. The Government's substantial and effective stimulus measures, starting with cash payments to individuals and households, then

2 Kevin Rudd, **»The Global Financial Crisis«**, *The Monthly*, No. 42, Melbourne, February 2009.

moving into spending on »nation-building« projects, together with low interest rates, has helped buffer the Australian economy from, and stave off, severe official recession. In Australia, a somewhat better-regulated financial system than elsewhere has also meant that banks have not experienced major crises.

In announcing its \$42 billion dollar package in late 2008, the Federal Government estimated it would support 90 000 jobs through to 2010. Of that, \$800 million was earmarked for community projects, \$711 million for road upgrades, \$16.2 billion to boost school infrastructure and almost \$6 billion over the next three years for new social housing or upgrades to existing public housing.

Of the stimulus spending, most is still ahead. About a third was spent in 2008-09, mostly as cash transfers to households. Roughly a third is being spent this financial year, mostly on school halls and public housing, for which contracts have mostly been signed. Approximately one third – \$31.34 billion – will not be spent until the next two financial years, most of it on road and rail infrastructure, schools, hospital funding and higher pensions.³

Kevin Rudd – A Fiscal Conservative?

The Rudd Government has thus responded promptly and expansively to the global financial and the resultant global economic crisis compared with the slow and insensitive manner in which the Hawke Labor Government and then treasurer Keating reacted to the last international recession which occurred in the early 1990s.

Nevertheless, the Prime Minister faces a major task to persuade voters he has the right mix of policies to fix our economic woes, according to the authoritative annual snapshot of community feeling, the *Mind and Mood* survey by social researchers Ipsos Mackay, which has found Australians full of anxiety, profoundly pessimistic about job security, feeling locked into their lives, still angry about inflated executive salaries and bonuses, furious at the banks for their lax credit and shoddy lending practices and worried that Australian jobs are being exported permanently to low-wage countries such as China, while economic recovery remains far off in the future.⁴

If this is true, then **industry policy** initiatives are still much needed in addition to the Rudd Government's series of stimulus spending packages, even

though these stimulus packages have been steps in the correct direction, away from neo-liberal and towards more Keynesian economics.

Kevin Rudd, prior to his election as Prime Minister, proclaimed himself proud to be a »fiscal conservative«: which seemed at the time to mean prudent budget management for surpluses. Since the election and the global economic crisis, however, he has reinvented the meaning of fiscal or economic »conservative« to mean potentially or at least partially (or temporarily) returning to the Keynesian economics which reigned before the 30 years of neoliberal greed which he wrote about in his essay in *The Monthly*.

Rudd perhaps might prefer to return to his initial meaning of fiscal conservative as soon as he can. Yet the Government may in fact need to further reflate the economy to try to prevent more severe economic downturn through further spending on »nation building« infrastructure, including transport, education and skills formation, which will help reduce the extent and effect of looming job losses.

Many households are struggling because they are bringing in less income. The full effects of the crisis are still to be felt in the real Australian economy, as distinct from the turbulent overseas share markets in which the crisis began. If it is more important to cut unemployment substantially than to become concerned about inflation and to reduce government expenditure, then it is not yet time to wind back the stimulus or to contemplate »exit« strategies from the measures introduced in response to the Global Financial Crisis.

It is a concern that the Government has not been prepared to increase **the level of the unemployment benefit**, which is just \$226 a week, even though a large number of Australians are about to be added to the ranks of the unemployed through no fault of their own. This is particularly disturbing given a new finding that Australia's unemployed are experiencing poverty at a far higher rate than the unemployed in other developed nations. A report from the OECD has found that, even before the downturn, 55 per cent of jobless households in Australia were living in "relative poverty", on less than half the average income. By contrast, the average rate of relative poverty for jobless households in OECD countries was just 37 per cent. The \$108 weekly difference between the unemployment and pension payments in Australia has been heavily criticised at a time of rising unemployment and low rental affordability.

Unemployment may only now be about to go up more steeply, and it has already gone up to some extent. There has been a rise in the official unemployment rate since September last year, from 4.3 per cent

3 Tim Colebatch, writing in *The Age* newspaper, Melbourne, 10 October, 2009.

4 Reported in *The Age* newspaper, Melbourne, 25 April, 2009.

to 5.8 per cent, amounting to an increase of more than a third in the nation's jobless numbers.

Further, the employment trend among full-time males has been typical of the first stages of an economic downturn. There are over 200 000 more unemployed people. Full-time male workers are the big losers, with a loss of 77 000 jobs in the **manufacturing industry** in 12 months from an already low base. Some manufacturing companies are trying to share remaining work around, including in car industry, by linking the quiet times in the transition to a four-day work week to make a fifth day available for training; which could be subsidised by Government, though that is yet to be settled. Adding to the official unemployment rate the part-time workers who want more hours of work, the actual unemployment rate jumps from around 5.5 per cent to 12, 13 per cent *underutilised labour*. There is also the equivalent of a further 200 000 full-time jobs which have been lost in *hours of work*.⁵ The overall reduction in the *hours of work* undertaken is on a scale similar to the fall in total hours of employment in the last Australian recession, in the early 1990s, which was certainly not mild.

Some have argued that while Mr Rudd has made a positive contribution to the debate about the global financial crisis, he has underestimated the extent of the need for future state action. Rudd indeed, in his major essay in *The Monthly*, insists that »the...challenge for social democrats is not to throw the baby out with the bathwater« and to resist »pressure...to retreat to some model of an all-providing state«. He declares one of the roles of »government [is to] offset...the inevitable inequalities of the market«, but it is not clear to what extent he is prepared to support this.

He is worried about »new political voices of the extreme Left and the nationalist Right«, but what does he define as extreme? Does he, for instance, regard the many Australian voters who support buying more Australian-made rather than imported products as extreme?

Mr Rudd believes that »it now falls to social democracy to prevent liberal capitalism from cannibalising itself« – but is that the role which social democrats should play? And even if, as he says, »the social-democratic state« is »called to the rescue«, what kind of rescue should that be, i.e. on what terms?

On the one hand, he emphasises »the dimensions of the fiscal-stimulus task that now lies ahead for gov-

ernments if the demand-side gap is to be met and massive unemployment avoided«, but on the other hand he insists that it is necessary »that this stimulus is targeted, timely and temporary. As private consumption and business investment recover, fiscal stimulus should be reduced commensurately, so as not to push up inflation during the period of economic recovery«. His next substantial essay, published in broadsheet newspapers in major capital cities five months later (25 July, 2009), confirmed this intention.

For one who claims to be a social democrat, he writes, in this second essay, a great deal about competition and competitiveness and very little about cooperation and sharing; which suggests a neo-liberalised notion of social democracy akin to Blair's Third Way and Schroeder's *Neue Mitte*.

The Tax Issue

Rudd states that his Government will return the Budget to surplus, even though this »will involve some painful and unpopular decisions that will affect many Australians«. Are such decisions in the form of spending cuts justified? Even if the Budget does need to return to, or move back towards, surplus, would not this be better done through **taxation** increases on those who can afford to pay rather than through spending cuts which hurt the more needy?

Polls show that there has been a steady rise in support among Australians during, and since the 1990s, for more social spending rather than further tax cuts. This reflects concerns about the way social infrastructure has been running down, to the detriment of future generations.

Rudd has criticised neoliberals for cutting taxes – but is he actually politically prepared to raise them himself? Rudd has said that »longer term...[we] have to look at what can be afforded by way of additional support from those who are better off“ because« [we] think Australia is all about fairness. People who are at the upper end over time perhaps could be in a position to provide greater support“⁶ – *perhaps* he says, though definitely, others would say: the rich can and should pay more tax in Australia.

Economics professor John Quiggin, in a paper this year titled *An Agenda for Social Democracy*, called for »the abandonment of the second stage of the tax cuts proposed by the Howard Government, and copied by Rudd Labor during the 2007 election campaign«, because these are unjustifiably skewed to higher in-

5 These figures and analysis presented by Dr John Buchanan, Director of the Workplace Research Centre at The University of Sydney, on Australian Broadcasting Corporation national television on 9 July, 2009.

6 Commercial radio interview with the Prime Minister of Australia broadcast on 24 April, 2009.

come earners and »should be replaced with...increases in once-off transfers, directed at those in the lower half of the income distribution«. ⁷ However, the 2009 Budget still proceeded with the original tax cuts.

A broader tax review is now underway, but it is expected to recommend a reduction rather than a rise in Australia's company tax rate to perhaps as low as 25 per cent, which will be opposed by trade unions. The review may recommend that such a cut in company tax be offset by higher taxes on mining profits and capital gains, and it may also spell out the case for a wealth tax and an inheritance tax. However, it is expected to find that the many exemptions which would be needed to make a wealth and inheritance tax popular and administratively simple would limit the amount of revenue that might be raised through them.

Some advocates want the income support system to be overhauled as part of the tax review, with a single standard welfare payment and add-on components for housing and disability.

Working Harder and Smarter?

Rudd writes in his second essay about Australia needing to work *harder* as well as smarter – yet many Australians, and they are not the ones who caused this crisis, are already working among the longest hours in the OECD and their bigger problem is work/family balance.

Rudd believes, according to his *Monthly* essay, that »Governments must craft consistent global financial regulations to prevent a race to the bottom, where capital leaks out to the areas of the global economy with the weakest regulation« – but will he take steps to prevent an international »race to the bottom« in *wages* as well?

He makes it clear he is on the *centre*-Left. He quotes former British Prime Minister Tony Blair and at times uses slogans that Blair used – like the closing words of his *Monthly* essay: »for the many, not...the few«. But this is a problem because the neo-liberal policies which contributed to the current crisis were substantially pursued by Blair, too, and by his successor Gordon Brown, who is now facing the political consequences of his not doing more in the last decade to regulate the economy for which he had responsibility under Blair.

Rudd speaks, prematurely I think, of »the *demise* of neo-liberalism«; and while he contrasts social democracy to neoliberalism, there have for several decades been major questions about how clear this contrast is compared with previously and whether a robust social democratic alternative range of policies really now exists⁸, especially in the English-speaking world, to fully emerge from this crisis.

If we take to its logical conclusion Mr. Rudd's contention about '30 years of greed' since the neo liberal ideology took hold, then that includes the Labor Governments of Hawke and Keating from 1983 to 1996. This was not stated explicitly in Mr Rudd's essay, presumably for diplomatic/party reasons.

One of the other things which is lacking in Rudd's essays is a sense that social democracy is not just a phrase or a concept but a real living influence in particular *places* in the world today, the operation of which provides us with powerful evidence of its merits for policy debates in Australia.

Northern Europe – A Model for Australia?

Social democracy is particularly influential in Nordic Europe. So-called economic »globalisation« does not affect all countries equally. Seemingly inexorable worldwide trends of change to political parties can be modified greatly by national traditions, institutions and cultures. For instance, »social democracies such as Sweden have weathered the current [financial crisis] storm better because long-term co-ordinated public/private investment has allowed them to retain a diverse economic base«. ⁹

Harold Meyerson, editor-at-large of *The American Prospect*, has similarly looked towards northern Europe now that »Wall Street's capitalism is dying in disgrace« and it is palpably »time for a better model«. He points out that in **Germany**, manufacturing [industry] still dominates finance, which is why Germany has been the world's leader in exports.

German capitalism didn't succumb to the financialisation that swept the US and Britain in the 1980s, in part because its companies raise their capital, as... [America's] used to, from retained earnings and banks rather than the markets.

Company managers set long-term policies, while market pressures for short-term profits are held in check.

⁸ See Andrew Glyn (ed.), *Social Democracy in Neoliberal Times: The Left and Economic Policy since 1980*, Oxford University Press, Oxford, 2001.

⁹ Guy Rundle, writing in *The Sunday Age*, Melbourne, 19 October, 2008.

⁷ John Quiggin, *An Agenda for Social Democracy*, Whitlam Institute within the University of Western Sydney, Sydney, April, 2009.

The focus on long-term performance over short-term gain is reinforced by Germany's *stakeholder*, rather than *shareholder*, model of capitalism...

German companies are among the world's most competitive in their financial viability and the quality of their products.

Yes, Germany's export-fuelled economy is [also] imperilled by the global collapse in consumption, but its form of capitalism has proved more sustainable than Wall Street's, he argues. Germany also shows Australia the obviously relevant example of an extensive and advanced solar energy industry. So Germany in some ways now offers a policy model for Australia.

However, Meyerson argues that, in addition to bolstering industry, which, in the Rudd Government, Minister Kim Carr is correctly seeking to do, drawing on inspiration from Germany, particular attention needs to be paid to **Scandinavia**, which is less manufacturing-centred than the German model, though still more manufacturing-oriented than Australia. As Meyerson points out:

The Scandinavians have upgraded the skills and wages of their workers in the retail and human or community service sectors, and in consequence fully employed impoverished workers, the so-called »working poor«, do *not* exist in Scandinavia.

Further, policies that professionalise jobs in child care...[and] elder[ly] care...[will create] a larger public sector than we have had in recent years... [and] investing in more highly trained and paid teachers, nurses and child-care workers is more likely to produce sustained prosperity than investing in the asset bubbles to which Wall Street [for example] was so fatally attracted.¹⁰

Quiggin argues, in his *Agenda for Social Democracy*, for Australia to support »direct employment creation in the public sector, particularly in the labour-intensive community services sector«.

In policy terms the Nordic countries have remained stubbornly more egalitarian, more committed to public expenditure on education and more committed to universal provision of welfare than the English-speaking countries. Rather than to supposed models of education reform from America, it is therefore appropriate for Australia to look elsewhere. In terms of income distribution, Sweden is also nearly twice as equal as Australia and Britain and more than twice as equal as the United States.

The Nordic nations have driven child poverty down to unparalleled lows, enhanced gender equality, and

¹⁰ Harold Meyerson, »Deal-making does not make for prosperity: Europe is showing the way to a better, fairer capitalist system«, *The Age*, 16 March, 2009.

promoted family-friendly workplace arrangements, including through extensive paid parental leave which has boosted workforce participation and therefore national productivity, proving to be an economic benefit rather than a cost. This is a principle the Rudd Government has at least partially recognised by its including the introduction of a national paid parental leave program to Australia from 2011 in its second Budget, handed down in May this year.

The Australian Quarry

There remains concern about Australia being a quarry, taking resources out of the ground to benefit from a short-term boom in world commodity prices, rather than ensuring more solid and durable foundations for economic prosperity. The contrast with Norway, for example, is stark. Norway ensures now, as in the past, that proceeds from its resource riches are invested for lasting national benefit – including for the years after the resources inevitably run out. In Australia to date the resources boom has largely been squandered through tax cuts for individuals, especially wealthy individuals, and spending on lower order priorities.

A senior economic decision maker in Australia has suggested that continued manufacturing decline is inevitable, and even desirable, based on an expectation that high demand from China and India for Australia's resource riches will go on for decades. A contrary and more plausible view is that the high mining industry prices of recent years are a transient phase resulting from miners worldwide being caught unaware by China's rapid growth in demand and China and India going through a growth phase that is particularly resource-intensive.¹¹ The commodity prices boom on which Australia has coasted for more than a decade is therefore likely to be time-limited.

Those Western countries which continue to develop manufacturing industry on the basis of quality products have a more durable economic base than Australia's over-reliance now on mineral extraction. Building up a solid manufacturing industry may be a longer-term strength compared with countries in which very few people actually make anything tangible, and given the vulnerability which economies, including Australia, without an adequate manufacturing base have shown in the past.

An Australia whose prosperity is dependent on receipts from resources sales is not the sort of nation Prime Minister Rudd has indicated that he wants to shape. He has instead expressed a commitment to

¹¹ Reported by Tim Colebatch, *The Age*, 24 October, 2009.

investing heavily in education, research and innovation and fashioning an advanced middle power that creates its own economic opportunities through technology and manufacturing.¹²

Australia's continuing to coast along on and benefit from the proceeds of the commodity prices boom is, indeed, one reason why it has experienced the 2008-2009 Global Financial Crisis more mildly than most other countries so far. Nevertheless, while the resources boom may have helped tide Australia over to date, serious problems lie ahead as a result of a poorly structured, unbalanced economy.

Nor is Australia the only OECD economy that is growing. Most G20 countries reported growth in the June quarter, including Germany and France. Among countries across the OECD that have generated positive growth in the last 12 months, Poland is top, with 1.4 per cent growth. Australia is also not the only major advanced economy to stay out of technical recession: Korea's larger economy has also done so. Australia's unemployment rate is also by no means the lowest in the OECD, and the rates in Norway and the Netherlands are much lower.¹³ Australia may be growing faster than most, which is good, but the global recovery is fragile.

One area where Australia particularly continues to be economically vulnerable is in its inability to post trade surpluses, which the Nordic countries, for instance, have been able to do. Massive and deteriorating current account deficits continue to be trends in Australia, i.e. the nation still imports far more than it exports. Australia cannot afford to be complacent about these.

Progressive Policies

Another policy priority is to lift spending on active labour market programs to stop people becoming long-term unemployed; and on skills training generally to prevent more of the serious skill shortages which have emerged in recent years.

A stimulatory increase in infrastructure spending has helped the economy; however, it may not hold all the answers to the problems of **urban planning** in the major capital cities, especially in the continually sprawling outer suburbs. Much more needs to be done in the largest cities, Sydney and Melbourne, to overcome congestion and improve public transport in

order to prepare, socially, environmentally as well as economically, for a population of 35 million people in 2049. This will mean another 13 million people in addition to Australia's present population of 22 million: a growth trend which Prime Minister Kevin Rudd supports, including for reasons of Australia's long-term national security.

There has been insufficient discussion so far under the Rudd Government of the need to reduce the very high rate of **child poverty** in Australia, which is nearly five times as high – at 11.6 per cent, or nearly one in every eight Australian children – as in Denmark.

Kevin Rudd's strong personal interest in and background in **foreign policy** has driven his moves for multilateralism, including leadership for co-ordinated international action to tackle the world's financial crisis. He wants Australia to come to play a greater role as a growing medium-sized power, including through input to the G20; at December's Copenhagen climate conference; and in his aim to have Australia elevated to a seat on the UN Security Council.

There are concerns, however, about Rudd not using his high electoral standing to lead towards a **more humanitarian refugee policy** in line with United Nations principles. This requires clearer distinction from the shocking breaches by the former Howard Government of Australia's international obligations to people fleeing persecution. Rudd's fears about some negative electoral reactions within Australia to what, in international terms, would be a very small increase in Australia's already low per capita refugee intake do not justify his evading Australia's obligations, especially in the light of increased exodus of Tamils from Sri Lanka. Recent attempts by Rudd to move somewhat away from Howard's stringent policies against asylum seekers, but not so far as to adopt a fully humanitarian policy, have led to a drop in the ALP's support which could be reversed with a more decisive policy break from the Howard years.

Rudd does have progressive inclinations in some policy areas, but he is also very cautious and he does not see clearly enough the dangers of short-term pragmatism, as demonstrated by the deep malaise into which the Blair/Brown approach has taken the British Labour Party.

Despite the ALP's electoral success there are also still serious and deep-seated concerns about the Party's parliamentarians being drawn from too narrow a social base of people in professional career occupations such as lawyers, with a lack of authentic direct representation from the working-class occupations which the party continues to rely on for electoral support. There are also concerns about an organisational atrophy of the Party in the community, including very

¹² Shaun Carney, writing in *The Age*, Melbourne, 24 October, 2009.

¹³ Tim Colebatch, writing in *The Age*, Melbourne, 22 September and 3 November, 2009.

low membership levels, related to controversies about manipulative »branch stacking«.

Lessons to be Learnt

In terms of the **lessons that can be learned from the ALP by European social democratic parties**, which have not enjoyed much electoral success recently, several points can be made.

The first is that the electoral cycle does still regularly turn. With young, alternative leaders and visionary policies emphasizing the economic as well as social benefit of more substantial public investment in education, employment and infrastructure, and care for the environment, social democratic parties can oust governments of the Right.

European social democratic parties' recent defeats and current problems have partly arisen because of divisions within their constituencies between socially progressive and traditional economically minded voters, divisions of the kind which also kept the ALP out of office until 2007. Australian Labor's return to office and present popularity show the merits for social democrats of moving back onto core and distinctive economic policy ground.

The 2007 French Presidential election result, in which the Socialist Party's candidate made it through to the second ballot but was then defeated, prompted new discussions of how the departure from traditional economic policies by mainstream left-of-centre parties in office in the 1980s and 1990s (e.g. the Socialist Party in France, and the Labor Party in Australia) may have contributed to a rise of support for far right »populist« parties, particularly among blue-collar voters, and the uptake of policies hostile to immigrants and refugees by the established Right, to the continuing electoral detriment of the mainstream Left.

The campaign by Nicolas Sarkozy against »illegal migrants« and their children, to court former Le Pen voters, in 2007 was reminiscent of Howard's moves against asylum seekers in 2001 to win back people who had voted for Pauline Hanson's One Nation Party in Australia in 1998.

Phillipe Marliere has written that it is clear that Sarkozy's strong stance on immigration, law and order and national identity has appealed to working-class voters. It is far less obvious that the same voters would approve of the policies of economic deregulation, or back the dismantling of the social state.¹⁴

John Howard's promise, when first elected, that »no Australian worker will be worse off« under his

Government, his rhetoric about wanting Australia to feel more »comfortable and relaxed« and his conservative cultural policies all gained some workers' support. However, he trailed badly in opinion polls as soon as Kevin Rudd was elected Labor Leader in December 2006, and in large measure because of his Government's introduction of an industrial relations policy which heightened insecurity and reduced fairness.

The French Socialists in 2007 improved their standing compared with the 2002 Presidential election, when the Party failed to make it into the second ballot. Sarkozy's victory was only by a few percentage points. If Sarkozy actually takes steps which seriously undermine France's »social model«, and which threaten French workers' rights and conditions, as Howard did in Australia, then France's Socialist Party can expect support to return to it as economic questions become more central again for voters, especially if differences between the main parties on these questions become more clearly articulated.

Sarkozy, and the re-elected conservative German Chancellor Merkel, have supported, in 2009, stronger regulation of executive salaries and bonuses in international forums held since the global financial crisis. This has been in contrast to the more timid approach taken by left-of-centre leaders in the English-speaking world, including Rudd, Brown and US President Obama. This highlights how social democrats in the English-speaking world have moved too far from traditional economic policy positions.

The policy legacy substantially shaped by social democrats in countries like Germany, and even more so in Sweden and Denmark, where social democrats are not currently in office, continues to inspire many seeking more substantial change in Australia and elsewhere. This suggests that as part of trying to achieve more electoral success and regain lost fragments of their constituencies, European social democrats should more proudly identify with, and claim credit for, their own policy achievements and traditional approaches. They should put forward ways to uphold these, rather than defensively distance themselves from them in a way which allows politicians on the Right to fill the resultant gap.

The Australian Labor Party's return to and present strength in government should embolden German and other European social democrats to persist in re-unifying their own various left-of-centre constituencies behind an effective organisational force with clear, confident purposeful policies in order to achieve similar electoral success.

¹⁴ The Guardian, London, 7 May, 2007.



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