Think Tanks, Economic Liberalism and Industrial Relations

Georgina Murray

The industrial relations reforms of the 1980s and 1990s were in no small part influenced by an emerging coterie of “think tanks”. These bodies have played a critical role in promoting the economic liberalism that has underpinned much of the change of the past two decades. This paper examines organisations such as the HR Nicholls Society and the Institute of Public Affairs as examples of the importance of think tank gurus. Economic liberalism, the common usage new-speak of Australian society, is structurally sustained by unaccountable corporate sponsors who are in turn responding to the threat of gradual global economic stagnation since the 1970s. Their ongoing challenge has been how to increase business’s share of declining global profits and part of their solution has been to offset costs in some measure by funding think tank’s ideologues to spread the word – “work harder for less” – to workers.

Introduction

The industrial relations reforms of the 1980s and 1990s were in no small part influenced by an emerging coterie of “think tanks”. The shift to enterprise bargaining in 1991 followed the release of research commissioned by the Business Council of Australia (BCA 1989) purporting to show the benefits of a shift to enterprise-based bargaining units. A few years earlier, the HR Nicholls Society had been established with the avowed aim of dismantling the arbitration-based industrial relations system and had shaped some of the IR policy debate that followed. More recently the Howard Government has used people associated with right wing think tanks to generate or propagate ideas – for example in 1998 Des Moore was commissioned to write a paper on labour market reform and Judith Sloan was consulted on the drafting of the Workplace Relations Act (though she was unhappy that the results did not go far enough!).

Despite the significance of think tanks in industrial relations reform, relatively little has been written about them. This paper seeks to redress that imbalance. It places them in the context of the need for capitalism to produce sources of ‘independent’ advice, even ‘gurus’, who can ingeniously and actively challenge the problems posed by “the social forces hampering capital accumulation” (van der Pijl 1984:240). Business’s ongoing challenge has been how to increase their share of slowing global growth and part of their solution has been to offset costs in some measure by funding think tanks ideologues to spread the work-harder-for-less-word to workers. Thus economic liberalism, the common usage new-speak of Australian society, is structurally sustained by the gradually reducing global profits in the period since the 1970s (Brenner 1998).

Economic liberalism exhorts workers to work harder for less because they operate in a labour market where “competitive markets are likely to improve efficiency” (James, Norton & Jones 1993). This is a cyclical ideology that emerges when capital’s profits are squeezed (Mandel 1972).

This article begins by briefly continuing the Battin (1991) discussion as to the meaning of Economic Rationalism as the basic discourse of most Australian think tanks (Mendes 2003, Herd, 1999).

What is economic rationalism?

The history of economic rationalism is lit with an obsessive need for efficiency (Whitwell 2003) and as Battin (1991) suggests, a bastardization of Neoclassical economic thought that individuals make rational decisions based on their individual self-interest,
that there should be very limited state intervention and a natural rate of unemployment for optimum equilibrium growth. Economic rationalism, however, goes back further than Neoclassical economics, even the classical economics of Adam Smith, David Ricardo and Jean Baptiste Say, to the anti mercantilist non-state interventionist arguments of Dudley North in *Discourses on Trade* (1691). North, a prominent trader, was the first to formulate the idea of free trade and government non-state intervention as the basis of rising profits. North had a personal gripe against the leisured aristocratic class using the state to bring down interest rates associated with their accumulation of idly accrued debt. His cries were the first articulated claims of the emerging bourgeoisie for political and economic power.

The economically free state was an idea later developed by Smith in *The Wealth of Nations* (1776). In this work he uses North’s idea of the ideal laissez faire state whereby the invisible hand of the market and individual self-interest are free to organise (or not) human economic relations. (This is of course a vulgarisation of a much larger theory that has some humane byways: see Rubin 1929.) From this central theme of the necessity of an individual’s economic and political freedom from the aristocratic state, arose the majority of our political and economic theory. From here the liberal commitment to globalisation is easy to trace for it is this freeing of the enterprise from artificial controls that will most efficiently allow the free flow of capital wherever it is needed or wanted.

Cockett (1994) traces economic liberalism’s successful expansion and ever-growing numbers of think tanks to the accumulated surpluses accrued in the 1960s. The real roots of this evangelical liberalism, however, he traces back to the 1930s and the growth in popularity of the Austrian School. These Austrian School theorists included Fredrich von Hayek, Ludwig Von Mises and Karl Popper. Von Hayek had in 1938 run a conference to try to reverse the trend toward socialist, collectivist or totalitarian social systems and their primary objective was an individualist assault on Keynesianism. Following this conference, and one held at Mont Pelerin after World War two in 1947, Von Hayek and his colleagues subsequently held bi-annual meetings. These meetings took the name of their meeting place in Switzerland, hence the beginning of the Mont Pelerin Society. The organisation spread to become the ideological heart of economic liberalism (Cockett 1994). And this type of libertarian thought formed the basis of the new right ultra conservative movement that grew out of the US in the 1980s (Lyons 1996).

The next section looks at the economic environment in which these ideas have spread.

**The economic background**

The puzzling question in a capitalist society is not why are there privately funded think tanks but why now? Why were there only fifteen think tanks in Australia before 1978? The answer is that the recent demand for think tanks reflects changing economic needs. That is, between the 1980s and the 1990s, global economic stagnation meant capital needed a hand to help it continue to make the same level of profit because economies were adversely affected by a number of global phenomena.

Profit stagnation hit the Australian economy in the form of declining Gross Domestic Product and the rise of unemployment (Australian Economic Indicators, ABS, 1997, pp. 99/107). This stagnation has disproportionately been borne by workers whose wages have not risen in line with company
profits, (that is, profit share in 1972/3 was 16 per cent up to 24 per cent in 1997/8 whereas the wages share in 1972/3 was 62 per cent but going down in 1997/8 to 54 per cent, Australian Yearbook, 2000: 741). This is where think tanks play a role. They produce material that shows workers that stagnation in national profit is not meant to be experienced equally throughout all sectors of society. Their material tells workers to work harder for lesser wages and conditions so that capital can gain a competitive advantage (e.g. around Porter’s *Competitive Advantage*, 1985).

Think tank interventions also act to placate the naturally competitive tendencies between capitalists of different sectorial interests (Useem 1984) by marshalling them through lobby groups toward long-term goals for themselves and for capitalist society (e.g. Arthur Seldon’s *Capitalism*, 1990).

This class-wide strategy or the ideology that unites pro-market think tanks long-term interests is Economic Liberalism for this is the political theory that provides the rationale for belt tightening for workers, the sale of state assets and the roll back of the welfare state. As Hinkson (1988) argues this form of liberalism cannot be read as a fragmented, structureless entity; it has a time, a place, and an agency of diffusion - the economic rationalist think tank.

**What is a think tank?**

There is no accepted definition of what a think-tank is (see Stone 1996a, 1991, Denham and Garnett 1995, James 1993, Worpole 1998, etc) although there is an identifiable consensus that think tanks are predominantly non-partisan, public spirited, fragmented and charitable bodies. From this essentially liberal theoretical base what emerges is a picture of think tanks that are not “involved in the implementation and administration of government policies … (though they do) desire to inform the policy process” (Stone 1996b). Second, “think tanks are intellectually independent … research agendas are determined within the institution rather than by outside bodies … most think tanks strive for a diversity of funding to help preserve their intellectual integrity” (Stone 1996b). And “think tanks are characterised by public spirit…they do not represent vested interest in society but they conduct research for the sake of building a body of knowledge, raising public awareness of issues and improving policy” (Stone 1996b).

This liberal or pluralist understanding is wrong. But also wrong is the more critical stance that capitalists are ‘free policy making agents’ an idealist position held by theorists identified by Cronin (2002:5) as Kelsey (1995) and Jesson (1980, 1987, 1995). This is in direct contrast to Marx’s position that “the ideas of the ruling class are in every epoch the ruling ideas… in so far …as they rule as a class they do this in its whole range, hence amongst other things rule also as thinkers, as producers of ideas, and regulate the production and distribution of the ideas of their age” (Marx 1977: 176 emphasis added). Think tank ideologues fit here because although they are not members of the ruling class (they do not own or control the means of production) they operate broadly in its interests. They do not, as they may like to think, act as individuals in circumstances of their own choosing they are largely dependent on business patronage for their survival.

**Australian think tanks**

Australian think tanks, using economic liberal theory, have been around since the Institute of Political Affairs (IPA) was established in 1943. Other think tanks were earlier (e.g. the Australian Institute of International Affairs established in 1924) but these are less clearly economically liberal.
Think tanks have proliferated here within the last twenty years. In the
1990s think tanks have become an industry with estimated think tank
numbers for Australia of between 83 (ie Herd, 1999) and 90 (i.e. Marsh 1994).
Herd’s sample of 83 think tanks show only five that he credits with being
commonly known as ‘wet’ tanks (that is, politically left). Marsh estimates that
Australian think tanks have a collective
budget of $130 million; they employ
1,600 people, publish 900 reports and
discussion papers and hold almost 600
conferences and symposia each year.
Corporate contribution and personal
wealth are the biggest source of funding
to the budgets of think tanks. The
amount and sources of funding as well
as the staff of the think tanks is noted in
the following table:

Table 1: Australian Think Tank (Examples)

<table>
<thead>
<tr>
<th>Name</th>
<th>Research Focus</th>
<th>Budget &amp; Funding Sources</th>
<th>Key staff &amp; members</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>The HR Nicholls Society</td>
<td>“The Society’s ambition is to bring about urgently needed reform, in our industrial relations attitudes and institutions”</td>
<td>unknown</td>
<td>Ray Evans (CEO) Des Moore</td>
<td>Opened in 1986 with 40 interested members Founding chair John Stone Des Moore also has a think tank *Free Enterprise Foundation</td>
</tr>
<tr>
<td>Institute of Public Affairs (IPA)</td>
<td>Free Market economics, small state and identified with the ‘New Right’.</td>
<td>Budget: $1.3 million; Sources: subs, donations, conferences, publications.</td>
<td>Mike Nahan (CEO) 7 staff 500 members</td>
<td>Opened 1943; Publications in 12,000 schools, 475 companies &amp; for 2,000 individuals.</td>
</tr>
<tr>
<td>Committee for Economic Development of Australia (CEDA)</td>
<td>Economic and Social Development</td>
<td>Budget: $4 million Sources: subs, publications &amp; members.</td>
<td>Dr. J. Nieuwenhuysen (CEO) 18 staff; 978 members.</td>
<td>Opened 1961; Considered to be a network for businessmen; Has members from both sides of politics.</td>
</tr>
<tr>
<td>Centre for Independent Studies (CIS)</td>
<td>Advocates of the small state; New Right.</td>
<td>Budget $1.1 million; Sources: subs, publications &amp; members.</td>
<td>G.Lyndsay (CEO) 11 staff; 1,800 members.</td>
<td>Opened 1976; Supports re-invigoration of the family.</td>
</tr>
<tr>
<td>Tasman Institute</td>
<td>Free market economics New Right</td>
<td>Budget $1 million; 21 corporate sponsors. Sources: Melbourne University</td>
<td>Dr. M. Porter (CEO); Still head of the Tasman Asia Pacific 1998 Ron Brunton &amp; M. Warby transferred to the IPA.</td>
<td>Melbourne University granted charter for the institute - 1958; Gave Premier J. Kennett the blueprint for privatisation. 1998 closed the Tasman institute (Policy arm) Continued consultancy arm Tasman Asia Pacific 1995</td>
</tr>
<tr>
<td>Business Council of Australia (BCA)</td>
<td>Free Market economics</td>
<td>Budget: $4.9 million; Sources: members</td>
<td>H. Morgan (CEO); 101 members; 14 staff.</td>
<td>Established 1983 by PM. R. Hawke; Attendance at meetings exceeds 50 of 101 members.</td>
</tr>
</tbody>
</table>


These think tanks share an economic liberal ideology but to different degrees
and with different angles.

**Australian think tank ideology**

The Australian Labor government in the 1980s, followed the British government initiative in supporting, sustaining and in the Australian case initiating think-tank development. For the British this was manifest in a growing dependence on the Adam Smith Institute and the Centre for Policy Studies. For the Australian Labor government post 1983 they started a number of think tanks such as the Economic Planning Advisory Council, the Asia-Australia Institute, the Australian Manufacturing Council, the Communications Law Centre and the Australian Commission for the Future. Existing think tanks such as the Australian Bureau of Agriculture and Resource Economics and the Industry Commission were revamped (Da Silva 1996). Another of the state supported initiatives was The Centre of
Policy Studies (CoPS) a research centre located at Monash University and run by Professor Peter Dixon. CoPS developed a research program over the period 1975-1995. This was a cooperative venture between the Australian Federal Government and a number of Australian universities.

With the general incorporation of economic liberal theory into state policy think tank executives expressed considerable satisfaction. For example, Dr. Mike Nahan, of the IPA, one of those known for his rigorous pursuit of free-market economic solutions, said “In the past because our overwhelming focus was on economics, social issues were not our major focus. Now they are going to be. The debate has moved on. These are areas that the left thought they had sown up” (Nahan, in Da Silva, 1996).

Another key think tank, the HR Nicholls Society, was once described as the New Right's 'supper club'. This society’s focus is the reduction of the role of the trade unions, the reform of the current wage fixing system and the 'necessity for labour relations to be conducted in such a way as to promote economic development in Australia' (HR Nicholls Society Aims 1998). The HR Nicholls Society revealed their strongly held commitments in their website comments on the Building Industry Reform Bill “The Royal Commission into the Building and Construction Industry has drawn attention to trade union involvement in '... significant corrupt and quasi-corrupt conduct and widespread coercive and collusive practices' in the industry... (the) scandalous behaviour characteristic of the industry is a consequence, direct or indirect, of de jure and de facto privileges granted to trade unions over many decades, by governments, arbitral tribunals and courts, either under policies devised deliberately for political reasons, or through passive acceptance of what would be normally seen as illegal behaviour” (Evan 2003).

The HR Nicholls Society think tank ideologues do this not because they are capitalist (many are not) or even ruling class but rather because they unquestionably believe this hegemonic discourse.

**Influence**

An unexpected acknowledgment of the extent of the HR Nicholls Society's influence was noted, in November 1989, when a leaked report by two officers of the NSW Labor Council suggested "the HR Nicholls Society is winning the intellectual and political debate" (HR Nicholls Society 2003). Their aims are a continuous releasing to the market the right of individuals to freely contract for the supply and engagement of their labour by mutual agreement, and the necessity for labour relations to be conducted in such a way as to promote economic development in Australia” (HR Nicholls website: 2003).

According to the HR Nicholls Society, it was established at a seminar that took place at the CWA House in Toorak, Victoria, on the weekend of 19th February - 2nd March 1986. The seminar was organised by four people, John Stone, then a financial and economic consultant, Peter Costello, Barrister at Law, Barrie Purvis, industrial advocate, and Ray Evans, an executive with WMC Ltd. Ray Evans went on to be a chairperson of the organisation (HR Nicholls Society website: 2003). The purpose of the seminar was to discuss the Hancock Report into Australian Industrial Relations Law, the economic impact of our industrial relations practices in Australia; and similar matters. Some forty people attended the seminar where it was agreed to incorporate the Society and elect John Stone as the foundation President.
In contrast the CIS saw its role as influencing policy-making processes in the following way:

We set out to influence the general ideas environment ... but as I went on I realized that there was more to achieving change than dreaming up what a Liberal Party future might be. For instance ... If you felt that shopping hours should be deregulated, it was not just a matter of putting it on to paper and feeling confident that your brilliant statement would win the day. (Lindsay 1996).

Networking with other think tank executive or members is seen as important. The list of links for the CIS website (http://www.cis.org.au/) includes 27 other international think tanks and 16 others that include the New Zealand Business Roundtable. Director Lindsay met with another key founding think tank spirit in Lord Antony Fisher, the head of the British Institute of Economic Affairs (IEA). He is reported as saying they discussed planning to open a replica of the IEA in Australia and Fisher "wished me luck" (Lindsay 1996). In 1978, Lindsay went to his first Mont Pelerin meeting in Hong Kong where he was introduced to Milton Friedman and the Public Choice advocate James Buchanan.

Another unambiguously dry think tank was the Melbourne University based Tasman Institute, given its charter in 1958 and closing down its policy arm in 1998, it now runs as the consultancy based Tasman Asia Pacific. This is still headed by former Melbourne University economics professor Dr. Michael Porter, formerly a founding member of the centre for Policy Studies. Dr. Porter spread his free market institute arguments for a minimalist government economic role into many different national contexts including New Zealand. In 1998 the New Zealand Business Roundtable (NZBR) released Conservation Strategies for New Zealand, a report undertaken by the Tasman Institute informing New Zealanders Another example of Tasman’s strategic influence was their Project Victoria study, which argued for “the large scale sell off of state assets and a new right orientation (for) the public service, [and] served as a manifesto for the revolution brought about by Premier Jeff Kennett and treasurer Alan Stockdale" (Da Silva 1996).

All of the larger well-funded think tanks are in an excellent position to influence public opinion. The IPA pamphlets – Facts - have a reputed print-run of 58,000 sending it to 12,000 schools, 475 companies and 2,000 individuals (Moore and Carpenter, 1987). The IPA, the CIS and CEDA a large membership networks that total 7,278 people.

Funding

Australian think tank budgets can be as high as $5 million for BCA. (By comparison the Brookings Institute in the US has a budget of $20 million and the Adam Smith Institute in the UK has a budget of $US500,000 (NIRA 1996)). This money is gathered from a variety of sources (Da Silva 1996, NIRA, 1996, etc): donations endowments, corporations, individuals, publications and conferences.

The government is another rich source of funds for think tanks. The Menzies Foundation, the Liberal Party pro-market think tank, in 1997 reportedly received a $100,000 Liberal government grant. This meant that the Liberal Party can "undertake this 'intellectual' branch of their work without eating into their funds that they can use for other work" (Grattan 1997). According to Grattan (1997), this was money stripped by the government from the Evatt Foundation (a more left-leaning think tank) and redirected to revive the moribund
Menzies Centre. The Menzies Centre was opened in 1994 with David Clark as the chairperson of the board. Clark was also the chair of the Macquarie Bank. Other board members of note were former premiers of New South Wales Nick Greiner and Professor John Rose of Melbourne University.

The bulk of funding for think tanks comes from corporations. Director Lindsay of the CIS is on record saying that he got his big financial break from Hugh Morgan, the CEO of Western Mining. Morgan had a financial 'whip around' amongst mates for seed money for the CIS. He raised $200,000 that was to be spent by the CIS over five years (Da Silva 1996).

The fall of the Tasman Institute - to a stalled liberal agenda and the loss of key individuals (Judith Sloan to the Productivity Commission and Mark Wooden to MIAESR) - illustrates how quickly the organisation has to reinvent itself to try to remain attractive to funders. 1

Wetter-than-dry tanks

“Wetter than dry” think tanks are those with a left lean and are much fewer in number than dry think tanks (Herd 1999 estimates seven in the 83 in his sample). An example is the Committee for Economic Development of Australia (CEDA) started in 1960 in Melbourne and known for being 'wetter' than other top think tanks, (even though it acknowledges no ideological preference that differs from the stance of the government of the day). The committee conducts research and publishes papers on issues relating to economic development. The IPA's Nahan dismisses CEDA:

I wouldn't call CEDA a think tank.
I think that it’s more a network for businessmen who like to participate in public debate, but don't like to say tough things. They often approach them and then wimp out.” (in Da Silva 1996).

University links

Links between think tanks and the universities have been established for some time. Universities have a number of think tanks within their ambit which at various times have played key roles in policy debates. Already mentioned is the Centre for Policy Studies run by Professor Peter Dixon who had formerly been employed by the IMF in 1973. CoPS was influencing state policy from 1975. Other notable think tank university initiatives were Flinders University's National Institute of Labour Studies (NILS) which in the late 1980s and early 1990s provided academic legitimacy to the BCA's industrial relations reform agenda. Since the departure of Dick Blandy, Judith Sloan and, more recently, Mark Wooden, NILS has returned to its original role of being a 'labour' research institute, though without ideological alignment (Peetz 2003).

Class ties

Class ties, that is, those sharing ruling class interests are often manifest in the tri-partite relations between pro-market think tanks representing big business (e.g. The BCA), elite Australian state bureaucrats and the elite union bureaucrats (Bramble & Kuhn 2000). These ties were particularly close in the Hawke-Keating corporate state era (1983-1996) as explained by the retiring Keating treasurer, John Dawkins

Such was the intimacy of the relationship (between the ALP government and the BCA) that it has been useful on occasions to have the BCA appear to be a critic of the government's performance. It suited the

---

1 This point was brought to my attention by an anonymous reviewer.
government to have the endorsement of the BCA when it needed it, but to be able to create some distance on other occasions. While it was useful to have the BCA as part of the cheer squad, it was useful for other reasons for the BCA to be not identified as author of the policies, and sometimes to appear as a critic of the government's performance.

Dawkins continues to say that the role of the BCA as a:

policy pacesetter and critic of the government’s progress had assisted the government to maintain the support of its own constituency on reform ... After the 1983 election, the ACTU was converted to the central elements of a pro-business agenda and through its enhanced central power was able to engage the entire union movement in support (Williams and Ellis 1994).

This adds to Block's (1987) argument that the ruling class do not have to overtly rule because they know that state bureaucrats identify sufficiently with capitalist class interests (because they are shared interests) to do it for them. Think tanks for the ruling class, in this case the BCA, act as a key lobby group with the state and the unions.

Big business is also connected to think tanks through directorships. For example, BCA president (2003+) and Chief Executive for Western Mining Hugh Morgan was known ubiquitously as the 'primary contender for the title of the ideological father of the New Right' (Da Silva 1996). He has also been a member of the IPA board since 1981, he was on the board of the Liberal Party's private company Vapold Pty for ten years, and he is a one-third shareholder of the Cormack Trust Foundation, which donated $800,000 to the Liberal Party. Morgan is a founding member of the HR Nicholls Society. The Tasman Institute was also backed by key business figures such as Richard Pratt, Rupert Murdoch, Will Bailey, Hugh Morgan and Ballieu Myer. Richard Charlton, ex-Shell Oil CEO and Coles Myer director was on the CIS board.

Concluding comments

Economic liberalism has been brilliantly served by the factory-like efficiency of the think tank ideologues. These bodies have played a critical role in promoting the economic liberalism that has underpinned much of the change of the past two decades. The proliferation of think tanks has something to do with increased availability of wealthy patronage (Mendes 2003, Da Silva, 1996) and the unified stance of the ruling class factions against labour (O’Lincoln 1996). The ideas coming from think tanks are influential not because of their superior logic, effectiveness or relevance but because these recycled concepts continue to serve an ideological purpose legitimating capital (Kuhn 1993). And, the partisan information provided by networks of think tanks has a secondary function of cohering the ruling class and using ideology to perpetuate class oppression.

References


Australian Bureau of Statistics (2000) Yearbook Australia, June, No.82, ABS catalogue number 1301.0, p. 741.


