Chapter 1

What Ruling Class?

Being rich isn't what it used to be. Once upon a time there was a very wealthy establishment with a tightly knit network that ruled Australia and New Zealand with help from the mother country. But those days of wealth and power are gone — anyone can become rich if they try hard enough or have the right breaks. No one feels any hostility towards the rich because everyone knows that they can be there too. There are no old networks of power to help them. These are gone. The new elite consist of left-leaning intellectuals and their sympathisers in the media, particularly the Australian ABC or the New Zealand NZBC. Or so we are led to believe.

Tony Abbott, an Australian Liberal government minister, encapsulated this perspective when he argued on the ABC that:

The problem is that too many people in the commanding intellectual heights of our society have in recent times thought that because they were better educated and arguably better informed than the general public that they were therefore better people, and when it comes to basic value judgments there's no reason why a professor is going to be intrinsically better than a shopkeeper and I think that is the mistake that the 'elites' in inverted commas have tended to make.¹

This book challenges this perspective. It also challenges the commonly expressed thought articulated by the former Liberal Premier of New South Wales, Robin William Askin (1965–1974), that 'we have no poor people ... nor any very rich people. Ours is a classless society'. The intention is to find evidence of ruling classes in Australia and New Zealand based on wealth and power, not on political correctness. This book is based on interviews, analysis of annual company reports, and archival public records from primary and secondary sources. We will look at a picture drawn from multiple data sources and at changing networks in Australia and New Zealand from their time as colonies to their present fully integrated status as highly competitive capitalist economies operating within a global arena. We shall see a very exotic history of socially mobile networks, such as one in which one-third of the earliest wealthy in Australia were ex-convicts who had been transported to the new colony under the foulest imaginable conditions. We will form an impression of their world and contrast it with that of the present networks of wealth and power to see their unique but globally integrated interconnections within the New Zealand and Australian nation states.

We all want to know who really holds power over us. A 2004 Australian Electoral Study shows that Australians have a healthy scepticism about what we

(the majority) have.³ Seventy-two per cent of interviewees agreed 'Big business in this country has too much power' and 51 per cent thought 'income and wealth should be redistributed toward ordinary people'.⁴

This scepticism is notable since this country has what has been described as the most concentrated ownership of print media in the western world, where 'media monopolies are allowed to destroy diversity of opinion in a free society'. This book aims to air information that seldom sees printed form, not only because there is no competition in a media dominated by too few players, but also because people need to be alerted to the scope of the who-rules-us jigsaw.

In this introduction I acknowledge a rich overseas literature on the nature of the ruling class but I have also tried, where possible, to use Australian and New Zealand writers to describe what is happening within their nation states. For I feel that, like the Aboriginal dot painters, their thinking is often original, sometimes gifted and nearly always insightful to the nuances of their own landscape. This book looks at some of these ideas, interspersed with the classics, on who is, and what constitutes, the Australian and New Zealand ruling class. We will treat their ideas as competing, controversial and contested, to see whether it is possible to say, as a leading British academic says about the British, that 'we are ruled by a capitalist class whose economic dominance is sustained by the operations of the state and whose members are disproportionately represented in the power elite which rules the state apparatus'.⁸

The debates immediately following form the basis for the rest of the book, which will look at the evidence to support or refute ideas about class, networks and the reproduction of power.

What are Top Capitalist Networks?

There are lively debates about what constitutes the top capitalist networks. These centre on the nature of the ruling class or what others may call an 'over class' comprising those who hold the greatest economic assets and subsequently political, cultural and social power in society. The problem is to understand how a few people can gain control of power within the Australian or New Zealand nation. However, we can extrapolate to some degree for any capitalist society. How is this so? It is because capitalism has some shared properties and can be described as a universal 'economic system of production, distribution and exchange based on economic power to distribute the wealth generated by productive labour'. The modern state within which capitalism necessarily operates is one in which people's lives are organised around private ownership of property and where capital, as money or credit, is used to purchase goods or services. The capitalist classes are the owners of the marketised workplaces most of us work in. They control the amount of money we earn and the conditions in which we earn it, and this is central to their power and makes them the ruling class. This ruling class core is

made up of a number of competing fractions that exploit workers' labour to make profit. This is exploitation because bosses will only ever pay workers the least possible they can to make them work, irrespective of the market value of what the worker creates. This simple outline introduces the complex argument of Karl Marx (1818–1883) who identifies the ruling class as the 'owners of capital and landowners, whose respective sources of income are profit and ground rent'. 11

Power Comes from Capital

What Marx said about capitalism forms the basis of most debate on the nature of class, work and exploitation and subsequently how the ruling class organises. His words still offend the elites, as reported by Wheen in the *Observer*:

A penniless asylum seeker in London was vilified across two pages of the *Daily Mail* last week. No surprises there perhaps except that the villain in question has been dead since 1883. 'Marx the Monster' was the *Mail*'s furious reaction to the news that thousands of Radio 4 listeners had chosen Marx as their favorite thinker'. ¹²

Marx's version of capitalism is that capital starts from a process of expansion based on the circuit of production. Someone with money (the boss) inherits, amasses and/or borrows money from the banks to buy commodities (raw material for production). In the subsequent circuit of production these commodities provide the raw material (like the bolt of cotton cloth to make a suit). Value is added to the commodity (the raw cotton is made into the suit) through the mix of labour power (that is, a person who sews the cloth) and use of machinery (in this case, a sewing machine). This value-added commodity (the suit) is sold, if possible, in the market. The seller (the factory owner or boss) of the product (the suit) must sell the product. If they encounter difficulty realising their money, they must undercut other competitive sellers or find a new market to sell their commodity at a profit. The profits from the sale of the commodity then go back into production; some will go into taxes to the state, or to their personal consumption, but most of the money for a competitive capitalist will go back into the circuit to invest in better machinery or expand production. The circuit is shown in Figure 1.1.

From this single circuit of capital we can extrapolate to look at single capitalists in one factory or at the dynamics underlying capitalist production within a community, town or country and even globally. We can divide capitalists operating within the circuit into fractions of capital — industrialists, pastoralists, financiers, wholesalers, retailers — emerging at different times in the circuit but also coming to prominence at different periods within business cycles. Marx's argument is that the circuit of production is the essence of capitalism and becomes the motivational force of globalisation. Capital only invests where it finds profits — it has no social, national or political commitment other than to profit.

Money Production Commodities More Money

MP

LP

Labour power

Figure 1.1: Marx's Circuit of Capitalist Production

This is how one of the top 30 Australian directors describes the role of capital and the freedom of capitalists to invest where they like:

Most governments that I have spoken to have no understanding of private capitalism. Now I have heard people say that you should feel privileged to be committed to invest in Australia. Really! The whole world is our oyster so what is so special about here? New Zealand is the same! Their attitude is we are permitting you to invest. So what! The whole world is on offer to us so what is so good about you? They think that they are the pearls in the oyster of the world. Australians in Canberra are remote from the real world. They don't understand why you invest. It isn't something that they have ever been involved in and they say, 'We have improved the conditions — so now you do your bit'. What do they mean — my turn? We don't have turns; we put our money out when we think that it's good for us. That's all we do. We don't look for any other reason — it's not a turn. Not when …Keating or Howard or other politicians say we have made all the conditions right, now it's up to you to go and do it, unless we can see the market we are not going to invest. It

Class relations emerge from Marx's simple equation (Figure 1.1) whereby one section of the population owns the means of production — the mines, the factories, the shops, the warehouses, the ships, the railways. On the other side are those men and women who own only their labour power that they sell for the highest wage. Exploitation exists because workers create objects for sale from which they will get back only the smallest value possible that the capitalist can get away with giving them. No matter what that profit is to the capitalist, workers will be paid only the least possible necessary to reproduce themselves and their families. That amount necessary for their reproduction is determined by the cost of consumer

commodities, the likelihood that the worker will be lost to a higher wage-offering competitor and the bargaining power of workers, which is significantly enhanced if they form a collective (such as a union) and can demand living wages and higher working standards, pay and conditions.

Max Weber thought Karl Marx's model too economically determined. Whereas for Marx the starting point for understanding experience is the real world, Weber favoured an idealist position that reality was created by ideas. ¹⁵ Although he agreed that economic factors played a key role in our society, he went on to stress the power that ideas and influence had in creating a person's culture and life chances generally. Weber believed a multiplicity of factors affected an individual's class position. These concerned their relationship to the market (as an owner, rentier, employee etc), their access to educational opportunity and their different rewards associated with prestige and honour. But the essential difference between Marx's and Weber's models of class is that Weber's model operates primarily at the levels of distribution and exchange, whereas Marx's is located in production and its consequent exploitation.

This theory of exploitation makes Marx a particularly attractive theorist to a writer such as Erik Olin Wright, who maintains:

Exploitation [is] a central, analytically powerful concept, both normatively and sociologically. Normatively, it matters not simply that some people have more assets than others, but that they use those assets to take advantage of vulnerability of others. Exploitation is the way we talk about this specific way of using ones resources. Sociologically, exploitation describes a particularly explosive form of interdependency between people, an interdependency in which one group (exploiters) simultaneously depend upon another (the exploited) for their own material well-being and impose harms on the well-being of the group on whom they depend. This defines a distinctive kind of social relation, which is not captured just by talking about unequal endowments of assets. ¹⁶

This dichotomy of exploiter and exploited is challenged by those who argue that these categories are no longer relevant on the basis that current company share ownership is much more diverse than it was in Marx's day.

What is the Company?

Butterworths states that an Australian listed company is defined in more than one section of the *Corporations Act*. However, any company that is included in the official list of securities exchange in Australia or an external territory operates under the *Corporations Legislation Amendment Act* 2003.¹⁷ A company is defined as an artificial legal person with a separate identity from its shareholders articulated in a 2002 judgment:

If a director or officer decides that the company should carry out an act that results in an infringement of the rights of a third party, the director is not necessarily rendered personally liable at the suit of the third party.¹⁸

For personal liability to be incurred, the directors must be 'recklessly indifferent as regards whether the company's act was unlawful and would cause harm', something difficult to prove because 'where the boundary lies ... cannot be stated with any precision'. This distinction — a separate identity from members — gives the corporation its autonomy. The idea behind incorporation is that, as a company becomes a separate legal entity, it can buy property and assets and borrow with its limited shareholder liability. Liability relates only to the amount invested in the business through buying shares.

Incorporation of companies goes back to the medieval period when they were incorporated by royal charter and later by special acts of parliament.²⁰ Joel Bakan, in his history of the corporation, notes its rocky beginning in 1696 when the English commissioner for trade called it a 'wholly perverted' form.²¹ This was an opinion shared by those in the English Parliament who banned the corporation in 1720. This banning followed the very dramatic collapse of the notorious South Seas Company. With the company collapse, large fortunes were lost, lives were ruined and an irate shareholder shot one of the directors — a Mr John Blunt. Parliament was assembled and the King recalled from the country to sort out the crisis. The result was the Bubble Act 1720 which made it a criminal offence to create a company 'presuming to be a corporate body' with the issuing of 'transferable stocks without legal authority'. 22 The Bubble Act was repealed in 1825 and legal incorporation again took place. The second act of reintegration of the corporation into modern British legislation was made by Liberal Prime Minister William Gladstone (1809-1898) when he introduced his Joint Stock Companies Act in 1844.²³

Class is Dead: Long Live the Corporation

By the mid-twentieth century, writers were dismissing anti-capitalist/anti-corporation ideas as overly economically deterministic. They suggested that the old class lines had gone with the changing system from single or family company owners to a dispersed shareholder ownership structure with these new companies being controlled by civically responsive managers and directors. A new class of socially aware technocrats meant (paradoxically) the end of economically determined class. This is a sociological tradition, premised on these ideas of technocratic elite leadership, and traceable back to the work of Henri Saint Simon (1760–1825). There were also strong ties with managerial pluralism. This philosophy held that diverse and competing interests, embedded in individuals throughout society, can be realised if we have the right personal attributes in a

leadership role. Two of these early advocates of the theory were Adolf Berle and Gardiner Means. They suggested that as ownership was now divorced from control through the structure of the limited liability company, a new breed of managers was emerging — managers not driven by personal greed connected with company ownership but good corporate citizens.²⁵ This positive endorsement of the meritocracy of the market clearly comes from an economic liberal position, that is, one that advocates a 'free market' for labour and trade. These economic liberals push hard for the privatisation of state assets and social welfare and the deregulation of finance and some tariffs (excluding those that advantage their business).

James Burnham, who also subscribed to managerial pluralism, argued that Marx's analysis of capitalists and workers was now rooted in an obsolete set of outmoded social relations and this new multiple-corporate ownership structure effectively ends exploitation. This was a continuous postwar claim, and was addressed by neo-Marxists such as R.W. Connell.²⁶

Owned and Controlled by Major Shareholders

An Australian critic of this 'class is dead' idea, Connell suggests that, although there is now an expanded base of capital from which major shareholders can raise money (the result of incorporation and the popularity of the limited liability company), this has not changed the very small numbers of people who derive their income from property ownership.²⁷ In Australia in 2000, small shareholders were 54 per cent of the shareholders listed with the Australian stock exchange, but of these small shareholders, 42 per cent had portfolios of \$10,000 or less.²⁸ Dyer's Australian work shows in a 2003 survey that 86 per cent of shares were held by the wealthiest 10 per cent of families. This same 10 per cent of the wealthiest families owned 62 per cent of rental properties, 60 per cent of cash deposits and 50 per cent of business assets.²⁹ Andrew Dilnot's older study similarly showed that the number of people who derive their income from property ownership was very small in Australia. The top 20 per cent of Australians owned 72 per cent of all property and the bottom 50 per cent owned only 1.6 per cent of all property. 30 Regarding total wealth, the NATSEM study, undertaken approximately ten years later, showed that 10 per cent of the Australian population held 45 per cent of the wealth with the top 50 per cent holding 93 per cent of the total household wealth. 31 Dyer suggests that in 2003, 5 per cent of Australian households had 59 per cent of the country's wealth.³² The Australian class project estimated the capitalist class size to be 1 per cent of the Australian population.³³

Changing Left Criticism of Class

Rick Kuhn divided Australian left criticism of capital into historical themes.³⁴ The earliest written work, beginning in the 1840s and carrying through to the 1880s, expressed a hostility to land capital, particularly toward squatters. In the second period, 1880 to 1930, the enemies were defined in relation to the type of capital they held, focusing on banks, landlords and foreign financiers. The focus in the 1930-1960 period was rich families and monopolies controlling large-scale properties. In 1963, Ernie Campbell wrote a book, Sixty Rich Families Who Own Australia, in which he argued that key families dominated the Australian economy and have done so, in different sectors, since the beginning of Australian capitalism.³⁵ Other evidence of the concentration of business came from the work of Ted Wheelwright in 1953 and 1967 (with the help of his research assistant Judith Miskelly).³⁶ Wheelwright, interested in continuing his work begun in England on ownership and control of big companies, found in the early 1950s that the top 5 per cent of shareholders in Australia's biggest 102 companies owned 53 per cent of the shares.³⁷ By the late 1960s, the shareholders had diversified their ownership to the extent that 20 per cent of shareholders held 20 per cent of the shares in over the top 300 companies.

From the 1960s, a form of left nationalism arose that regarded multinational penetration into the local economy as the problem. Ashley Lavelle identifies a range of left-wing nationalist themes — for instance, the Australian state has been captured by multinationals that are crowding out domestic business interests and de-industrialising Australia by destroying manufacturing.³⁸ The example he uses to illustrate this is the writing of Wheelwright and Abe David, found in *The Third Wave*.³⁹ Wheelwright and David argued that Australia was on the verge of takeover by Asian investors who were replacing the British and the US as colonisers. A New Zealand follower of John Maynard Keynes, the unfortunate William Sutch (accused of treason), tirelessly tried to develop this left nationalism⁴⁰ by, among other things, arguing for economic protection to develop 'our' industry and reduce British control.⁴¹ Kuhn argued that the bottom line with these populist perspectives is that they 'locate the main class division not between capital and labour, but in divisions within the capitalist class' leading them to be lulled into developing political strategies of class collaboration with competing ruling class fractions.⁴²

Tom O'Lincoln suggests that 'power lies within an identifiable ruling class who individually and collectively control capital and the machinery of the state'. And that this ruling class is a 'band of hostile siblings located in class fractions denoted by industry, size, geography, etc.' such as pastoralists, financiers, mine owners, manufacturers, wholesalers, retailers and insurance brokers. Their interests often emerge as different political positions on issues like tariff protection or free trade. Members of these fractions of capital have also been called 'warring brothers' which is aptly attributed to Marx, but impossible to locate in his work.

This ruling class runs to no more than 2–3 per cent of the Australian population, yet it makes the major societal decisions.

The fractions dividing the capitalist class are clearly identified in the work of New Zealander, Bruce Cronin.⁴⁵ Cronin shows how the terms used to describe the fractions of capital (their forms of appearance) depend on the level of abstraction used in the particular analysis, as depicted in Table 1.1.

Table 1.1: A Conceptualisation of Capitalist Class Fractions

	Form of Appearance			
Differentiation in Distribution		2. Commercial Capital	Money dealing capital	
			3. Financial Capital	4. Land- owning Capital
Concrete Manifestations	Agriculture, Mining, Forestry, Fishing, Gas, Oil, Electricity, Manufacturing, Transport	Insurance Wholesale Trade, Retail Trade, Business Services, Hotels and Restaurants	Trading Banks Investment Banks	Real Estate

Source: Cronin (2001) p. 39

Cronin argues that in relation to the above schema, this type of 'conception of the capitalist class as a differentiated unity of distinct fractions helps move analysis away from structuralist forms of economic determinism, from individualist notions of class as a collective actor and from radical relativism'. Politics proceeds from 'the most abstract conception of capitalist accumulation'. A I have modified the four principal capitalist fractions as outlined in Cronin's diagram (above) to make use of the Australian and New Zealand data (using the data of William Rubinstein 2004 and Graeme Hunt 2003), based on the official statistical categorisation. The divisions in the capitalist class then become 1. Industrial, 2. Commercial, 3. Financial, and 4. Land-owning. These become the basis of the empirical material used in chapters two and three.

These divisions within the capitalist class can be explained like this:

1. *Industrial capital* encompasses all of production and exchange and is therefore the dynamic force behind capitalism. This is the site where production takes place and surplus value is collected. Productive enterprises include

- manufacturing, fishing, agriculture and transportation. In subsequent analysis, I have coded two areas of capital separately because of their unique character in the Australian data. They are agriculture (this includes the pastoralists) and the media (this includes printers, newspapers, advertising and publishers). Both of these categories are productive capital and therefore belong here but are of particular historic interest in Australian capitalist development.
- 2. Commercial capital exists as retailed commodity capital, different from industrial capital, where by 'commercial capital is, therefore, nothing but the producer's commodity capital which has to undergo the process of conversion into money to perform its function of commodity-capital on the market. Then it represents an incidental function of the producer, it is now the exclusive operation of a special kind of capitalist, the merchant, and is set apart as the business of a special investment of capital. This becomes evident, furthermore, in the specific form of circulation of commercial capital. The merchant buys a commodity and then sells it: M-C-M'. This happens at the point of exchange (e.g. during the sale of an item by a retailer) or at other times during the circuit (e.g. during warehousing for a wholesaler or providing scientific information to the factory owner). I have included insurance here.
- 3. Financial capital is one of the two forms of money dealing with capital specialising in the circulation of money for the purpose of commodity purchase. Credit is used by money dealing capital to speed production (toward overproduction) to accelerate capital accumulation and expand the scale of production. Fictitious capital (as in 'futures') is a trade in ownership titles of future surplus value. The concrete form of financial capital is investment banks and trading banks.
- 4. *Landowning capital* is another form of fictitious capital because landownership provides the basis for a claim on surplus value (rent). The monopoly of land (a precondition of industrial production) is the basis of intense struggle between industrialists and landowners and forms one of the bases of their claims to surplus value. A concrete form of landowning capital is real estate ownership.⁴⁹

These different forms of capital emerge at different times in history as a response to different needs that the capitalist system develops. Cronin using Marx explains how these capitalist class fractions emerge and dominate in six historical stages (see Table 1.2). The implications of this become particularly clear in chapter two when we look at the historical evolution of these Australasian ruling classes.

Table 1.2: Recurring Emergence of Different Blocks of Capital

1. 1788-1849

Entry of merchant capital

- Foreign and domestic merchant capital critical
- Expansion and dominance of land capital, growth of non-pastoralism and then pastoralism
- Domestic industrial capital minor

2. 1850-1899

Entry of foreign finance capital

- Dominance of land capital non-pastoral in gradual decline, pastoral capital peaks in 1880s
- Foreign and domestic finance capital stable
- Foreign and domestic industrial capital grow: manufacturing slowly grows, mining rushes in 1860s and 1890s
- Foreign and domestic commercial capital stable
- Comprador (national agents) capital emerges in the gold fields

3. 1900-1979

Industrialisation

- Growth to peak of foreign and domestic industrial capital, each split into domestic (dominant) and export orientation
- Decline of land capital
- Further emergence of comprador capital
- Foreign and domestic finance capital stable, large domestic finance capital protected from foreign competition
- Foreign and domestic commercial capital

4. 1980-2006

Major class fractions internationalising

- Further entry of foreign finance capital and internationalisation of domestic financial capital, remnant domestic-oriented finance capital
- Decline and internationalisation of industrial capital, remnant domestic industrial capital
- Growth of media capital
- Continuing decline of land capital
- Foreign and domestic commercial capital consolidates, growth of financial and business services
- Comprador capital consolidates

Chapter two refers to Table 1.2 as it develops the history of the ruling elites and uses a modified definition of these four epochs. In Australia, the first period (1788–1850) was when merchant capital dominated the convict colonies of New South Wales and Van Diemen's Land (now Tasmania). In the second period (1850–1899) the real dominance of land capital begins with the entry of foreign

financial capital and the dominance of the pastoralists amongst the Australian ruling class. In the third period (1900–1979), there was a deepening industrialisation in which the competing politics of the ruling class came into play. It divided into fractions that either defended or fought against free trade and protectionism. This happened in both Australia and New Zealand. For example, car manufacturers wanted to be protected by tariffs so foreign manufacturers could be prevented from *dumping* cheap overseas cars onto the domestic market, whereas finance capitalists did not care about tariff control and actively wanted a freer, more speculative market open to them. This third period also saw the emergence of comprador capital — that is, native born agents acting for foreign businesses and serving as middle men or women, or collaborators, in business deals.

In the fourth or latest period (1980–2006) there has been an internationalisation of some forms of capital occurring in both Australia⁵¹ and New Zealand.⁵² In an updating of the ruling class literature since 1977, Connell suggests that Australian capitalism is still dependent capitalism, but in ways different from the old dependent industrialisation that ended in the 1970s.⁵³ The world economy has seen huge growth in capital mobility and the spread of transactions. There is a new mobility accelerated by, and in turn, motivating new interactive financial technologies. Financial capital has in particular, prospered through this new information and exchange mobility, enabling it to enhance its class hegemony. Hegemony refers to having authority, power and direction over people rather than just crude domination of them.⁵⁴

Economic liberalism, the language of the market, underpins the politics of this period. The nature of this is explored in chapter six, but suffice it to say here that it been called 'hypertrophic'. Hypertrophy as in an enlarged overgrowth of an organ usually a cancerous malignancy. This term was used due to the swarms 'of "consultants" around government including big [firms] such as Andersen, KPMG and their ilk, who have made colossal profits out of advising governments to undertake privatisations and then "managing" the privatisation process'. New Zealand is a particularly good example of this (see chapter five).

Economic liberal market discourse is, according to Connell, a 'huge expansion of the logic of greed [that] has been sold as a moral triumph. The growth of the market is presented to us as a growth of individual freedom, an attack on rigid bureaucracy and stifling regulation, an expansion of choice, even in some of its more shameless propaganda for privatisation — as economic democracy, a return of property to the public'.⁵⁷ But, it is argued, this is an understanding that is carefully nurtured and funded by the ruling classes through their right-wing think tanks, state bureaucrats, politicians, and opinion leaders and then absorbed into a half hearted acquiescence by the general public.⁵⁸

Connell makes three seminal points about economic liberalism.⁵⁹ The first is that it *dumbs down* class conflict. It occurs particularly in times when ruling classes are actively reducing wages and conditions in an attempt to retain the same level of profit in an unfavourable economic environment. The second point about its

efficacy is that since the 1980s, when it came to dominate government policy, it has taken the market into new places, such as education, prisons, railways, health and telecommunications. Connell argues that the goods and services formerly 'provided by the public sector, voluntary agencies, and even families, have been turned into commodities sold for profit by entrepreneurs'. 60 The third, and perhaps the most important point for this book, is that economic liberalism has functioned to change the class structure in the following way: the number of managers has proliferated as a result of privatisations and de-mutualisations. These managers, whilst being classified as professionals by themselves, are in many senses part of the same social group as the owners of capital. Managers are that part of the ruling class who appropriate surplus profit principally or exclusively through the form of bountiful remuneration packages rather than simply in the traditional form of dividends (as discussed in chapter three). At the very top level of management, the balance shifts back to the traditional form 'as a large percentage of top executives' "compensation" now consists of shares and share options ... or outright gifts of part of the capital, called bonuses'.61

Chapters three, four and five develop these points by looking for evidence of political and economic power in the networks of the managers of the top companies in Australia and New Zealand. Broomhill suggests business has given widespread support to economic liberalism because it has reduced government regulation of business:

by reducing government ownership of industry ... economic liberal policies seek to maximize the ability of (at least some sectors of) capital to restructure. In particular deregulation and privatization permit key sections of capital to shift investment out of areas of declining profitability while creating new areas for potentially profitable investment. At the same time labour market deregulation, the abandonment of corporatist compromise arrangements between capital, labour and the state and the reduction of state welfare expenditures all reinforce the disciplining of the workforce'. 62

This disciplining of the workforce has taken the form of threats to downsize or to move interstate or offshore.

The Role of the State

Major questions exciting theorists are: in whose interests does the capitalist state exist and how does it organise to perpetuate the status quo? The state is the political apparatus of government, ruling over a given territory, through an organisation such as parliament or congress, and a bureaucratic civil service. The authority of the state is backed by a legal system and by the capacity to use military force to implement its policies. The argument that the role of the state is to be a supporting structure for the ruling class is made by a number of Australian writers including Michael Pusey, Dick Bryan, Tom Bramble, Rick Kuhn, Michael

Rafferty, Frank Stillwell, Verity Bergman, Damien Grenfell and Damien Cahill.⁶⁴ This is another disputed theoretical area, however, with views ranging from economic liberals arguing that the state can be, and should be, socially minimalist,⁶⁵ to competing Marxist understandings of the capitalist state's role as either the ruling class's 'little helper',⁶⁶ or alternatively as being autonomous of the ruling class but structurally embedded within different fractions commonly divided, but at any one historical point guided by a dominant fraction.⁶⁷

Liberal Perspectives on the State — Traditional Liberals

According to Max Weber, the historical uniqueness of the modern state lies in its freedom from feudal nepotism replaced by the potentially tyrannising rule from the desk by bureaucrats (bureau is the French word for desk) with rules of procedure enmeshed in a myriad of paperwork discernible only to those with the specialised expertise to read it. Specialist bureaucrats were full time, life long salaried professionals.⁶⁸

The argument that the state has a life of its own was expanded upon by Weber in his theory of methodological individualism and is set out in the first chapter of *Economy and Society*. His central idea was that social action should be explained in relation to the results of individual human action and the intentional motives of actors.⁶⁹ Moving to the right of Weber's liberalism on the state is the dry liberalism of the present day economic liberals (as identified previously by Connell).⁷⁰

Dry Liberalism versus the State

Milton and Rose Friedman wrote that they had 'spent much of our life trying to persuade our fellow men and women of the dangers of intrusive government and the key role that a free competitive economy plays in making a free society possible'. This book will explore some aspects of how economic liberalism manifested in New Zealand and Australia as the result of the clever capture by economic liberals of the state's policy agenda.

This economic liberal attainment of the policy agenda has been irrespective of whether the government was either traditionally politically left or right. Bergman argues, when Labour parties were in power, they also became 'capital's little mate' on most issues. The argues that the 1983 Hawke–Keating government was 'enthusiastically committed' to economic liberal ideology and 'policies that favored employer interests in direct opposition to working class interests'. Overall, the ALP's 'infatuation with [the economic liberal] ideology and policies designed to increase profit levels and reduce the share of national wealth and income received by those who sell their labour to employers' was difficult to understand when the logic spelt out was 'to achieve increased profits for corporations and exorbitant packages for CEOs by means such as cutting real

wages, privatising public assets, reducing progressive taxation and slashing social services'.⁷⁴

Dry liberalism came into its own in both the Australian and New Zealand governments in. the 1980s, and it has remained there, to varying degrees, ever since. Whilst there, it is has been able to present itself as a stable form of government although never really enjoying popular support for its policy. Connell argues, however, that economic liberal leaders — Margaret Thatcher, John Howard, Ronald Reagan — did not get into power by saying that they wanted privatisation of public utilities, little welfare and indirect taxation favouring the rich — that is, economic liberal policy. Rather, they tapped into existing nationalist or racist issues.⁷⁵

As we shall see throughout the following chapters, there was also some very strong economic liberal rhetorical support for the small state and denial of the role of the state's welfare role from top businessmen and women interviewed in this study of top businesses in Australia and New Zealand during 1984–2004. For example, when a New Zealand director was asked in the early 1990s about the new development of soup kitchens for the poor in Otara, he said:

Cut out the drama! The state has paid us to be dependent ... Now it sees that the more money the state devotes to these problems, the more these problems are, and that's not surprising. It's because people change their behaviour ... the reality is that the state, in all its manifestations in the welfare industry, is a total failure worldwide.⁷⁶

The Left on the State

Arguing against this economic liberal triumphalism, Damien Grenfell suggests that it is disingenuous for economic liberals to claim to have pursued policies that have made the small state happen in Australia; for what has actually happened is that the state is still very much there when it comes to regulation of ruling class interests: 'The state in Australia continues to contribute significantly to the regulatory, legal and ideological infrastructure, so as to secure the necessary preconditions for the advancement of the free market economics. The state remains intertwined in the processes that under-pin the reproduction of the market'. 'As Connell also argues, in Australia since the 1970s, the upper levels of the state bureaucracy have been restructured to reflect the organisation of the top level of business:

Senior public servants and executives of corporatised public agencies ... now work in conditions modeled on those of business executives. They are employed on contracts, at greatly increased salaries, with individually negotiated (and often secret) packages, and are subject to performance audits and restructures. They are more vulnerable to the displeasure of their political masters, while the rewards for compliance with the economic liberal agenda have rocketed.⁷⁸

Pusey interviewed 200 senior bureaucrats and argued that policy-makers for the government favour ideas of small government, less powerful unions and generally

exercise the voice of what he sees as a very narrow economic liberal training.⁷⁹ Pusey's work shows that the responsibility for the state using economically liberal ideas does not rest with its bureaucrats and it will not disappear with the restoration of non-economic liberal bureaucrats. Economic liberalism has been around since the beginning of capitalism and is cyclical in that it gets more demanding, and a wider state audience, in times of economic downturn.

This leaves the problem of where do state bureaucrats belong in the ruling class? Although they are not the focus of this work, they are clearly important in the dissemination of ruling class ideas. Marx argues that the 'ideas of the ruling class are in every epoch the ruling ideas, that is, the class that is the ruling material force of society is at the same time its ruling intellectual force'. ⁸⁰ In this model, state bureaucrats and ideologues are the passive functionaries of the ruling class.

Marx locates ruling class membership as embedded primarily in the economy. It is here that capitalists, as the active exploiters of workers labour, are identifiable rather than being found at the level of distribution or exchange. His class model of social mobility is horizontal rather than vertical. Occupationally workers have the freedom to move sideways, for example, from carpenter to bricklayer, whereas capitalists largely inherit capital which is a 'live monster that is fruitful and multiplies' irrespective of the intelligence of its owner. Workers can only bring this imbalance of social forces to an end through their own struggle because nothing will be handed to them without their fight back.⁸¹

Elites

Others fatalistically believe that there will always be a divide between those who have and those who have not, or between those who are rulers and those who are ruled. These writers use the concept of elite rather than Marxian concepts of class. Indeed, elite has for some connotations of merit and achievement and, if not desirable, elites are at least unavoidable. These 'elite' writers include Vilfredo Pareto (1848–1923), who notes a circulation of elites based on their inherent weaknesses; Gaetano Mosca (1858–1941), who maintains that ruling class membership is a violently contested political arena competed for by contending groups who manipulate ideologies or formula to stay there; and Robert Michels (1876–1936), who argues that any organisation is inherently undemocratic because its leaders always gravitate towards oligarchy of which he later, as an active fascist, thoroughly approved. Charles Wright Mills (1916–1962), using Weber more than Marx, argues that the capitalist elite share with the military and state elites a privileged status in society and they exist because of political decisions about the distribution of power and material resources.

Pierre Bourdieu (1930–2002), also working primarily within a Weberian emphasis, considers Marxian definitions of who belongs to the ruling class as too narrow.⁸⁶ He sees economic capital as being reinforced by symbolic, social and

cultural forms of capital — for example, a big business man or woman may donate a 'chair', a prize or a building to a university that will thereafter bear their name and enhance their individual cultural capital. The system of awarding knight or dame status to class members is seen as consolidating social capital and sponsorship of prestigious events (e.g. corporate sponsorship of tennis) gains companies symbolic capital.

Elite theory cannot, according to Boris Frankel, adequately explain the 'complex political and cultural forces Australians contend with'. ⁸⁷ The 'paranoia and myths infusing the populist Right's version of "elites" and "ordinary" people are only an extension of the ideologically flawed theories of power' that dominate elite paradigm theorising. Instead, he argues that 'if alternative public policies are to emerge, they must be first grounded in concepts of culture and political economy that break free of discourse of "elites" and "masses". ⁸⁸

In the following chapters, we will examine these ideas of contested meanings of what is the Australian ruling class.

What is to Come?

To find out what it means to be in the ruling classes, chapter two begins by considering their history. This creates an evolving picture of Australia and New Zealand using historical references and raw data from books and primary sources. Drawing from this secondary source material a unique picture of Australian and New Zealand ruling class history from European settlement through to the twenty first century emerges. Amongst other wealthy colonies theirs remained a different brand of wealthy colonial power. Through secondary sources, this chapter describes these emerging business leaders, how many there were, what their backgrounds were and what we know about their social, business and political networks up until the present. The central class mobility question is; is their class evolution a vertical (from worker to wealthy) or horizontal (from wealthy to different type of wealthy) pattern?

Chapter three asks: if there are ruling classes what do they look like today? This empirically grounded chapter examines the modern ruling classes in Australia and New Zealand. It examines the *demography* of the ruling class. For example, what schools did they go to? What clubs do they join? What committees are they on? What do they do for leisure and how do they relate to the state through membership of government committees, government lobby groups and think tanks? This chapter considers the wealth of these richest Australasians and their social and cultural capital too. Subsidiary questions asked are: what type of capital (for example finance, industrial or commercial capital) is now dominant; what does that mean in terms of class power within the ruling classes; and how they organise?

The fourth and fifth chapters address how the Australian and New Zealand ruling classes are interconnected and networked and what the significance is of

their interlocking company board networks. This traces directors of the top companies, their involvement on multiple boards and what this says about directions of their power. These chapters test, against the evidence, different theoretical perspectives to explore whether there are discernable forms of control, collusion, discretion and social embeddness amongst the networks of top 30 directors.

In chapter six, the ruling beliefs and their reproduction are examined as central to the perpetuation of the ruling class and the support that the class has. In modern Australia and New Zealand, these ideas are based around the economic liberal economic paradigm. Variants of this paradigm, from Dudley North and Adam Smith to the modern day, are examined to consider how the paradigm has been reproduced by, and for, specific class interests. This chapter looks at how liberal ideas are transmitted through lobby groups and think tanks that played a critical role in promoting the economic liberalism underpinning Australia and New Zealand government policy in the past two decades.

Chapter seven looks at who 'misses out'. The chapter points out that the ruling classes are not representative of the population at large — some groups are overrepresented (for example, Caucasian males) and some miss out totally (that is, some ethnic minorities and indigenous people). But the chapter limits its focus to looking at a small group who have been sighted—female top directors. It ends by identifying alternative approaches that are taken to increase the numbers of women into top corporate roles.

The final chapter draws together the key points from the previous chapters and discusses their implications for Australasian patterns of power and policy. It relates this story to the wider global picture and the Australasian fit into this. Then it looks critically at the role of the corporation as a primary force in enabling the ruling class to organise our society.

Notes

Abbott, T. (2003), *The Left the New Elites* according to David Flint, transcript from PM ABC, Friday 1, August, 6.39pm.

Quoted in Probert, B. (2001), 'Class in the year 2001', Australian Rationalist, no. 56, pp. 1–14.

Australian Election Survey [AES] (2004), Reference Computer File, Social Science Data Archive, Australian National University, Canberra.

Australian Election Survey [AES] (2004).

Pilger, J. (2002), 'Journalism in Australia has a courageous history, but Murdochism has turned it into a disgrace' 21 February, http://pilger.carlton.com/print/97358, p. 1.

Hollier, N. (2004), Ruling Australia: Power, Privilege and Politics of the New Ruling Class, Melbourne, Victoria, Australian Scholarly publishing, p.xxxii.

Communications Update (1999), 'Annual Media Ownership Update', *Communications Update*, issue 151, February, pp. 7–9.

- Scott, J. (1991), Who Rules Britain? Oxford, Polity Press, p. 151.
- Reich, R. (1991), The Work of Nations, Preparing Ourselves for the 21st Century Capitalism, New York, Alfred Knopf, Lind, M. (1996), Up from Conservatism: why the Right is Wrong for America, New York, Free Press.

Stilwell, F. & M. Ansari, (2003), 'Wealthy Australians, Economic Notes', Journal of Australian Political Economy, December, i.52. p. 143.

Marx, K. (1974), Capital, v. 1-3, London, Lawrence and Wishart. p. 1025.

Wheen, F. (2005), 'Why Marx is Man of the Moment: He had globalization sussed 150 years ago', Observer, London, Fourth Estate, Sunday, 17 July, p. 5.

Marx, K. (1974).

The director interviewed here is from Murray, G. (1993–1997), Economic Power in Australia ARC Project interview, Respondent 95. This is the first of the taped director interviews used illustratively throughout this book. Interviews of over 150 Australian and New Zealand directors of top 30 companies were done between 1984-1997.

Coser, L. A. (1977), Masters of Sociological Thought: Ideas in Historical and Social Context, second edition, New York, Harcourt Brace Jovanovich, p. 228.

'I continue to see exploitation as a central, analytically powerful concept', E. O. Wright (1997), p.11 http://www.theglobalsite.ac.uk/press/105wright.htm.

Butterworths Online http://www.butterworthsonline.com/lpBin20/lpext.dll/bw/L8/ 15/corps/1?f=templates&fn=bwaltmain-

j.htm&contents=yes&szPath=/bw/L8/15/corps/1.

- Root Quality Pty Ltd v Root Control Technologies Pty Ltd (2000) 177 ALR 231, 49 IPR 225, [2000], AIPC 37,826 (91-594), FCA 980.
- Root Quality Pty Ltd v Root Control Technologies (2000).

Mourell, M. (2005), pers com, 10 May.

- Bakan, J. (2004), The Corporation: The Pathological Pursuit of Profit and Power, New York, Free Press, p. 6.
- Hadden, T. (1977), Company Law and Capitalism, London, Weidenfield and Nichollson, p. 16. Mourell, M. (2005), p. 1.

23

Berle, A. & Means, G. (1932), The Modern Corporation and Private Property, New York, Macmillan, Burnham, J. (1943), The Managerial Revolution, Lexington, D.C. Heath.

Berle, A. & Means, G. (1932).

Connell, R.W. (2004), 'Moloch Mutates: Global Capitalism and the evolution of the Australian Ruling Class' in Hollier, N. (2004), Ruling Australia, Melbourne, Australian Scholarly publishing.

Connell, R.W. (2004)

- Australian Stock Exchange (2000), 'ASX 2000 Survey', 8 February, http:www.asx.com.au p.
- Dyer, A. (2003), 'The 'Haves' Have More', Business Review Weekly, 22 May 18 June, pp. 30-31.
- Dilnot, A. (1990), 'From Most to Least: New Figures on Wealth Distribution', Australian Society, July, p. 14.
- Harding, A. (2002), 'Towards Opportunity and Prosperity, Trends in Income and Wealth Inequality in Australia', *NATSEM*, Canberra, University of Canberra, p. 11.

Dyer, A. (2003), p. 31.

- Emmison, M. & Baxter, J, Western J. (1991), Class Analysis and Contemporary Australia, Melbourne, Macmillan.
- Kuhn, R. (1996), 'Class Analysis and the Left in Australian History' in R. Kuhn & T. O'Lincoln Class and Class Conflict in Australia, Longman, Melbourne, pp. 145-162.
- Campbell, E.W. (1963), In Sixty Rich Families: Who Owns Australia, Sydney, Current Book Distributors.

Moran, A. (1990), 'Writing non-fiction: An Interview with E. L. Wheelwright', The Australia Journal of Media and Culture, v. 4, n.1.p.1. using Wheelwright, E. L. & Miskelly, J. (1967), Anatomy of Australian Manufacturing Industry, Sydney, Sydney Law Book Company.

Moran, A. (1990), p. 1.

Lavelle, A. (2001), 'Who Rules Australia?' Socialist Workers Review, n.4, May, p. 4.
 David, A. & Wheelwright, E. (1989), The Third Wave: Australia and Asian Capitalism, Sutherland, N.S.W, Left Book Club Co-operative.

Easton, B. (2000), 'Sutch, William Ball 1907 – 1975' Dictionary of New Zealand Biography, v.5. (1941-1960), p.504.506.http://www.eastonbh.ac.nz/article 114.html.
 Sutch, W.B. (1966), Poverty and Progress: A Re-assessment, Wellington, A.H. & A.W. Reed. Sutch, W.B. (1973), Takeover New Zealand, Wellington, A. H. & A.W. Reed.

42 Kuhn, R. (1996), p.145.

O'Lincoln, T. (1996), 'Wealth, Ownership and Power, the Ruling Class', (ed.s), R. Kuhn & O'Lincoln, T. Class and Class Conflict in Australia, Melbourne, Longmans. p. 5.

O'Lincoln, T. (1996), p. 15.

45 Cronin, B. (2001), The Politics of New Zealand Business Internationalisation 1972 – 1996, v. 1 & v. 2. Auckland University, Unpublished PHD thesis, p. 37.

46 Cronin (2001), p. 39.

Australian Bureau of Statistics [ABS] (1993), Australian and New Zealand Standard Industrial Classification (ANZSIC), Government ABS Catalogue No 1292.0, ABS (1997), Australian Standard Classification of Occupations, (ASCO), ABS Catalogue No 1220.

⁴⁸ Marx, K. (1959), pp. 183–191.

For further explanation of the categories read Bryan, D. (1995a), 'The Internationalization of Capital and Marxian Value Theory', Cambridge Journal of Economics, n.19, pp. 421–440, Marx, K. (1974), Cronin, B. (2001), p. 37.

⁵⁰ Cronin, B. (2001).

- Bryan, D. (1996), The Chase Across the Globe: International Accumulation and the Contradictions for Nation States, Boulder, Westview Press.
- Cronin, B. (2001), Bedggood, D. (1980), Rich and Poor in New Zealand, Wellington, Allen and Unwin p. 17.
- Connell, R.W. (2002), 'Moloch Mutates: Global Capitalism and the Evolution of the Australian Ruling Class 1977–2002)', Overland, n.167, pp. 4–14.
- Using Gramsci, A. (1971), Selections from the Prison Notebooks; International Publishers, New York, 1971 http://www.marxists.org/archive/gramsci/editions/spn/state_civil/index.htm
- ⁵⁵ Connell, R.W. (2002), p. 6.
- ⁵⁶ Connell, R.W. (2002), p. 6.
- ⁵⁷ Connell, R.W. (2004), p. 8.
- Cahill, D. (2004), 'Contesting Hegemony: The Radical Neo Liberal Movement and the Ruling Class in Australia', in N. Hollier Ruling Australia: The Power, Privilege and Politics of the New Ruling Class, Melbourne, Australian Scholarly Publishers, p. 87.
- ⁵⁹ Connell, R.W. (2004), p. 6.
- 60 Connell, R.W. (2004), p. 6.
- 61 Connell, R.W. (2004), p. 6.
- Broomhill, R. (2001), 'Neoliberalism Globalism and the Local State: a Regulation Approach', *Journal of Political Economy*, n. 48, pp. 115–140, December, p. 124.

⁶³ Giddens, A. (2001), *Sociology*, Cambridge, Polity Press, p. 421.

Pusey, M. (1991), Economic Rationalism in Australia, London, Cambridge University Press; Bryan, D. (1996); Bramble, T. & Kuhn, R. (1999), 'Social Democracy after the Long Boom: Economic Restructuring under Australian Labor 1983–1996', in M. Upchurch (ed.) The State and Globalisation: Comparative Studies of Labour and capital in National Economics, London, Mansell, pp. 20-55; Bryan, D. & Rafferty, M. (1999), The Global Economy in Australia: Global Integration and National Economic Policy, St Leonards, Allen and Unwin; Stilwell, F. (2002), Political Economy, the Contest of Economic Ideas, Melbourne, Oxford Press; Bergmann, V. (2004), 'Active Citizenship against Marketisation: Community Resistance to Neo Liberalism' in G. Patmore (ed.) The Vocal Citizen: Labor Essays 2004, Victoria, Australian Scholarly Publishing, pp. 116–131, Grenfell, D. (2004), 'Getting the Government off our Backs? The Ruling Class and New Trends in the State's Management of Dissent', in N. Hollier (ed.) Ruling Australia: the Power, Privilege and Politics of the New Ruling Class, Melbourne Australian Scholarly Publishers, pp. 70–86; Cahill (2004).

Friedman, R. & Friedman, M. (1980), Free to Choose: A Personal Statement, New York, Harcourt Brace Jovanovich.

- Marx, K. & Engels, F. (1977), The Communist Manifesto, in the Collected Works of Karl Marx and Fredrich Engels, Moscow, Progress Publishers: and neo Marxists -Miliband, R. (1969), The State in Capitalist Society, London, Weidenfield & Nicholson; Connell, R.W. (2004), Bergman, V. (2004), or Grenfell (2004).
- Marx, K. (1974); Poulantzas, N. (1972), 'The Miliband and Polantzas Debate' (ed.) R. Blackburn Ideology in the Social Sciences, London, Fontana; Bedggood, D. (1980); Cronin, B. (2001); Stillwell, F. (2002), p. 351.
- Weber, M. (1968), Economy and Society, G. Roth & C. Wittich (ed.s) 1922 New York, Free Press.
- Weber, M. (1968).
- Connell, R.W. (2004), p. 6.
- 71 Friedman, M. (2005), p. 1.
- Bergmann, V. (2004), pp. 48-69.
- 73 Bergmann, V. (2004), p. 50.
- 74 Bergmann, V. (2004), p. 51.
- Connell, R.W. (2002), 'Moloch Mutates, Global Capitalism and the Evolution of the Australian Ruling Class, 1977–2002' Overland, n.167, Winter, p. 10.
- Murray, G. (1993-1997), Respondent 91.
- Grenfell, D. (2004), p. 70. Connell, R. W. (2004), p. 7. 78
- Pusey, M. (1991).
- 80 Marx, K. (1977), The German Ideology, [first published 1932] Marx-Engels, Collected Works, v.5, London, Lawrence and Wishart, p. 47.
- Marx, K. (1976), Capital, v.1, London, Penguin/New Left Review p.189.
- Pareto, V. (1973), Mind and Society, London, Dover.
- Mosca, G. (1896), The Ruling Class, New York, McGraw Hill.
- Michels, R. (1911), Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy, New York, Free Press.
- Wright Mills. C. (1956), The PowerElite, New York, Oxford University Press.
- Bourdieu, P. (1973), 'Cultural Reproduction and Social Reproduction' in R. Brown (ed.) Knowledge, Education and Social Change, London, Tavistock, pp. 71–112.
- Frankel, B. (1998), 'Elites', Arena Magazine, October, pp. 29-42 (1) p. 32.
- Frankel, B. (1998), p. 40.