

LABOR ECONOMIC POLICY 1972-1974 : A POLITICAL APPRAISAL

**A thesis about Social-Democracy and Australian Capitalism
in the 1970s**

by

MELANIE BERESFORD B.A. (HONS.)

**Presented in fulfilment of the requirements for the
Degree of Master of Arts in the Department of Politics,
University of Adelaide, 1975.**

I certify that this thesis contains no material which has been accepted for the award of any other degree at any University and that, to the best of my knowledge and belief, this thesis contains no material previously published or written by another person except where due reference is made in the text.

Melanie Beresford.

CONTENTS

	<u>Page</u>
1. The Australian Labor Government 1972-74: An Overview	1
2. Productivity and Economic Growth: The Foundation of Labor's Economic Plans	29
3. Rationalization of the Capital Stock	66
4. Rationalization of Labour: Quantity and Quality	114
5. The A.L.P. and the Capitalist State 1972-74	144
Bibliography	175

PREFACE

The aim of this thesis is to analyse the economic policy of the Australian Labor Party government from 1972-74, in the hope that this will shed light on the problem of the state in modern Australian capitalism. By looking at the crucial area of economic policy, the thesis will give support to the argument that the state in Australia, whatever the political complexion of those holding office, is in fact what Marx termed "a committee for managing the common affairs of the whole bourgeoisie".*

Chapter 1 sets the stage for this by looking at the economic situation faced by the government upon its election to office in late 1972 and by drawing out the central concerns of Labor policy makers in this context. Secondly, this chapter attempts to make a coherent interpretation of the Labor economic strategy - the policies with which the government tried to stabilise the rate of inflation and stimulate renewed growth of the economy.

If any theme can be extracted from this strategy which differentiates it from the policies of the previous Liberal and Country Party coalition governments, this is in its approach to the problem of the relationship between productivity and economic growth. Chapter 2 differentiates between the approach of the previous government which relied on aggregative growth of output to stimulate productivity and thus real income per head, and the approach of certain important sections of the Labor Party which, commencing from the point of view that it is productivity which determines the level of output in the long run, advocated a more planned and selective method of allocating capital and labour.

* "Manifesto of the Communist Party" in K. Marx and F. Engels, Selected Works, (Moscow, Progress Publishers, 1970), p.37.

Chapters 3 and 4 are concerned with the policies implemented by the Labor government in relation to capital and labour. These policies are discussed in the context of capitalism in Australia in the 1970s and it is shown that rather than being 'socialist' policies, or policies aimed at the transformation of society, they were in fact a response to the demands of the capitalist economy in a developing crisis situation. Briefly, the strategy was to transfer resources out of the lower productivity areas of the economy to areas with high productivity levels and high growth potential. In so far as any elements of planning were involved these consisted of schemes to encourage this transfer, to compensate those adversely affected by it, and to stimulate growth by public expenditure in high productivity industries. The government's commitment to the 'mixed economy' and its aim to 'make market forces work better' were clearly stated. But the strategy failed, largely because of the failure of significant growth sectors to appear in the context of deepening world recession after mid 1974 and working class opposition to the rising rate of unemployment and calls for wage restraint. The failure of government policy is thus seen as a result of the deepening crisis of capitalism and its inability to be resolved by intervention within the framework of orthodox economic theory.

A more analytical explanation of the nature of the crisis and the Labor government's role in it, is provided in Chapter 5. The fault in the theoretical underpinnings of Labor policy lies in its failure to comprehend the 'social relations of production' under capitalism, and it will be shown in this chapter how this affects the understanding of the role of the State in capitalist societies. Finally, some recent literature on the ALP will be reviewed in the light of these conclusions. The "Technocratic Labor" thesis will be examined and, in spite of several important faults, it will be argued that the conclusion that the ALP is incapable of introducing socialism is basically correct.