A WEEKLY COMMENTARY

ON TARGET

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The price of Freedom is eternal vigilance –

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THOUGHT FOR THE WEEK: *"At present we are living in a fool's paradise, when the grim facts of the situation demand the most vigorous, bold, and imaginative developmental policy that can be conceived by resolute statesmanship. Money must be released as though Australia were at war . . . The overall policy for Australia's development must be governed by the principle that what is physically possible should be financially possible."* – ***The Money Trick***

WHAT UNEMPLOYMENT PROBLEM? by Eric D. Butler:

At the end of his first 12 months in office, Prime Minister John Howard, who promised before the last Federal elections that he would make the reduction of unemployment one of his top priorities, has been forced to face the reality that more Australians are unemployed than at any time in the past. Over two and a half years the number on welfare payments has escalated to almost 900,000. Needless to say, John Howard and his colleagues have an explanation for why they have failed to reduce unemployment: it's all the fault of their political predecessors, the Labor Governments of Bob Hawke and Paul Keating. There is the time honoured excuse of all governments who fail to implement their election promises. "Give us time" was the excuse of the Fraser Government, after it took over from the Whitlam Government. And, of course, all incoming governments discover that the financial situation was much worse than they had realised before the elections. The politicians who give their excuses rely upon the notoriously short memories of the electors.

How many electors remember that John Howard was Treasurer for most of the terms of the disastrous Fraser Governments? And of his attempts to "reform" the taxation system? John Howard was a pioneer of the policy of de-regulating the Australian banking system as a major feature of what is known as "economic rationalism". Howard failed at the time to persuade his Liberal and National Party colleagues that his proposals were sensible. The implementation of these ideas had to await the election of the Hawke Government in 1983 and the appointment of "the world's greatest Treasurer", Paul Keating. John Howard complained that Keating had stolen his policy!

The shuffling of the politicians has made no difference to the basic finance-economic policies imposed on the Australian people since the election of the Whitlam Government in 1972. It was the Whitlam Government, dominated by the Fabians and internationalists, which destroyed any last remaining vestiges of nationalism in the Labor Party. Internationalism has been the dominant philosophy of every government since then. John Howard and his colleagues insist that they intend to internationalise the Australian economy, to make it more "efficient". They are now being openly supported by Gough Whitlam, who is concerned that a desperate Labor Party, haunted by the fear that it has no future as a political force, is tampering with the idea of "putting the clock back" to prevent any further unemployment because of a reduction of tariff protection and further electoral losses for a Labor Party which can no longer pretend that it represents traditional Labor supporters.

Echoing his internationalist masters' view, Rupert Murdoch, Paul Kelly of ***The Australian***, has entered the growing controversy about tariffs, with an article in ***The Australian*** of March 12th, in which he rehashes the moth-eaten arguments about how the protection of Australian industries is a subsidy, generally of "inefficient" industries, which Australian consumers must pay in higher prices. Many Australian primary producers were misled by their leaders into accepting that de-regulation of the banking system and other forms of internationalism, would be of great benefit to them. They failed to grasp that the end result of this policy would be the flooding of Australia with primary production from nations with wage structures with which they could not possibly compete. The much publicised "level playing field" means that Australian producers must be forced to accept the peasant standards of living of their competitors.

"Economic rationalism", a term used to describe the current form of internationalism, fails to measure the economic, social and other costs resulting from Australia allowing the countries to provide Australia with what they once grew and made themselves. How do we measure the loss of manufacturing skills resulting from the destruction of Australia's manufacturing base? There is the steady loss of national independence. John Howard calls for "greater growth" as being essential for overcoming unemployment. The arithmetic is simple: If economic growth can be increased to, say, between 4 and 5 percent, there is an automatic increase in jobs. But as even some of the orthodox financial "experts" admit, this type of growth means accelerating inflation within a short time the Reserve Bank being forced to increase interest rates in an attempt to bring inflation "under control". This means a slowing of economic growth and no prospect of reducing the rate of unemployment.

Primarily as another public relations exercise, John Howard and his "advisers" are resorting to the type of mickey-mouse employment schemes tried out by their Labor predecessors. John Howard's comments concerning the jobless being forced to engage in some form of economic activity, however useless, in exchange for the dole, can only increase the growing resentment of the members of what is becoming a type of underclass. There will inevitably be increasing social disintegration as the young are denied the opportunity to engage in meaningful economic activities. Such activities would automatically take place if John Howard and his colleagues asked the right questions and then acted upon the answers.

For a start, the question could be asked: Are there economic activities which are required to increase the independence of Australia? A number of such activities are required, starting with a build up of the nation's military defences. A build up of military defences requires that Australia's manufacturing base be restored. The regeneration of the nation's industrial base would immediately result in a growing demand for skilled labour. Australia's long coastline requires the building of small boats for surveillance activities. A wide variety of skills is essential for the building of such boats. Australia not only can quickly develop the necessary engineering skills but has adequate natural resources.

Are there transport projects which would also increase the nation's capacity to defend itself? Should the nation's existing train services be upgraded? Given time, there would be no problems about expanding the nation's steel industry to meet increased demand.

What is required for the regeneration of rural and regional Australia? Providing they are competing as a genuine level playing field, with no artificial financial restrictions, Australians are capable of competing against primary producers in any part of the world. There is an enormous amount of constructive activities urgently required throughout rural and regional Australia.

If the realistic questions are asked, and many more could be asked, it can readily be seen that with an enormous amount of meaningful economic activities required throughout the nation, it is absurd nonsense to keep on bewailing unemployment problems. What is physically possible and genuinely necessary must be made financially possible. In order to achieve this, the first essential step is to bring the Australian banking system under the control of the elected representatives of the Australian people.

Politicians not prepared to take this step have no hope of dealing with the unemployment or any other problems confronting the Australian people. As there is no evidence that the Howard Government is prepared to do this they must be removed in favour of those who will undertake what is in essence the adequate defence of Australia's sovereignty and independence.

REALITY INTRUDES INTO TARIFF FIASCO by David Thompson:

It has taken time for the relative sea-change in the tariff policy of the Australian Labor Party to gain attention and recognition. When A.L.P. leader Kim Beazley announced, early in March, that they would not support the lowering of motor industry tariff barriers below 15% until at least 2005, this amounted to a quite substantial retreat from the Hawke and Keating drive towards the level playing field of a global market.

Former Prime Minister Whitlam took Beazley to task on the new tariff policy, complaining that it was against the A.L.P. tradition of responding positively to internationalism. *"The internationalisation of the Australian economy began with my Government's 25% across-the-board tariff cut of July 1973. That ended an ethos of protection all-round, which took its antecedents from the time of James Scullin . . . ."* he boasted (***The Australian***, 14/3/97).

This internationalisation continued under Fraser, Hawke and Keating, with the latter making a virtue of deregulating banking and finance in 1984 as an essential step towards committing Australia to the new global market. Now, however, with the long-term effects of the elimination of industrial assistance becoming obvious, with high unemployment and an eroding industrial base, reality begins to bite. Whitlam did at least have the luxury of slashing protection from relatively profitable (and probably relatively inefficient) industries, when unemployment was relatively low by today's standards. Those days are long gone.

One current example serves as being typical of the slaughter of Australian industry since Whitlam's day. This is the family-owned suit manufacturer, Rundles, of Newcastle in N.S.W., which was placed in receivership last week. Why was Rundles placed in receivership? Were they "inefficient"? No, but their **Australian** bank moved in on Rundles because, in the bank's view, **Rundles would not survive the imminent tariff cuts** that protect the clothing textile and footwear industries. More than 200 workers, producing about 90,000 suits a year, face retrenchment if the N.S.W. Government fails to broker a staff co-operative deal this month. The fact that an Australian bank (enjoying all sorts of Government regulatory protection) can act to destroy a local business in favour of the global market is little short of scandalous.

The academic arguments of economists portray the elimination of tariff barriers as making good, rational economic sense, and a benefit to the economy in the long run. Thus the term "economic rationalism". Peter Rundle and his staff beg to differ. A new survey shows that only 12% of footwear, clothing and textile manufacturers are confident of surviving the proposed new trade regulations, under which their 37% tariff will be progressively eliminated by 2010. The textile competition comes from Fiji and China, where labour rates are 90% lower than in Australia.

RATIONALISTS FORGET SOCIAL COSTS: Economic rationalists like Paul Kelly, former editor of ***The Australian***, argue that those who support higher tariffs are, in fact, supporting higher taxation, since it is the consumer who eventually pays the artificially higher price of protected goods. *"By contrast, the lower tariff politicians are tax-cutters, and this is their political sell,"* he wrote. *"Growth comes from a dynamic economy in which you promote efficiency. Lower protection creates jobs, real jobs."* But where are the "real jobs"? **They have been exported**, like many of the former industries they supported!

Kelly's argument makes superficial sense, but the social costs are ignored by the rationalists. What happens to the 200 workers retrenched from Rundles? Do they rush off to another factory, which gratefully employs skilled tailors, machinists, etc.? No, they go onto the dole, and few will ever hold another job. They mount the welfare treadmill, **financed by higher taxes from those still working**. As their region begins to deteriorate, the social costs continue to mount. Crime becomes an escalating problem, with higher police, court, prison and rehabilitation costs. Or else redundant workers are perennially "retrained" (again, at taxpayers' expense) for jobs that simply no longer exist!

The motor industry is presently nervous about the recommended cuts to tariffs, and the chief executive of the South Australian Economic Development Authority launched a blistering attack last week on the Productivity Commission's draft report on the car industry. He described it as deficient, naive, dumb, scurrilous, nonsense and selective. John Cambridge told the Commission that it had a national obligation to conduct a thorough and professional review, and prove beyond reasonable doubt that Australia would have a world-class, sustainable and profitable automotive industry when tariffs were removed.

Cambidge is supported, in general, by Australia's biggest company, B.H.P. which argued last week that our trading partners were exploiting our lowering of tariffs by not lowering theirs. John Prescott pointed out that the car industry was important to B.H.P., associated manufacturing industries, and the entire nation.

It would be refreshing if it was true that Kim Beazley has repudiated the Whitlam/Hawke/Keating long-term programme of globalising the Australian economy. There is little evidence that he has. Rather, Beazley is learning hard electoral lessons, in which his own blue-collar base has been progressively eroded by A.L.P. policy. Beazley seeks power, which means he needs those blue-collar votes. Their perception is that it is the new global market which has cost them jobs, and jeopardised the future of their children. The Beazley approach is classical Marxism – two steps forward and one step backwards. If it requires a step backwards on tariffs to return Labor to power, then so be it. This will not change the general **policy direction** of the A.L.P.

<u>DESTRUCTIVE FUEL TAX HIKE</u>: If Paul Kelly and others who are concerned about taxing the consumer, perhaps he might turn his attention to fuel prices, which influence **every aspect** of the production system. The consumer wonders why the price of fuel gradually increases year by year, and assumes that the avarice of the multinational oil companies is to blame.

In some respects the global oil companies do exploit their near-monopoly on fuel supplies. But the gradual price increases have much more to do with gradual tax rises. In N.S.W. the N.R.M.A. (National Roads and Motorists Association) has finally convinced the Shell Oil Company to open its books for a study of where the fuel dollar goes.

The figures show the N.R.M.A. that over the past 16 years, the cost of the fuel – mainly petrol – has remained relatively static, while **taxes have gone up from 6c per litre in 1980 to 34 centres per litre last year**. The oil companies do not really emerge with clean hands either, as figures show that although N.S.W. State Government taxes are reduced in remote areas, the prices for fuel are extremely high. The truth is that competition between metropolitan retailers keep retail margins low, while oil companies split the high profits in country areas with remote retailers. In effect, rural consumers who travel longer distances are subsidising city consumers, and the subsidies are dramatic.

The N.R.M.A's. David Anderson points out that the fuel excise is the **third largest source of** Federal revenue, bringing in $10.5 billion every year, and the electorate is mainly unaware of this hidden tax (***Sunday Telegraph***, 16/3/97).

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