A WEEKLY COMMENTARY

ON TARGET

• NEWS HIGHLIGHTS
• BACKGROUND INFORMATION
• COMMONWEALTH AFFAIRS

The price of Freedom is eternal vigilance –

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THOUGHT FOR THE WEEK: *"The Commonwealth now dominates the States in financial matters, raising much larger revenues than it needs to for its own purposes and distributing the balance to the States on terms that control their activities. The fiscal imbalance not only impairs the ability of the States to govern their own affairs; it also often reduces their sense of financial responsibility."*

– Sir Harry Gibbs, July 24th, 1992

PRIME MINISTER JOHN HOWARD'S DELUSIONS by Eric D. Butler:

Objective political observers are not surprised by the news that public opinion polls reveal a big drop in electoral support for John Howard and the Liberal-National Party Coalition. Contrary to the view of journalist-author Pamela Williams in her recently published book, ***Victory***, that John Howard won the last Federal Elections because of a "superior strategy", and that of former Labor leader Bob Hawke, that the Labor Opposition should accept that John Howard was given a "mandate" for his "reforms", the truth is that the dominant feature of the elections was a national detestation of Paul Keating. Just as Keating was a victim of his own mythology concerning his astonishing victory at the previous elections, overlooking the fact that the election result was determined by an anti-G.S.T. vote, not by a pro-Keating vote, Howard believed that his strategy of being vague and not too detailed was primarily responsible for his sweeping election victory. While Howard and his advisers shrewdly exploited the gun issue following the Port Arthur massacre, knowing that the rural vote was a minority compared with the big city vote, they overlooked the fact that unless they quickly came up with realistic answers to the worsening economic situation, with continuing high unemployment and its disastrous social consequences, their electoral base would be quickly eroded.

It has become increasingly embarrassing to listen to National Party leader Tim Fischer still claiming to lead a party which is doomed to extinction as the rural crisis deepens. Sol Lethovic, prominent and experienced pollster, says that the dramatic decline in John Howard's standing is the worst he has ever recorded for a Prime Minister. But in spite of all the evidence that he is losing electoral support, John Howard has made the inane comment that "the opportunities for this country are really quite unlimited and the only inhibition this country has is its own hesitancy". If John Howard stood in the long lines of unemployed young Australians who, if not already completely demoralised by the lack of any constructive leadership from the Coalition Government, are looking for meaningful employment, he will find no evidence of hesitancy. While casting around for some new example of gimmickry, John Howard now advises everyone to have "patience". Back in the Great Depression, the politicians offered exactly the same advice, constantly assuring a desperate people that economic recovery "was just around the corner". There was no economic recovery until the dogs of war were let loose and there was a dramatic expansion in the money supply. Almost overnight the Social Credit slogan that "What is physically possible and desirable, should be made financially possible" started to become a reality.

There is, regretfully, not the slightest indication that John Howard and his colleagues are about to break from financial orthodoxy and initiate any bold programmes which would lift the sagging morale of the Australian people. Under the pressure of a mounting public opinion partly generated by the "Pauline Hanson factor", there has been a slight shift on immigration and tariff changes, but not sufficient to change the overall national situation. The best that senior Cabinet Minister Peter Reith, now new Minister for Small Business, can suggest is that there should be a further cut in interest rates by the Reserve Bank. Previous cuts have obviously failed to stimulate the economy. It can be predicted now much more than a small drop in interest rates is required to deal with the basic problems confronting Australia.

In desperation, John Howard and his advisers have now turned their thinking towards what is termed a new "Howard strategy", the essence of this being the establishment of free foreign trade zones. The concept was first put forward during John Howard's visit to Newcastle. While ***The Age***, Melbourne, along with some business leaders has cautiously endorsed the concept, ***The Australian***, the most prominent of the supporters of economic rationalism, quickly responded with an editorial, "Trade Zones Not A Sensible Answer", making the logical conclusion that "If Mr. Howard believes in free trade zones, wouldn't it be more logical to extend the concept across the whole of Australia?" Even a desperate John Howard is unlikely to heed this type of logic. What he is trying to do is to stimulate the economy without blatantly attacking the major dogmas of economic rationalism. As yet only a few have raised the question of whether what John Howard is suggesting is constitutional. Experience in those countries like the U.S.A. and Malaysia, which have experimented with Free Trade zones within a national economy, have not produced satisfactory results, but have generated other problems.

Instead of continuing to tinker with the basic problems confronting Australia, John Howard should boldly say that, for a start, the whole of the railway transport system needs expansion and upgrading. There are defence as well as economic reasons for which such a step would be in the genuine national interest. Such a programme would, for a start, regenerate Australia's steel manufacturing industry. The rural crisis can only be resolved by a decision that a massive injection of funds is necessary to regenerate rural Australia. Such a policy requires a break with orthodox debt finance. As there is no evidence that even the threat of electoral disaster will move John Howard to break with financial orthodoxy, national survival demands that he and all those who suffer from a form of invincible stupidity should be removed from office as soon as possible.

"PRIVATISATION" BREAKS DOWN MINISTERIAL RESPONSIBILITY by David Thompson:

The basic principle that makes the Westminster system of open government work at all is that of trust. In order that those governed can be confident in the integrity of those governing, there is an elaborate system of checks and balances to ensure that power is divided, and that personal responsibility can be assumed for the results of government actions.

If the results of "government" policies are disastrous, the responsibility rests with the servants of the Crown – Cabinet Ministers – who make up the government's executive. In the case of blatant failure of government to produce results, Ministers often accepted responsibility, and resigned. This chain of responsibility now seems to be unravelling in Australia, as Ministers seek to escape responsibility for results of policy.

The recent case of the death of a child in the A.C.T. when the demolition of the Royal Canberra Hospital was bungled, illustrates the drift from responsibility. Although three inquiries are under way, no-one has so far been prepared to accept responsibility for the disaster. Journalist Peter Rees, based in Canberra, wrote:

"The A.C.T. Government, facing an election in six months, was clearly preparing to take credit for the spectacle, but now appears unwilling to take responsibility for the death." (***Sunday Telegraph***, 20/7/97).

There is every indication that, as "the Market" dictates economic and political activity in the pursuit of financial gain rather than human satisfaction, the occurrence of such disasters as that in Canberra will become more frequent. The collapse of the bridge at the "Israeli Olympics" appears to be another such case, with deaths a result.

Peter Rees wrote: *"Over the past decade or so, an erosion of the Westminster system has occurred in Australia – most significantly, in the way governments have divested themselves of direct responsibility for providing goods and services to the public. On the premise that the private sector can do things better and cheaper, a fundamental shift in the nature of government is occurring. A minister now makes a decision, and a government corporation must implement it in the most efficient way . . ."*

An urgent revision of the correct role of government is essential if the interests of the individual are to be of any consideration. The correct role of government has little to do with providing the most attractive environment for multinational corporations to operate. "The Market" is entirely unaccountable for results, so long as financial profits are derived. In the new world order of the "Global Market" electors must learn new techniques for forcing their political representatives to accept responsibility for the results of policy.

GIPPSLAND DROUGHT AND ALARMING SUICIDE RATE: Towards the end of June, Victorian regional newspapers in Gippsland were reporting extraordinary incidences of suicide that illustrates a rural community in crisis. The dairy industry, gripped in a drought just as devastating as recent droughts in graingrowing areas, is faced with the destruction of dairy herds and beef cattle unless financial assistance becomes available.

As a result of the crisis, 19 farmers have committed suicide, although the numbers of deaths are difficult to confirm. Some sources place the farm suicides as high as 30, but Victorian authorities refuse to release such information.

The Victorian State Government has failed to acknowledge the serious nature of the Gippsland crisis, and so far has offered assistance of $1 million. This would have been recovered already by the payment of government fuel taxes from carting feed into Gippsland. Farmers who can afford to do so have bought feed from as far afield as the Riverina in N.S.W., and across the South Australian border.

The Gippsland crisis simply illustrates the claim that the nature of agricultural businesses generates unique financial needs, which can be summarised as the necessity for long-term, low-interest finance.

The provision of such facilities requires a clear statement of government policy, since no commercial banking operation is prepared to underwrite such loans.

However, under the provisions of the Hilmer Report on privatisation and competition, it is now regarded as unacceptable to "subsidise" any industries. In the name of international competition and market "efficiency", those who cannot compete in the global market must be sacrificed for an internationally competitive industrial and agricultural base. There is no room for the claim that local communities or families are being destroyed as a result.

Gippsland dairy farmers are caught in the insanity of ideological puritanism, which insists that if share-farmers cannot survive unpredictable climate conditions with standard commercial financial credit, then they must disappear. The evidence is that they are disappearing – in fact, they appear to be committing suicide before they must shoot their cattle.

As some in Gippsland are pointing out, it is a warped society that can spend something like **$1 million per day** sending the Navy to rescue a lone yachtsman in the Southern Ocean, but cannot find a way of saving a few hundred dairy farmers and share-milkers. We are fascinated with the technological achievement of sending a space vehicle to Mars, but seem to be completely unable to help farming communities survive. The glitzy opening of a mega-casino seems to capture the imagination of Victorian Premier Kennett, who presumably remains unmoved by the struggle for economic survival in the real world.

MADE IN CHINA THE ANSWER TO B.H.P.? As an accompaniment to Prime Minister Howard's visit to the steel city of Newcastle, the extraordinary suggestion has been floated that the answer to the future of Newcastle could be to permit the Red Chinese to run the steel mills. A ***Financial Review*** report (17/7/97) suggested that the Chinese Government might buy the B.H.P. steel works in Newcastle, due to close in 1999 because they are "uneconomic". The Chinese would use direct-reduced iron processed in Western Australia in electric arc furnaces in Newcastle, instead of exporting the iron to the Chinese arc furnaces.

It is not clear exaclty where such a crazy idea came from, but if the Newcastle steel works is "uneconomic" for B.H.P., what would make it attractive for China? Would the Chinese operate in one of the proposed "foreign trade zones", especially established around Newcastle?

How would the Communist Chinese finance an interest in B.H.P's. steelworks? Presumably from borrowed money. Just as the mad suggestion linking China with Newcastle was floated, it was revealed that China once again topped the list of World Bank borrowers, with $US2.8 billion borrowed in 1997. No details of repayment commitments or interest rates are revealed, but it is clear **Western credits to the Communist Chinese** enable the industrialisation of China. In much the same way that the West financed the Soviet Union, and provided the technology for the Soviet industrial base, today we are equipping the Communist Chinese to become an international "super-power".

So far, there has been no effort to ask basic questions concerning B.H.P. in Newcastle. Do we need the steel? Do we have the technology, raw materials, work-force and capital to produce it? Such questions are, however, largely irrelevant to B.H.P. because B.H.P's. interests **do not necessarily coincide with Newcastle's interests**. Why not? Because B.H.P. is a **multinational corporation**, although it enjoys popularising itself as "the Big Australian". The reality of the global market dictates that if it is cheaper for B.H.P. to produce steel in China than Australia, then this is what B.H.P. will do.

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