

# Australia's Economy: A Nation in Denial

by Allen Douglas (Reprinted from Executive Intelligence Review, Sept. 14, 2001)

Amid the lengthening shadows of a global depression, there seems to be only one bright spot in the entire Western world: Australia. According to an early August prediction by the witch doctors-cum-forecasters at the Organization for Economic Cooperation and Development (OECD), Australia in 2002 will boast a 4% growth rate, the strongest in the West. This forecast was echoed within days by the Rothschilds' London *Economist* magazine.

Puffed up by these windbags, virtually every "leading authority" downunder has predicted something similar, the result, they boast, of Australia's world-leading program of deregulation, privatization, and remorseless free trade. However, statistics printed even in Australia's major press almost every day, show that nation to have replicated virtually all of the systemic problems of the U.S. economy—which is generally admitted to be sliding into who-knows-where. One is reminded of the short story by Edgar Allan Poe, "The System of Doctor Tarr and Professor Fether," where the lunatics took over the running of their mad-house. We recount a few of these Australian forecasts, and review the evidence which reveals the forecasters to be characters out of Poe's story, hands tucked partially into their jackets, solemnly announcing themselves to be Napoleon Bonaparte. A "boom!" is indeed under way, but of an entirely different sort than the one imagined by these gentlemen.

To begin at the top, Prime Minister John Howard proclaimed in early July, that "the economy is roaring along," and that "in 2002 we are going to be markedly ahead of every other country." Treasurer Peter Costello, whose ministry is predicting a 3.5% or higher growth rate for 2002-03, proclaimed in an article in Melbourne's *The Age* newspaper on Aug. 16, "Our living standards are higher than they have ever been; our standard of housing, our cars, our domestic appliances, our health services are better than they have been in previous decades; our economic abundance has increased." The Governor of the Reserve Bank, Ian Macfarlane, told economists in Sydney on July 10, that "the threat of global recession had eased in the past three months," and that the Australian economy was headed for "strong growth." *The Age*, meanwhile, interviewed the nation's "24 leading economists," summarizing their outlook as, "Australia's economy is heading toward another period of soaring growth, which is expected to run at 4% within 18 months." As a counterpoint to this nonsense, Lyndon LaRouche's associates in the Citizens Electoral Council have widely circulated LaRouche's forecast of a global financial collapse—for which action they are being excoriated in the nation's media.

## Pardon the Reality

Contrast the forecasts above, to the following glimpses of the real state of Australia's economy, which show the "boom" to be entirely fictitious, and the result of savage primitive accumulation against Australia's own population, frantic money-printing, and profligate foreign borrowing, à la the United States. (Except otherwise noted, the following figures are all in Australian dollars, now worth around 53 U.S. cents, but which have virtually identical purchasing power, within the Australian economy, as the U.S. dollar does domestically.)

**Population:** As LaRouche has demonstrated, the basic measure of an economy is the growth of its potential relative population density, meaning an expanding population with better health, and increased cognitive capabilities. By that metric, Australia is a *dying society*, with a fertility rate below the replacement level for the last 25 years (the population has only grown to its present 19 million through immigration). As for cognitive powers, they are clearly plummeting: Two-thirds of the

people who visit general practitioners are depressed, anxious, and have substance abuse problems, according to a July 2000 report in the *Medical Journal of Australia*, while the Australian Institute of Health and Welfare reported in a 1998-99 study, that some 250,000 Australians have a mental condition, usually depression or schizophrenia, and that these official figures were "only the tip of the iceberg."

In addition, as the Dec. 12, 2000 *Herald Sun* reported, "Australia's suicide rate is continuing to climb, putting the nation among the worst in the industrialized world." Australia's once-excellent public health-care system is collapsing, with soaring waiting lists for operations, ambulances on almost constant bypass at most major hospitals, and doctors and nurses quitting in protest, as chronicled in daily articles in the regional and national press. All this was highlighted in mid-August, when Australian Labor Party leader Kim Beazley's daughter was unable to get an emergency appendectomy at a public hospital. As Beazley noted, if the daughter of the leader of the Opposition can't even get decent health care, who can?

**The General Welfare:** The purpose of a modern nation-state is to provide for the benefit of *all* its citizens, not just a privileged oligarchy, as in feudalism or ancient empires. Australians have always believed that every Australian "should have a fair go," but both the absolute level, as well as the rate of increase of income disparity, surpasses even the United States as one of the worst in the world. While the wealth of the richest 10% of Australians has soared to an average \$1 million (a 68% increase over the past seven years), and represents 50% of all the nation's wealth, the bottom 60% represents only 27.8% of all income. According to a report released in November 2000 by the respected charity, The Smith Family, an astounding 2.4 million people—one in every seven Australians—lives in poverty, even though 42% of them live in families where one or both adults work. Homelessness has increased by 200% over the past few years, with the Australian Federation of Homelessness Organizations stating that about 105,000 people are homeless each night, or more than 1 in every 190 Australians.

**Unemployment:** According to the Australian Bureau of Statistics, the number of full-time jobs collapsed by 79,200 in July, the largest on record, an astounding number for the size of Australia's labor force, and roughly equivalent to the United States losing 1.12 million jobs in one month! Key sectors of the economy are plummeting: "The manufacturing industry has been shocked by a survey showing profit trends in the usually buoyant December quarter have slumped to the worst ever recorded," reported *The Australian* newspaper already on Dec. 18, 2000, while the *Sydney Morning Herald* reported on Aug. 13, 2001 that "the non-dwelling construction industry is facing its toughest time in 25 years."

In addition, numerous private studies released in the past several months have shown Australia's actual unemployment rate to be 10% or higher, and up to 20% if underemployment is taken into account.

As in the United States, virtually all of the jobs which have been created over the past decade or more are poorly paid, casual jobs with no benefits. The government's Productivity Commission released a study in 1999, which showed that in the 12 years from 1985 to 1997, Australia experienced a net growth of 502,400 casual jobs, but only 36,500 permanent jobs. However, a follow-up study, reported by *The Age* on Aug. 29, 1999, demonstrated that the situation was even worse: that the number of men in full-time jobs entitling them to holidays and sick leave actually fell by 64,000 during that time. And, while many Australians have no jobs, or only

part-time jobs, two-thirds of those with full-time jobs are forced to work overtime, often more than 50 hours per week, while only 9% of those reported being paid for it, according to a survey by the Morgan and Banks firm. According to the Australian Institute of Industrial Relations Research and Training, Australia rates alongside only Britain among 20 leading OECD countries in the number of workers regularly working more than 45 hours per week, with a rising toll on family life. The nation is rapidly going backwards: In 1800, in order to stop employers abusing (free) convict labor, the governor of Britain's colony of New South Wales (which then covered the entire nation) set a maximum working week of 50 hours.

**Bankruptcies:** Official figures released on July 4, 2001 showed that bankruptcies (business and personal) soared to a record 7,162 in the quarter ending in June, a 30% jump from the same quarter of 2000. Peter Lowe, executive director of the Insolvency and Trustee Service Australia (ITSA) told *The Age* of July 5, 2001, that the figures were "the highest on record." In order to gouge the population even further, Australian Attorney General Daryl Williams in June introduced legislation to make the process of declaring bankruptcy much more difficult, just as the Republican-controlled U.S. House of Representatives passed similar legislation on behalf of the banks, soon after George W. Bush took office.

**Personal debt:** As is universally acknowledged, the "consumer" is the mainstay of the phony, now-vanishing U.S. "economic boom." The process is identical in Australia, but even worse, in that Australian household debt is now 111% of total household disposable income, as opposed to 105.6% for the United States. Australia's total household debt skyrocketed from \$118 billion in May 1990, to \$331 billion in May 2000, and hit \$367 billion in May 2001, according to the Reserve Bank. Credit card debt hit a record \$14.449 billion in April, up an astonishing 27% in one year. Bank lending to the private sector soared by \$65 billion in the past year to hit \$672 billion. With this level of debt, household savings have of course collapsed. According to OECD figures released in August 2001, Australian households saved just 2.5% of their income after taxes, compared to an average of almost 14% in the 1970s and almost 10% in the 1980s. (Others, such as Moody's rating service, put the present savings rate at 1%, or worse.) The OECD noted that Australia slid from among the highest in the West to near the bottom of 21 nations surveyed, right down there with New Zealand and the United States.

**Foreign debt:** Australia's foreign liabilities last year hit a record \$457 billion, with "net foreign debt" at about \$300 billion. At US\$242 billion, Australia's total foreign debt far surpasses Argentina's official foreign debt of US\$140-150 billion, which is now blowing out, and is heading toward that of Brazil at US\$270 billion. Brazil, however has a population of 170 million, as opposed to only 19 million for Australia (and 37 million for Argentina).

The foreign debt explosion has been caused largely by Australian banks borrowing cheaper overseas money to finance the domestic consumer bubble. The Australian Bureau of Statistics estimates that financial institutions increased their net foreign debt by a whopping 37% (\$57 billion) over the last year, "to fund the boom in home and personal lending," according to a study in *The Age* on Dec. 16, 2000. As of June 2000, the banks' overseas borrowing comprised 71% of total Australian foreign debt (compared to other private companies at 21%, and the government at 8%). This level of borrowing, combined with the collapse in Australian manufactured goods, has resulted in one of the highest current account deficits



A homeless man sleeps in a marble doorway near Sydney's Central Station.

Photo: AFP /Torsten BLACKWOOD

in the world for most of the past two decades, at around 6%, higher even than the notorious U.S. deficit.

## Hyperinflation Is Under Way

In addition to foreign loans, the Australian "boom" is the result of the largest privatization of government assets of any country in the world from the 1980s until today, together with hyperinflationary pump priming, both through foreign borrowing and through Australia's own printing presses. Privatization is not only a massive one-time looting of the public sector through the original sale of publicly owned assets, but it is an ongoing stripping of the economy, since it is impossible for the "private sector," even if it wanted to, to replace the used-up infrastructure on the scale required.

In addition to the sectors noted above, a parliamentary committee in August 1998 released a study on the nation's railroads, which showed that, even on the main lines connecting major cities, Australia's trains can sometimes travel at only 25 or 30 kilometers per hour, because of the terrible track conditions. The committee concluded: "Without urgent and substantial investment in this infrastructure, major sections of the track network are likely to become irretrievable within ten years."

But, while the rolling stock doesn't roll, the printing presses do. Dr. Frank Shostak, the chief economist of Ord Minnett Futures in Sydney, told the *Australian Financial Review* of Oct. 13, 2000, "Since December 1998, our printing presses have been working much faster than the U.S.A.'s," noting that Australia's M1 money supply (currency plus bank current deposits) hit 11.1% in August 2000 for the previous year, compared to the United States at 3.4%. Australia's M1 has accelerated dramatically since, hitting 17.67% in the latest figures available, covering June 2000 to June 2001.

As in the United States, all of this liquidity sloshing around is leading to hyperinflation, particularly in food and real estate prices. Beef prices are up 40%, and mutton up 60% in 2001 over 2000, making these formerly basic staples unaffordable for many Australian families, while bread has soared 15% as well. The inflation is most dramatic in real estate. In Melbourne, Australia's financial capital, office rents have soared an astounding 46.8% in the last year, a rate of increase leading the entire world. Residential housing prices have risen as much as 15% in Australia's largest city, Sydney, during the second quarter, with Melbourne houses up 8.9%, according to an Aug. 18 survey in the *Australian Financial Review*.

With a federal election in November, the housing market has been pumped up even further by Prime Minister John Howard's offer to pay \$14,000 to all first time homebuyers. And, as in the United States, consumers are refinancing their homes, both in order to pay off higher-in-

terest household debt, but also to speculate on the stock market, which has temporarily kept the bubble from popping. According to a July 14, 2001 study, "The House on the Sharemarket," reported in the *Australian Financial Review*, "People are increasingly gambling the family home on the sharemarket. The main source of borrowing for shares [stocks] is a line of credit secured against a house." The article concludes, "As hundreds of thousands of Australians appear to be discovering, the cheaper way to gear into shares is to use spare equity in a home—and hope there isn't another crash like 1929."

## 'We Don't Go There'

Although seemingly oblivious to the disastrous condition of their own economy, some Australian influentials are beginning to admit that maybe the world economy is not in such great shape. However, the mantra from Howard, his Treasurer Costello, and the Reserve Bank is, "We'll be fine, as long as the rest of the world doesn't bring us down." Given that Australia's three largest trading partners are the depression-ridden economies of Japan, the United States, and South Korea, in that order, this outlook is equivalent to a man settling down on the railroad tracks for a good night's sleep, "as long as no stupid train comes along to bother me." (Then again, in Australia, perhaps none would.)

The above-cited evidence is only the tip of the iceberg proving that Australia, like much of the rest of the world, is indeed in a depression. However, like all patients in denial, Australia's influentials have sworn, through clenched teeth, "I'll just keep doing what I have been doing, only more of it." Despite the widespread hatred of globalization in the Australian population, as reflected in soaring electoral figures for "minor parties" and independents, including LaRouche's friends in the Citizens Electoral Council, Howard's heir-apparent Peter Costello has made "the benefits of globalization" the centerpiece of his Liberal Party's federal election campaign, while Opposition leader Kim Beazley's Labor Party has just released the platform on which Labor is campaigning, a ten-year, information technology-based gem called "The Knowledge Nation." Beazley and his mates seem to have somehow missed the fact that the "New Economy," upon which their entire platform is based, has virtually evaporated worldwide over the past year. As Beazley wrote in *The Age* on July 11, 2001, the major premise of the "Knowledge Nation" scheme is "dematerialization"—that the economy now "uses less and less material resources to create more goods and services."

Indeed, at the rate Australia is "dematerializing"—in its living standards, its health care, its infrastructure, and in the other physical parameters which make an actual economy function—it will soon look like the Cheshire Cat, but with no smile, just a grimace.