

Citizens Electoral Council of Australia

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Independent Political Party

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Government releases emergency budget for crisis no-one admits

What people do is more important than what they say, and by the Abbott-Hockey government's actions the Australian economy is deep in crisis, and going deeper.

Commentators have noted that the spending announced in last night's federal budget amounts to 25.9 per cent of Australia's GDP.

This is the highest level of federal government spending since Wayne Swan manned the pumps in the middle of the global financial crisis of 2008-09.

At that time, to assist Wayne Swan's efforts to pump money into the economy, the Reserve Bank slashed its cash interest rate to 3 per cent, which both Swan and Hockey called "emergency" levels.

Today, the RBA's cash interest rate is 2 per cent—"panic" levels compared to 2008-09; combined with Hockey's near-record spending, it betrays real desperation among decision-makers at the highest levels. Joe Hockey's pleading with Australians to borrow money and spend it betrays the same desperation.

Why the denial?

Just as an alcoholic learns that the first step to recovery is to admit there is a problem, the government must admit there is a deepening economic crisis.

It doesn't want to because it means admitting that everything we have thought about the economy for the last three decades has been flat wrong; that the so-called "post-1983 consensus on economic reform" it has with the ALP is equivalent to the consensus on the Emperor's New Clothes.

The idea that Australia has enjoyed 25 years of "uninterrupted economic growth" is a joke—if it was true, why are we now so broke and in debt?

It's because shutting down most of our manufacturing and industrial base, and replacing it with colonial plantation-style raw materials exports, an expanded financial services sector increasingly addicted to risky speculation, and a classic bubble in real estate, is *not economic growth*.

We put all of our eggs into the raw materials basket, and maybe enjoyed the boom in export prices for a while, but not as much as we thought, because all through the boom years, whilst governments and mining companies alike enjoyed extra revenue, private debt skyrocketed to world record levels.

And now the boom is over, reality is biting.

Hockey would know, as Swan did during the GFC, that what's at stake in this crisis, is the solvency of the entire banking system.

The banks are all over-extended into the bubble areas of the economy—real estate and financial derivatives speculation—and most of the banks' customers are over-extended in terms of servicing their debt.

Hockey hopes that rock-bottom interest rates and extra spending into the economy will forestall a wave of defaults on bank loans which would wipe out the banks and the entire financial system.

Real solution: Glass-Steagall and national credit

What he should be doing instead is imposing a Glass-Steagall separation on the banking system, so that the financial system that services the real economy is protected when the banks' speculation in real estate and derivatives implodes.

Hockey should also drop his ideological opposition to government banking, and establish a national bank like the original Commonwealth bank which can direct credit into an infrastructure development program that will transform Australia's economy.

His announcement of \$5 billion for concessional loans to the private sector and state and local governments to develop northern Australia is too small and too dependent on the budget.

Only a national bank, which operates outside of the constraints of the annual budget, can harness and direct the tens and hundreds of billions of dollars of national credit that will be required to ensure northern Australia is successfully developed into a food bowl for Asia, in a way that sets up Australia for the future.

The good news is that Hockey supported Australia joining the Asian Infrastructure Investment Bank, which is comprised of 57 member governments and is dedicated to precisely this kind of development in the Asian region; a national bank funding parallel development in Australia is a perfect complement to the AIIB.

Hockey must act quickly on this, otherwise the crisis he is desperate not to acknowledge will turn into a full-scale implosion on his watch. The CEC is fighting to ensure he does act, but we need all Australians to **join us**.



Call 1800 636 432 for a free copy of the latest *New Citizen* newspaper, containing articles on the crucial weaknesses in Australia's financial system, and the contrasting solutions proposed by the BRICS nations.

PETITION

Australia must secure its future by aligning with the BRICS in a new, just world economic order

TO THE HONOURABLE THE SPEAKER AND MEMBERS OF THE HOUSE OF REPRESENTATIVES

This petition of the Citizens Electoral Council draws to the attention of the House the opportunity for Australia, and all nations, to participate in the process that the BRICS nations of Brazil, Russia, India, China, and South Africa have initiated: to create a new financial architecture for the world based on equitable and inclusive multilateral credit institutions that prioritise investment in physical economic development, instead of speculation.

The present, inequitable IMF-World Bank system is collapsing under the burden of hundreds of trillions of dollars of unpayable global debts and derivatives obligations, including the Australian banking system's derivatives exposure of more than \$27 trillion. This is the legacy of decades of reckless financial speculation unleashed by IMF-enforced deregulation, and is the driver of the world's present strategic tensions

which have increased the threat of a thermonuclear world war.

Through such new financial institutions as the \$100 billion New Development Bank, the \$100 billion Asian Infrastructure Investment Bank (AIIB), the \$40 billion Silk Road Development Fund, the \$20 billion Maritime Silk Road Fund, and the planned Shanghai Cooperation Organization (SCO) bank, the BRICS nations will direct massive investment in much-needed physical infrastructure projects on which all nations can collaborate, forging a basis for lasting global peace and economic prosperity.

We the undersigned therefore petition the House to commit Australia both to full participation in the AIIB, and to full support for the BRICS-initiated process of creating a new financial architecture for the world as the basis of a just economic order.

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