

The Economic Crisis in Australia

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As growth stalls in China and the West, the so-called “lucky country” suffers the effects

If you’ve ever watched a slow-motion video clip of an airline crash or a train wreck, you have an idea of how the global financial crisis (GFC) has hit Australia. It’s not until the dust begins to clear and the wreckage is revealed that the extent of the disaster emerges.

So far, there have been no dramatic bank crashes in Australia. Mortgage defaults are relatively few. Nevertheless, the evidence points to a sharp economic slowdown. And working people are acutely aware of the hole that global capitalism has dug for itself — so much so that “GFC” has entered everyday speech as shorthand for “This time, they’ve really screwed it up.”

China trade provides no immunity.

At first, mainstream commentators told Australians that all would be rosy. The Australian economy, based heavily on the export of mineral resources, would be shielded by the unprecedented growth of China, which until recently had been buying coal and metal ores faster than they could be dug up.

But then China’s boom slowed dramatically as exports to the U.S., Japan and Europe collapsed. Tens of millions of Chinese workers lost their jobs. Orders for Australian raw materials stopped. Stockpiles accumulated and mines closed, ruining the economies of many country towns.

Then, starting last November, Australian factories reliant on U.S. and European buyers found their order books empty, too. The car industry has been hit particularly hard, with thousands out of work. Holden, the local arm of General Motors, halved production and cut wages by 25 percent.

Other businesses, like kitchenware maker Kleenmaid, were caught up directly in the trade in bad debts. Kleenmaid closed in April, owing tens of millions to employees and customers.

The childcare company ABC Learning, a near-monopoly, crashed at the end of last year after gambling its capital extensively in the U.S. subprime mortgage market, closing 55 of its centres. With more closures coming, about 450 jobs will be lost.

This leaves families in the lurch as well. This is especially true because Prime Minister Rudd,

blaming the economic crisis, has backtracked on a promise made last year to quickly implement a program of universal, paid parental leave. More than half of Australian women workers do not have paid maternity leave.

In a truly unscrupulous move, Pacific Brands, the last of the country's large clothing manufacturers, used the excuse of the financial meltdown to shutter its **profitable** plants. Chasing lower wages in Thailand, it tossed nearly 2,000 employees on the street, most of them immigrant women.

In March, Australia lost 34,500 full-time jobs. Now predictions suggest the unemployment rate will hit 9 percent, or nearly a million of the 11-million-strong workforce, by early 2010. So much for the "lucky country," as it used to be (cynically) called.

A rational solution: decision-making by workers.

The response of the main capitalist governments to the catastrophe has been to try to buy their way out. In Australia, Rudd's Labor Party government has spent or promised \$52 billion to prop up industry.

The taxpayer-paid bailouts are a racket on a grand scale. They socialise corporate risk and losses while profits remain private. But there is a better, cheaper, more democratic way to keep the machinery running if a company looks like going bust and its product or service is vital. Sack the board and executives and set up organisations of genuine control by workers and consumers. Guarantee the holdings of small stockholders, and tell the big institutional investors that they've blown their chance — and their money.

Sure, this would be a radical intervention, but a local example shows why it's necessary. South Eastern Australia has been seriously hurt by climate change. In some places it's been 15 years since decent rain has fallen. It's vital that when it does rain, the water is collected. So there has been a drive to fit all new houses with rainwater tanks and to subsidise the retrofitting of existing stock.

But Nylex, the company that specialised in cheap tanks, also made car parts. When the auto industry went sour, Nylex went broke.

However, the country still needs hundreds of thousands of tanks. It makes sense for working people to say, "Well, if you, the Nylex board, can't or won't make them for profit, we'll take over your factory and do it ourselves, for the community good."

No economy is an island.

Politicians and journalists have been quick to finger individual greed as a primary cause of the crisis. Of course there have been some outrageous examples of corporate excess. But they are all at the edges of the meltdown. The root cause is overproduction.

Down on the Melbourne wharves sit row upon countless row of unsold motor vehicles. But the factories keep churning them out. Here's a statistic that illustrates the massiveness of the glut of cars and trucks on the global market: if every auto and truck plant in North America shut down today, there would still be more output from the rest of the world than could be sold.

And the problem goes way beyond cars and trucks. Just by itself, China produces more of almost every kind of merchandise than the world's people, including its own citizens, **can afford to buy**. Like Nylex water tanks, the refrigerators, building materials, processed foods and clothing churned out in China are actually needed in many parts of the world. It's just that most of the planet's inhabitants are too poor to pay.

Apologists for Australian capitalism have used every excuse and rationalisation to argue that the country is immune from the international economic turmoil. This is nonsense, although it's true that the economy might not contract as sharply as elsewhere. But however hard the bosses fall, they will look to cushion the blow through the sacrifice of hundreds of thousands of jobs and the involuntary donations by taxpayers to corporate treasuries.

Just as the world needs China's products, it needs the vast mineral resources of the Australian continent. But the profit system means that needs are only met when those needs are backed by money. The global economic slump makes it easy to see that the planet needs a much improved way of distributing goods and sharing wealth.

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