Australian prime minister toasts retail king while denouncing “extreme capitalism”

Alex Messenger
25 February 2009

Australian Prime Minister Kevin Rudd's panegyric to global shopping mall baron Frank Lowy at the 2009 Australian American Association (AAA) benefit dinner early this month was by no means a first for a Labor leader. Public showings of affection for the ultra-rich have become almost commonplace in ALP circles. And sure enough, the sight of Rudd paying tribute to the "courage" of the founder of Westfield Limited at an event attended by most of the major figures in Australia's ruling elite raised no eyebrows in the mainstream media.

Nevertheless, Rudd's turn at the February 6 AAA dinner, which was held to thank Lowy for his contribution to Australian-American relations, was noteworthy. Its hypocrisy was, even by ALP standards, blinding, delivered as it was before the ink was even dry on the PM's recent denunciation of "extreme capitalism" and "epic greed" in the *Monthly* magazine.

Since about 2006, Rudd has been peddling the line that Labor is the enemy of avarice and of "letting the market rip". According to the prime minister, the party stands for a more civilised form of capitalism, regulated under the banner of social democracy.

Nevertheless, Rudd appeared at the AAA dinner to pay tribute to Australia's richest individual, a man who, on any objective reading, epitomises those qualities against which Rudd has been railing. For this, Rudd provided standard ideological cover, the rags to riches story, recounting Lowy's transformation from immigrant delicatessen owner to chief of the largest retail property company in the world (121 shopping centres globally, including 55 in the US). "Frank," said Rudd, "to have triumphed with the salami out in the western 'burbs of Sydney and to have succeeded in the way in which you have across the decades since, is an extraordinary testament to courage and an extraordinary testament to resilience."

But this romantic reworking is not the real story of Lowy's rise. The main elements of *that* story are the ruthlessness of the Westfield shopping centre model and Westfield's pivotal place in a system that continues to extract millions of dollars each week from ordinary people via the exponential expansion of personal debt. Rudd also failed to mention long-running investigations, both in the US and Australia, into millions in unpaid Lowy family taxes.

Frank Lowy and the ALP

As the global financial crisis has intensified, Rudd's attempts to distance Labor from neo-liberalism and from the ruling elite have become more and more strident. But his attacks on "extreme" capitalism have coincided with the expansion of the market model in education, the stripping of key public research bodies, the extension of the previous Liberal government's attacks on workers via Labor's own WorkChoices-style industrial legislation and the consolidation of the privatisation of health services, partly through their continued underfunding. One of the purposes behind Rudd's attack on extreme capitalism is to obscure Labor's implementation of a reform agenda prescribed by big business.

No media outlet published photos of the normally limelight-obsessed PM glad-handing the various "dignitaries". But in paying tribute to Lowy, Rudd lined up alongside the likes of Telstra CEO Sol Trujillo, convicted price-fixer and billionaire Richard Pratt, Rupert Murdoch and Alan Jones, Australian commercial radio's voice of reaction.

However, with the exception of Rupert Murdoch, none of these men has a record like the guest of honour. In 1946, after escaping the war in Europe and following a period in detention in Cyprus, Lowy was moved to a camp in Palestine. After his release he joined the Hagana (the strike force that spearheaded the early dispossession of Palestinians) and the Golani Brigade, an elite division of the Israeli Army. Arriving in Australia in 1952, Lowy amassed his wealth by pioneering, through Westfield, a ruthless shopping centre business model. Westfield takes a high, fixed percentage of the income of small retailers, a tactic that keeps the retailers firmly under Westfield's thumb. More broadly, Westfield, as the world's major retail landlord, has placed itself at the apex of a pyramid designed to wring value out of ordinary people via easy credit and debt-fuelled spending. This was in turn made possible by the overvaluation of domestic housing stock, itself a product of the vast expansion of debt. The valuation of Westfield's properties,

© World Socialist Web Site

the main contributor to its balance sheet, depended on the ability of large retailers to keep the working class spending and borrowing in perpetuity.

Lowy is now in the top 200 wealthiest individuals in the world, a position that has ensured his political influence, both in Australia and elsewhere. In Australia he funds the Lowy Institute, a centre-right foreign policy think-tank praised by Rudd and Murdoch alike. The Institute was pivotal in establishing Rudd's profile as a "serious" foreign policy thinker during his time in opposition. Predictably, Rudd told the AAA gathering that Lowy's investment had breathed life into Australia's "intellectual firmament". In Israel, Lowy funds the right-wing Institute for National Strategy and Policy (its head, Zvi Shtauber, was senior foreign policy adviser to Israeli defence minister Ehud Barak).

And despite the obvious conflict with his corporate position, Lowy was three times appointed to the board of Australia's Reserve Bank, finally stepping down in 2003. His first appointment immediately followed the Australian Taxation Office's 1995 decision (in the last year of the Keating Labor government) to settle a long-running investigation into millions in unpaid tax. Lowy handed over $25 million, but the usual stiff penalties were waived. Since the 1980s, Westfield has been a major donor to the ALP.

Most dramatically, last year the US government ramped up its investigations into possible tax evasion associated with funds that Frank and his son Peter had funnelled into Israel through a bank in Liechtenstein. Peter made a televised appearance before the US Senate to answer questions on the Liechtenstein money, but elected to "plead the fifth", that is, he refused to answer questions on the basis that his answers might be self-incriminating. Both the US and Australian governments remain on the Lowy case. However, Rudd's tribute to the corporate mogul sends a clear message to the Australian Tax Office about the government's thoughts on the future of that investigation.

Westfield: retail parasitism on the skids

The AAA dinner not only gave Rudd a chance to thank Lowy for his institute's political patronage, but gave the billionaire a platform to bless Rudd's $42 billion "stimulus" package, introduced into parliament that week. Lowy told his well-wishers, "I think there is a broad consensus here about the need for strong government action".

There is urgency behind these words. Labor, Lowy and the rest of the big business fraternity apparently hope that a full-blown economic catastrophe can be avoided by funnelling billions into retail spending, a large portion of which would occur in shops controlled by Westfield. It is likely that Westfield was a key beneficiary of the 3 percent rise in retail spending in the three months following Labor's $10.4 billion pre-Christmas cash injection for pensioners and other low-income earners.

The probable effect of the latest tranche of handouts will be a brief spike in consumer sales, but this will not alter the bleak outlook for Westfield and its big retailers. The precipitous decline in global consumer spending, especially in the US, threatens to destroy the company Lowy founded, as it has so many other highly leveraged property-based entities. Like all the other toppling giants, the truth about Westfield's balance sheets was either well hidden or uninvestigated. According to Louis Christopher, head of property research firm Australian Property Monitors, "while [APM has] no issue about the quality of Westfield's properties (other than that they are largely aimed at the now defunct discretionary retail market and a significant proportion of them are located in America), we've always had issues about how those properties were valued and the communication provided to investors on such items as gearing ratios and loan covenants... Westfield never had a ‘war chest' of liquidity for acquisitions and it did not have low gearing, as often touted to and regurgitated by the media."

The rising awareness of Westfield's exposure is quickly translating into numbers. In the same week as the gala dinner, Westfield announced a $3 billion profit downgrade, and is now seeking to raise $3 billion from shareholders to fill the gap. Shareholders have noted the conspicuous failure of the Lowys themselves to chip in more capital. The news will soon get worse. Some commentators are predicting a further $6 billion profit fall when the company announces its yearly results on February 26.

Seen in this light, Lowy's gala bash was hardly a celebration of corporate strength and resilience. Behind the accolades, big business is watching the disintegration of those modes of capital accumulation on which it had come to rely. In particular, Westfield's over-leveraged, over-valued and increasingly empty shopping malls are monuments to a distinctive form of parasitism. Meanwhile, Rudd's public accord with Lowy shows that, regardless of any distinction that his PR machine might care to draw between "extreme" and "non-extreme" capitalism, Labor is committed to the maintenance of its most parasitic forms.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site