

# Mining boom shatters myth of “Australian exceptionalism”

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The assumption that booming Australian mining exports to Asia, especially China, would deliver long-term economic growth and stability is quickly evaporating. Barely a week after the Labor government of Prime Minister Julia Gillard brought down its budget, the focus of the financial elite has shifted to the immense pressures bearing down on the economy as a result of the mining boom.

Almost exactly a year ago, the government, then headed by Prime Minister Kevin Rudd, confidently argued that tax revenue from the mining industry had immunised Australia from the debt crisis and economic turmoil afflicting Europe, Japan and the US.

Paul Kelly, the politically influential editor-at-large of the *Australian* newspaper, lauded the Rudd government's projections of a budget surplus by 2012-2013. “This budget is the stunning story of Australian Exceptionalism in action... The narrative of this budget is how Australia has defied the woes of the rich world. It happened in denying any recession and now it is happening in recovery,” he wrote.

A very different discussion is now taking place in banking and corporate boardrooms and in the establishment media about the country's economic fortunes. The mining boom, it has transpired, has not immunised Australian capitalism from the global processes that have led to a massive assault on the conditions of the working class internationally.

In fact, refuting any notion of “Australian exceptionalism”, it is the very growth of commodity exports and the consequent rise in the value of the Australian dollar that have transmitted the economic pressures for an offensive on the living standards of workers.

New investment is flooding into remote areas of the country to develop new mines and gas fields. Over \$76 billion is expected to be invested in 2011-2012, on top of

\$56 billion in the previous financial year. Overall, an estimated \$380 billion is expected to pour into north western Australia and Queensland in coming years.

Global banks and financial speculators have added to the demand for Australian dollars by using it as a hedge, or safe bet, against the falling US dollar, which has been deliberately devalued by the US Federal Reserve through the policy known as “quantitative easing.”

As a result, the Australian currency has soared almost 20 percent this year against the American dollar to between \$US1.05 and \$US1.10. It has also risen against the euro, the yen, the Chinese yuan and other currencies in Asia.

The pages of the press are filled with statistics and commentary on the consequences. While commodity exports are booming, virtually every other sector of the economy has been plunged into turmoil.

Manufacturing, which still employs one million workers, is effectively in recession. The rise of the Australian dollar has slashed import prices and undermined the competitiveness of exports. A survey on manufacturing reported that last month “sharp declines in employment were recorded in the clothing and footwear; transport equipment; miscellaneous manufactures; and paper, printing and publishing sub-sectors.”

Joseph Healy of the National Australia Bank told a business audience on May 12 that Australia faced the danger of “Dutch Disease”—a term coined to describe the wholesale shutdown of manufacturing industry in the Netherlands as a result of a high currency and reliance on energy exports.

Queensland-based surfboard exporter BASE told *Bloomberg* that its sales had fallen 30 percent. Part-owner Darren Handley stated: “The currency is killing the industry here in Australia. We have to move offshore because it's too

expensive to make boards here now.” The company is shifting its production to the US and South Africa.

Car producers such as Ford and Toyota, as well as related manufacturers, have announced job and wage cuts amid speculation they could shut down operations completely. Car paint company PPG is demanding a two-tier wage regime in which new hires will be paid 43 percent less.

Sectors that rely on international customers, such as tourism and education, are also in crisis. Tourist visits to Australia have plummeted. Overseas student enrolments at Australian universities and colleges have dropped by 4 percent and are expected to fall further. Universities across the country are seeking cutbacks to services, jobs and staff conditions.

The retail sector, which employs 1.5 million people, is slumping. As interest rates have been pushed up to pre-global financial crisis levels and one-off government hand-outs have been spent, millions of people are focussing on paying off debt or building up savings. The household savings ratio has climbed to 10 percent, from essentially zero before the collapse of world financial markets. Consumer spending has also been impacted by the rising cost-of-living. While wages rose barely 0.8 percent in the last three months, the price of essentials such as fuel and fruit and vegetables soared by more than 5 percent.

Every business that relies on household spending is under pressure. New housing approvals have fallen 12 percent over the past three months to a 10-year low. The amount borrowed for new housing construction plummeted by 20.1 percent over the same period. New car sales fell 3.4 percent in April. This week’s Commonwealth Bank monthly report on business activity recorded its 17<sup>th</sup> consecutive month of decline in April, with retail store sales falling 1.4 percent. Major electronics, furniture and food retailers have all reported falling revenue for the first three months of 2011.

The greatest pressure is bearing down on small-to-medium businesses, which collectively employ 35 percent of the workforce. Not only is consumer spending falling, but the major banks have imposed harsh lending criteria in the wake of the 2008 crisis. The level of bank lending to business has fallen by 10 percent over the past three years. The number of companies forced into bankruptcy is steadily rising, with insolvencies increasing to 1,491 in March, compared with 1,313 in March 2010.

This week, Australian Treasury head, Martin Parkinson,

summed up the implications. The country’s economic fortunes, he explained, are now entirely dependent on the volatile fluctuations in global demand for natural resources. He specifically warned that a slowdown in China, due to Beijing’s attempts to stem inflationary pressures, was a “risk.” It was impossible, he said, to even predict the future state of the government’s finances because one third of all corporate profits were now generated by the mining industry, compared with 15 percent just eight years ago. Tax receipts from other business are falling as their profits fell. Even a small drop in mineral exports and mining tax revenue could plunge the government budget into severe deficit, he said.

Parkinson delivered a blunt message to the non-mining sectors of the economy: as long as there was large Asian demand for mineral exports, the Australian dollar would remain high. He concluded: “A reform agenda that increases the supply of labour, improves the flexibility of the economy and boosts productivity will be vital for our future prosperity in the face of the long-term trends reshaping our economy.”

Parkinson’s call for a “reform agenda” is corporate code for the destruction of social welfare and the slashing of workers’ pay and conditions down to the level being imposed in the US and that already prevail across Asia.

Credit rating agency Moody’s reinforced Parkinson’s comments on Wednesday, when it downgraded Australia’s four major banks on the grounds that they were too dependent on overseas borrowings. A slump in China, Moody’s implicitly warned, could see access to credit dry up and risked a crisis of the entire Australian banking system.

A clear portrait of the future has been painted. The Australian corporate elite, and the Labor government, are being bluntly told they have to wage a war on the conditions of the working class or face economic oblivion. The working class can only defend its fundamental social rights through the construction of a new leadership and the adoption of an international and socialist perspective.



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