Australian treasurer declares economy can “ride out global turbulence”

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Australian Treasurer Wayne Swan last Tuesday delivered a “ministerial statement on the global economy” that attempted to maintain the myth that Australia can somehow avoid the worst of the deepening international economic crisis. His message was undercut on the same day, however, by announcements of major restructuring and job destruction, including by Qantas (1,000 jobs), Westpac bank (600) and OneSteel (400).

Swan referred to the wild swings on global share markets, the downgrading of the

United States’ credit rating, and the spread of the European sovereign debt crisis to Spain and Italy. He acknowledged that confidence in global economic prospects and the “capacity of political institutions” to resolve the problems had weakened since his previous parliamentary statement on July 6. Nevertheless, he claimed that Australia was “better placed than just about any other nation to ride out the current global turbulence.”

The treasurer insisted that Australia was shielded from the global shocks because of low government debt, a strong banking system, extraordinary growth in China and other “thriving economies of Asia”, and proposed mining projects valued at $430 billion. His speech—which mentioned the word “confidence” 15 times and “resilience” six times—was noticeably different in tone from his July 6 statement. Then he spoke of a significant risk of financial “contagion” and warned that, “of course we are not immune from global uncertainty.”

Swan’s efforts to sugar coat the position of the Australian economy were contradicted by two postings on his ministerial web site the same day. One was an opinion piece that he and four other finance ministers published in the London-based *Financial Times,* warning that global economic coordination was now inevitably harder than in 2008, when the financial breakdown first erupted. The article called on governments not to flinch from taking “hard decisions on spending, entitlements and taxes”, instituting “structural reforms to improve competitiveness” and making labour markets “more flexible.”

The other posting was a joint media conference with World Bank President Robert Zoellick, in which Zoellick declared that the world economy had moved into “a new danger zone.” The visiting World Bank chief specifically emphasised that China—whose massive stimulus program averted a deep recession in China and propped up Asian and world growth in 2008-09—could not be expected to play the same role again, because its economy was now over-heated and threatened by inflation.

Far from being shielded from the global crisis, Australian capitalism is particularly vulnerable to the worsening economic turmoil. Any slowdown in the Chinese and Asian economies will rapidly impact on the current mining boom, including investment, and drastically reduce government revenue. As for the “strong Australian banks”, they are all heavily reliant on overseas borrowing and thus exposed to global financial turmoil. Well aware of the dangers ahead, the Australian corporate elite has already begun a new wave of restructuring and is demanding that the Gillard government implement a sweeping agenda of austerity spending cuts and pro-market reform.

Articles on Wednesday in the *Australian* (“Jobs lost as economic reality hits”) and *Australian Financial Review* (“Job losses mount amid global risks”) pointed to the demands of big business. The *Australian* described the Qantas and OneSteel job cuts as just the “first mass casualties” of the high Australian dollar and the slowdown in the non-mining sector. It highlighted a call by the Reserve Bank for a “significant pick up” in productivity.

Michael Stutchbury, the Murdoch newspaper’s economics editor, declared that Australia’s “free lunch” was coming to an end. Australians could no longer “keep stuffing ourselves on our China luck.” Canberra had to “tighten its belt to get its budget back into surplus” and put a stop to its “policy reform fatigue.” Australian business had to focus on “getting more productive”, because record high iron ore and coal commodity prices were about to turn down.

Paul Kelly, the *Australian’s* editor-at-large, honed in on the demand for “flexible” working conditions. Using language no less pointed than Stutchbury’s, he insisted that “Australia is saddled with an industrial system that cannot work in the globalised age.” Kelly cited a Productivity Commission draft report on the retail industry that denounced “rigid” award conditions such as minimum wage rates, penalty rates, restrictions on trading hours and constraints on setting pay by “performance.” He concluded his column with a warning that business patience with the Labor government was running out. “The tide is turning and the anger is building,” Kelly wrote.

The latest unemployment statistics, released last week, also dented the government’s claims that the economy was shielded from the global downturn. An estimated 22,000 full-time jobs were lost during July, sending the numbers out of work up by 18,000 to 611,600. It was the fourth monthly decline in full-time employment since the start of 2011. Despite a growth in part-time work—itself indicating the slashing of working class incomes—the overall jobless rate rose from 4.9 percent to 5.1 percent. Joblessness is already around 20 percent in some working class areas, including parts of Sydney’s west, Melbourne’s north, Brisbane’s southwest and Adelaide’s north.

The existing Fair Work Australia industrial laws, which ban nearly all stoppages, have been exploited by companies, with the assistance of the unions, to inflict widespread cuts in real wages. Wages grew at an annualised rate of 3.6 percent—only 2.8 percent in the private sector—in the second quarter of 2011, well below the 4.5 percent rise in cost of living index for “employee” households reported by the Australian Bureau of Statistics.

As the commentary on Swan’s speech indicates, this reduction in living standards is nowhere near enough to satisfy the demands of the corporate elite. Qantas’s shift to establish low-wage airlines in Asia demonstrates that proximity to Asian markets only makes it more imperative for Australian companies to drive down wages and conditions to the levels imposed across the region and globally in order to be “competitive.”

Big business is demanding the government implement pro-market and austerity measures no less savage than those being imposed across Europe and America—the dismantling of welfare entitlements and the slashing of public health, education, aged care and disability services, in order to cut corporate taxes, force down labour costs and open up whole new fields to corporate profit.

Working people, if they are to defend their basic rights and conditions, must make a conscious political break from the Labor Party and its trade union enforcers that function as the instruments of the corporate elite. A new revolutionary leadership must be built, guided by the fight for a socialist and internationalist program to reorganise economic and social life, in Australia and globally, on the basis of human need, not corporate profit. The Socialist Equality Party is holding weekend conferences in Sydney and Melbourne this weekend and next on “The Failure of Capitalism and the Fight for Socialism Today” to discuss these urgent issues of political perspective and leadership. We urge all readers to register and attend.