

“Reform summit” to discuss stepped up class war in Australia

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A much-touted “National Reform Summit” organised by the *Australian* and *Australian Financial Review* (AFR) newspapers takes place today in Sydney. It will be attended by some 90 corporate heads, political leaders, trade union officials, university academics and representatives of social service organisations. The summit is being held amid global financial volatility and fears of economic slump in China—Australia’s largest trading partner and export market.

The aim of the discussions has been openly flagged over the past few months. It is to seek a consensus within the corporate and political establishment on a major escalation of the class-war assault on the wages, working conditions, retirement rights and social services of the working class, combined with further tax “reforms” that deliver even greater wealth up the income scale to the financial and corporate elite. The summit’s constituency is the top 10 percent of the population who already monopolise over 30 percent of all income and control 45 percent of all wealth.

The *Australian* headline today declared: “The time for reform is now.” The AFR stated: “Leaders seek tax, super [retirement] reform.” A statement for the summit, drafted by Business Council of Australia CEO Jennifer Westcott, Australian Council of Trade Unions secretary Dave Oliver and Australian Council of Social Services head Cassandra Goldie, stated that “reform is now urgent.”

Among the keynote speakers will be Treasurer Joe Hockey, from the Liberal-National Party Coalition government, and Bill Shorten, leader of the Labor Party opposition.

Significantly, 82-year-old former Labor Party prime minister Bob Hawke was asked to write a column for the AFR, welcoming the summit and comparing it with those he presided over in 1983. Hawke’s Labor

government, in intimate partnership with the trade union apparatus and big business, launched a sweeping financial and industrial transformation to the formerly highly-regulated Australian economy to achieve “international competitiveness.”

The governments of Hawke, then Paul Keating, floated the currency, deregulated the banking sector, imposed successive real wage cuts annually, restructured working conditions, closed down entire sections of industry and privatised state-owned companies. The measures inflicted by Labor from 1983 to 1996 brought about the greatest redistribution of wealth away from the working class to the rich in Australian history and a massive boost to the profit share of national income compared with wages.

Three decades on, the Hawke-Keating years are viewed in business circles as something of a golden age. The Coalition and Labor governments that followed are lambasted for backing away from the “reform” agenda and failing to achieve increases to productivity—that is, the lowering of wages and reductions in government spending—to match what exists in the United States, let alone the manufacturing centres of Asia.

Business think tanks and government-sponsored commissions have issued a series of reports in recent years, condemning governments for relying on the economic growth and wealth generated by a boom in mining investment and exports from the mid-2000s to avoid what they label “painful” policies.

Former Treasury secretary Martin Parkinson conveyed the general frustration in corporate circles in comments published in the AFR today. He damned the “vacuum of leadership” in official politics, declaring: “Australia’s current bout of complacency will be broken and reform will restart—the choice confronting

Australians is whether they will willingly embrace change or have it forced upon them.”

Underlying the declarations of “urgency” is the rapid deterioration of Australia’s economic position over the past several years, which is affecting the flow of wealth to the upper classes. The vast overproduction in commodity markets and the slowdown in China have ended the mining boom. Prices for Australia’s major exports, such as iron ore, coal and gas, have plummeted. Investment in new resource projects has slumped.

The impact of the end of the China-linked mining boom is reflected in the stock valuations of 33 large resource companies listed on the Sydney stock exchange. Their collective value has plummeted by \$255 billion since 2011—57 percent—with the main falls taking place over the past year. BHP-Billiton, the largest mining conglomerate, announced this week a slump in profits of over 50 percent, down to its lowest levels in 12 years. New mining-related investment in Australia has plunged 40 percent, with analysts predicting deflated commodity prices for years to come.

Australia’s four major banks, which have been registering record profits, have also suffered stock price falls of 20 percent or more this year, due to their vulnerability to the shifts in global conditions. Alongside the mining boom, Australian economic growth has been maintained by real estate speculation, with average prices in cities such as Sydney increasing by more than 60 percent since the 2008 financial crisis. The ratio of Australian household debt to gross national product, at 130 percent, is now the highest in the world.

Investment house Morgan Stanley this week warned of a “bear case” scenario for Australian banks if the financial upheavals centred in China lead to “a setback to global and domestic growth expectations.” A rise in unemployment could tip numbers of highly indebted households over the edge and confront the banks with an increase in bad loans, as well threaten to trigger sharp falls in property values.

The Australian dollar has devalued from parity with the US currency in 2013 to just over 72 cents, but trade deficits are continuing to widen due to the slump in commodity prices and the long-term consequences of the destruction of manufacturing. The entire Australian car industry is in the process of being shut down by the end of 2017, at the cost of as many as 150,000 jobs. A

2014 study by accounting firm PwC estimated that one third of economic regions in the country were already in recession.

A sign of the broader crisis of Australian industry was the assertion this week by steelmaker BlueScope Steel that it cannot compete against Chinese rivals in the long term and will close its Port Kembla steel mill to the south of Sydney if the trade unions cannot extract \$200 million in cost savings from its workforce and operations. It has already stated that another 500 jobs will have to go from Port Kembla.

The intent of those gathering for the National Reform Summit is to exploit the atmosphere of crisis to demand “national unity” and attempt to silence opposition to policies that target the conditions of the working class and will worsen social inequality.



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