

The Big Picture

Issue 29

28th February 2009

“News to use & amuse”



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Manufacturing our future

With Pac Dunlop and Lend Lease announcing major staffing cuts, it's reasonable to ask where this 'crisis' will end and what kind of turnaround might be needed.

This week's news contained several articles that showed the need for Australia to produce items of real value, both for our own use and as trade goods for the rest of the world.

Australia lives in the world and trades with it; and we must pay for our imports with something that people in other countries want to buy. Toxic financial instruments won't do. Our export performance has been so bad that we now owe foreigners more than \$600 billion for goods that we bought but haven't paid for. Household debt is more than 1½ times household income. [TheAge](#)

The 2008 edition of the [CIA World Fact Book](#) lists Australia's overseas debt as exceeding \$1 trillion – over 110% of GDP. The foreign debt for the planet (all countries overseas debts combined) stands at over \$52 trillion, 43% of which is the UK and USA.

It is the growth of manufacturing in China, made possible by their investments in infrastructure and training, that have created the success story that we keep reading about. The other side of that story, the West's failure to retain its own manufacturing capability, has rarely been mentioned. Now it's even made it into [The Age](#) editorial pages!

It all comes down to a simple rule – the more you can look after yourself the more independent you can be. The corollary to this is that the more dependent you are upon others, the easier it is for them to control you.

These rules apply to businesses and whole countries just as well as they apply to individuals.

Control

It's the ability to control populations that is sought by governments. The country's privileged fear the masses because they imagine that people will rise up against them if they get half a chance. It's happened before often enough.

Control of populations is exercised in various ways – through force e.g. military dictatorship, through dependence e.g. welfare state, through debt bondage e.g. Aussie dream, through propaganda e.g. 'you need us' and so on. The maze of State regulations and busybody local governments is another level of intrusion into our lives that further diminishes our control.

When we interpret our government system as one designed to control us regardless of our needs and interests, then we can see how control of government is essential to those who wish to control our resources, benefit from our labours and use our lives as a shield for their own. When you can control government, many things become possible. As things fall apart the 'controllers' will start to get excited and take drastic steps to retain their privileges and favourable financial flows.

The whole edifice might be workable as long as the governments deliver what we need. Governments ability to do this is now collapsing, forcing us to either become more independent or suffer a range of unpleasant consequences. The delivery failures, already under threat from government incompetence and hubris, is collapsing ever faster due to lack of finance, business and supply chain collapses and environmental changes e.g. fires, drought.

Debt

Australia's high level of debt at about 2% of the world total, makes us dependent upon other nations, thereby reducing our independence and putting us under the control of others.

Getting out of debt is a matter of building capacity – what [Porter](#) called competitive advantages.

Harvard economist Michael Porter pointed out 19 years ago that prosperity comes from competitive advantage, not the comparative advantage beloved of economic fundamentalists. Comparative advantages are found, such as Australia's easily accessed iron ore. Competitive advantages are created, not necessarily by direct state intervention, but they must be supported by policy. China's factories would not be attractive to Australian manufacturers without China's huge investment in infrastructure to let raw materials in and get finished goods out. China's vast reserves of cheap labour would be unusable without an educated middle class to act as foremen, supervisors, accountants and managers. [TheAge](#)

What we can learn from this is that it is time to invest in Australia and in ourselves. If China can do it, so can we. If they can manufacture their own success, surely we can too. In fact many of the resources we need are right here.

Our trouble is that we're stuck with a political and government system that is deeply corrupted by vested interests who will resist all changes that could reduce their own power and control. What makes it worse is the failure of our political classes to recognise, and/or act on the nature of this problem.

Meantime, if the government cannot look after our needs, then we will have to attend to them ourselves.

Get ready.

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In case you missed it

Financial mess

From boom time to crunch time [TheAustralian](#)
Rudd must get radical [TheAustralian](#)
Pac brands boss gets pay rise before sackings [TheAge](#)
Dole spike hits boom states first [TheAustralian](#)
Do not resuscitate [NewMatilda](#)
Financial crisis now truly global [TelegraphUK](#)
Global economic outlook: 2012 and beyond [ICH](#)

Governance

Libs in cash for mafia visas scandal [TheAge](#)
Futile to bail out leaky states [TheAustralian](#)
Clise indigenous violence taskforce to save money [SMH](#)
Police/Fire failed to trigger fire alert system [HeraldSun](#)
Tax breaks become backsheesh [SMH](#)
Empty messages part of the plan [TheAge](#)
Sub crews rush to leave navy [TheAustralian](#)
Fare rip off 'just the way it is' [CourierMail](#)
Tas Premier's new planning vision [Mercury](#)

Environment/food/water/forestry

Garrett holding economy to ransom: Costa [TheAustralian](#)
Green economy produces more jobs: CSIRO [ScienceAlert](#)
Bushfires threaten water [TheAge](#)
Pulp mill deal close: Gunns [Mercury](#)
Turf war on mill protests [Mercury](#)
MDB buyback dying [TheAustralian](#)

Climate

Rudd's scheme like doing nothing [TheAge](#)
Labor's ETS trickery [TheAustralian](#)

Health/education revolution/communication/defence

Treasury: Scrap private health rebates [TheAge](#)
Minister takes aim at Defence [SMH](#)
Only one health option will work [SMH](#)
Web censorship looking shaky [SMH](#)

Economy/social/shelter

More than subsidies needed for manufacturing [TheAge](#)
Pension changes mooted [TheAustralian](#)
Deals in sibling rivalry [SMH](#)
Manufacturing a future [TheAge](#)

World

'Terminator' war robots planned by Pentagon [AlterNet](#)
How the US economy was lost [ICH](#)
▶ A practical proposal for real change [ICH](#)

Moron debt

It seemed to me that it would be useful to figure out just how much trouble different counties had got themselves into with their addiction to debt fuelled 'growth'.

The [CIA World Factbook](#) publishes the 'external debt' for each country along with the population. By dividing the external debt by the population we can figure out the 'debt per capita'. The differences are stark and give us an insight into the degree of difficulty that certain countries face. Here's a preview...

| | |
|------------------------|------------------|
| US External Debt | \$12.25 trillion |
| US population | 304 million |
| Debt per capita | \$40,000 |

| | |
|-------------------------|------------------|
| Australia External Debt | \$1.032 trillion |
| Aus population | 21 million |
| Debt per capita | \$49,000 |

| | |
|------------------------|------------------|
| UK External Debt | \$10.45 trillion |
| UK Population | 61 million |
| Debt per capita | \$171,000 |

| | |
|------------------------|------------------|
| Ireland External Debt | \$1.84 trillion |
| Population | 4.1 million |
| Debt per capita | \$448,000 |

How can countries drift so deeply into trouble so quickly? It's pretty obvious that the UK is going to struggle to be able to repay its debts. Ireland is in ridiculous shape. Germany scores a per capita debt of \$54,000, France is \$68,000. At these levels we might believe that they could pay off their debts, particularly as they are large, industrialised countries with considerable resources. The UK is a small country with modest resources – Ireland is about the area of Tasmania (68,000 sq km) yet it has a debt that is 10 x the annual earning capacity of its population.

Depopulation is a potential strategy for Irish folk who don't want to pay off those debts. 'Emigrate now' would be the imperative, probably leaving that country without the capital and skills to ever repay the debts that they've incurred.

Community ownership wins

US Senator Ralph Nader points out an interesting fact that contains useful information for us all...

Eighty five million Americans belong to credit unions which are not-for-profit cooperatives owned by their members who are depositors and borrowers. Your neighborhood or workplace credit union did not invest in these notorious speculative derivatives nor did they offer people "teaser rates" to sign on for a home mortgage they could not afford.

There are very contemporary lessons to be learned from the successes of the credit union model such as being responsive to consumer loan needs and down to earth with their portfolios. Yet in all the massive media coverage of the Wall Street barons and their lethal financial escapades, crimes and frauds, little is being written about how the regulation, philosophy and behavior of the credit unions largely escaped this catastrophe.

[CounterPunch](#)

Former US government analyst and author Richard Cook tells us why, and his view is similar to that reported here earlier...

This is because the system they (Obama administration) have been given to work with was designed to fail. The U.S. was saddled long ago with a debt-based monetary system, whereby the only way money can be introduced into circulation is through bank lending. It was the system that was instituted in 1913 when Congress gave away its constitutional power over money creation to the private banking industry by passing the Federal Reserve Act.

It was then that the catastrophe we are now facing became inevitable. It took nearly a century to get here but it finally happened. We should have known it was coming when Federal Reserve-created bubbles replaced economic growth from our disappearing heavy industry, starting with the recession of 1979-83. We could have seen it coming when the dot.com bubble collapsed in 2000-2001, and Fed Chairman Alan Greenspan worked with the George W. Bush administration to substitute the housing bubble for a real recovery. [ICH](#)

It makes no sense to try to revert back to lots of debt by borrowing more money to spend on useless activities. If we are going to invest, it must be in useful productive capacity.

John Winston Hubris rewrites history

In his speech justifying his actions and policies, JWH as reported in [Crikey](#)...

"He presented a half-baked theory of what caused the crisis, and a view of economic reform that, in future years, will be derided as naive. He proposed that "five great reforms" were the core of the neoliberal agenda:

In 1980 our nation needed five great reforms. We needed to deregulate our financial system, fundamentally change our taxation system, make our labour markets freer, reduce excessively high tariffs and rid the government of ownership of commercial enterprises that would be better run privately. By 2007 these five great reforms had been achieved.

Those five reforms were an essential Australian contribution to what one might properly describe as the neo-liberal experiment of the past 30 years...

The merits of Howard's final four "reforms" are still open to debate, but how anyone could champion the first reform -- the deregulation of the financial system -- as a "great" reform in today's climate beggars belief."

Good point

The drug "war" is futile by design (thus never-ending) because it doesn't "fight" drugs—quite the contrary—it strongly encourages both *production and distribution* of prohibited drugs by *guaranteeing* extremely high profits. Is it remotely sane to believe a policy that *guarantees* massive profits for *any* activity could possibly result in *less* of that activity? [Carmen Yarusso](#) [ICH](#)

Can U.S. Recover Without Manufacturing ?

A [Black Agenda Radio](#) commentary by [Glen Ford](#)

The strength of the federal economic stimulus package is seriously diluted by the fact that many of the manufactured goods that will be purchased for the attempted recovery must be imported from outside the United States. America simply doesn't make lots of things, anymore. That means many billions of dollars that folks assumed would go towards fueling an American economic comeback, will instead provide work and paychecks to employees in other countries, that still have manufacturing bases. That's fine with the U.S. Chamber of Commerce, which is dominated by large multinational corporations - the same guys that began stripping the United States of manufacturing jobs decades ago.

The U.S. Chamber of Commerce was one of the main lobbyists opposed to provisions that would have mandated that stimulus money go to U.S. companies. The Chamber is a U.S. organization in name only, like its finance capital comrades, the guys that gave the world such a bad case of the dreaded "American Disease," much of the planet is praying that cash-rich China will eventually bail everybody out.

The United States' lack of a manufacturing capacity makes it even less likely that anything resembling a lasting recovery can emerge from President Obama's approach to the economic crisis. The infrastructure projects that are supposed to be central to the recovery scheme are only valued at \$150 billion - which is not much of a jolt, especially when much of what will have to be bought is only available in other countries, made by foreign workers. Barack Obama has put a huge emphasis on building a green economy. However, according to the [New York Times](#), most of the sources of solar panels and wind turbines are located in Europe and Asia. There can be no green economy without a mass transit makeover of the United States, but the U.S. hasn't made subway and light rail cars in many years. They'd have to be imported.

"Most of the sources of solar panels and wind turbines are located in Europe and Asia."

Every product that must be imported for the infrastructure project means a watering down of the stimulus impact of the dollars spent. You can't put people to work in American factories that don't exist.

A true national recovery effort would mean re-industrialization, on a grand scale and a green model, through massive direct federal creation of state-owned industries independent of the finance capitalists who murdered American manufacturing and then blew up their own businesses on Wall Street. But this is already nearly impossible, since President Obama is committed to saving the banking class through unlimited infusions of public money, and then allowing these reborn zombies to resume their roles as lords of development. The banker parasites have neither the capacity nor the intention to build anything other than mountains of debt for the rest of us. Therefore, Obama's partnership with them spells doom for national recovery.

Like Billy Preston said, *"Nothin' from noth in' leaves nothin'."The U.S. cannot create the conditions for economic health without rebuilding a manufacturing capacity. And the remnants of Wall Street have nothing to contribute to an economic recovery, but an infinite capacity to steal.*