



Australian Citizens Party

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MEDIA RELEASE

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Stimulus won't stop pandemics or panics—we need an urgent economic mobilisation

The next global financial crisis is well and truly under way, but don't let the culprits get away with just blaming the coronavirus!

When a virus can smash your financial system, it's time to throw out your economic delusions and face up to the fact that the problem is the financial system.

Yes, the pandemic is very serious, but all it has done is show up how unproductive and unprepared our and many other economies are.

Australia is completely exposed. For our economic necessities we are far too reliant on overseas imports, instead of producing for ourselves.

Our financial system is even worse, completely dependent upon foreign capital for bank lending that goes not into productive investments but into insane and reckless speculation in real estate and financial derivatives.

The US and European economies are largely the same. The disease they are riddled with is not coronavirus; it is unproductive, parasitical, and in many cases criminally fraudulent financial speculation—especially in the gambling bets called derivatives that Warren Buffet called “financial weapons of mass destruction”.

The financial system is crashing because it is a huge speculative bubble, not because of coronavirus. The virus is an ember that has drifted into an unsecured gunpowder magazine.

This is why the stimulus isn't working. They are trying to prop up their financial bubbles, rather than address the urgent need, which is the health-care and economic mobilisation necessary to respond to the coronavirus. Because of that, the public have no confidence in the government's actions, which the markets reflect—the more the government and central bank does, the more the markets crash.

Learn from China and South Korea!

Thanks to a blizzard of disinformation in the past decade, Australians have been conditioned to fear and hate China, rather than appreciate its economic progress, and especially how that economic progress is based on doing the things we used to do in Australia, namely invest in infrastructure and industry.

China didn't steal our manufacturing—we “outsourced” it. When then-leader Deng Xiaoping said in the late 1970s, “It doesn't matter if the cat is black or white, as long as it catches mice”, China consciously adopted economic policies from the West that had been successful, including the use of national banking to make long-term investments, and policies like the Glass-Steagall separation of banking from speculation, to minimise speculation in the financial system.

China adopted these policies just as Australia, the USA and Europe were abandoning them in favour of a mad rush into unbridled financial gambling. Now the results are in.

China's response to the coronavirus has demonstrated the supreme importance of a productive economy. In MacroBusiness on 11 March, even extreme China-basher David Llewellyn-Smith acknowledged China's economic approach in his column “China saves its people as democracies slaughter theirs”.

While opening with a typical dig at China, Llewellyn-Smith then acknowledged:

“Yet it is impossible to miss the diametric opposite responses of East and West to the pandemic. China shut down completely to choke the virus. It appears to be on the verge of success. Western democracies have failed completely to contain the outbreak and have moved swiftly to stimulus. That is, they are encouraging activity that will only spread the virus further and trigger a much deeper mass casualty event for the elderly. It is tempting to interpret this through the prism of values. Confucian cultures revere the elderly while Western individualism throws them on the scrap heap.”

Attacking Australia's economy as "based upon a confidence trick of endless mortgage and house price inflation ... the very definition of fragile when history comes calling", he highlighted the glaring contrast:

"By comparison, China can shut down and not collapse because it has real economic activity at its base. A massively productive economy that makes real stuff and real money. Yes, it's got other problems because it wants to grow too fast to keep control of people without freedom. But, at the end of the day, because it has an economic base, not just fluffy superstructure, it can look after its people better, and weather this shock economically more so than consumer societies can."

South Korea is another productive economy, and it's an even better example than China because, like Australia and the rest of the world, it had a chance to learn from China's experience dealing with the initial outbreak of the disease. Unlike Australia, the USA and Europe, it took advantage of that opportunity, and was prepared.

Within weeks of the outbreak in Wuhan, South Korea had four companies develop a test based on the World Health Organisation's recipe and geared up to be able to test 10,000 people per day, including through drive-through stations. "As of Saturday, South Korea had tested more than 248,000 people and identified 8,086 cases", [ProPublica reported on 15 March](#). "So far, 72 have died, or 0.9 per cent of those infected." This is a stunning success, compared with the apparent 4.5 per cent mortality rate in China (although [data from Wuhan](#) suggest this will fall considerably as more recovered and asymptomatic cases are identified after the fact), and the 7.7 per cent rate in Italy.

One key difference is South Korea has over 12 hospital beds per thousand people, while Australia has fewer than four. In the 1970s, however, we had more than eight beds per thousand! Crucial indicators like this prove how delusional Australians have been in clinging to the myth of "28 years of uninterrupted economic growth", when we haven't been able to maintain the systems that protect us in times of crisis.

Economic mobilisation!

Australia must immediately mobilise to confront the pandemic head-on, as South Korea did, and to keep the real economy functioning. The bubble must be let go—it's going to go anyway.

Currently, Australia has fewer cases than South Korea did when it first erupted, although there's a good chance that's from lack of testing. The health system must be geared up to test as many people as quickly as possible. Companies like CSL, formerly Commonwealth Serum Laboratories—which was developed by the Commonwealth government for precisely these events, but then privatised by Hawke and Keating into a Big Pharma monstrosity—should be conscripted into the effort. Manufacturing facilities should be re-tooled to produce respirators and surgical masks and other protective gear and equipment.

Meanwhile, the government's economic concern must be the real economy. The immediate priority must be the continuity of healthcare, medicines, food, energy etc. Workers in the health system, as well as in the supply chains of necessities, from the farms/factories to the supermarket, must be aggressively screened to stop infections from spreading so continuity can be maintained.

Too much of the economy is entirely dependent on consumer spending, so some welfare measures will be necessary to tide people over. In this period the government must declare a moratorium on bank foreclosures on homes, tenants, family farms and small businesses, and if there is a period of total lockdown there will need to be a mortgage and rent holiday, and a plan to direct the banks to make it work. The Citizens Party is in discussion with experienced experts on the types of initiatives that will be required.

To protect the functionality of the core financial system, including the public's savings in banks, and to supply credit for the industrial expansion Australia urgently needs, it is time to return to national banking, on the model of the original Commonwealth Bank. Australians, including superannuation funds, should be encouraged to invest in the bank for a guaranteed return, which can be lent to federal, state and local governments to invest in the necessary infrastructure, and to industry for capital investment.

History shows we can do it!

In WWII, when Australia faced the external threat of invasion by Japan, our economy was incapable of producing the means to supply a war effort capable of defending ourselves. What happened next should inspire us to know that with the right approach, we can turn the current crisis around.

In 1942 Prime Minister John Curtin and Treasurer Ben Chifley took charge of the economy, using the Commonwealth Bank as a fully-fledged national bank to direct credit into a war mobilisation. They appointed the most experienced industrialist of the day, BHP supremo Essington Lewis, to direct a stunning expansion of manufacturing of every possible variety, centred in railway workshops from Ipswich in Queensland to Midland in WA, which produced countless machines and skilled tradesmen for decades.

Within three years, by war's end, Australia had transformed from an agrarian backwater into an

advanced manufacturing powerhouse. And thanks to the postwar initiatives of Ben Chifley, John “Black Jack” McEwen and others, we maintained our manufacturing capacity until Hawke, Keating and Howard smashed it in the 1980s and 1990s in their mad embrace of neoliberal free trade.

We can and must do it again. The Citizens Party has drafted a raft of legislation to make it possible, including a bill for a national bank to finance it.

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