

How to revive the economy without a trade war



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Lead Editorial

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The riots sweeping the United States have gone on for more than a week, expanding to more than 100 cities and showing no sign of abating. Forty cities have imposed curfews, and President Donald Trump is threatening to send in the military—an extreme action which the USA warned China against doing in Hong Kong last year.

While the rage expressed by the protestors is against police injustice, there is no doubt it is fuelled by the reality of daily economic life for most Americans, which is a nation in severe economic decline, and has been for decades (as is Australia). The same reality motivated the extraordinary election of Donald Trump in 2016, because, besides his prejudiced scapegoating of Mexican immigrants, he had railed against the free trade outsourcing of industries that had left America's economy and cities in decay. Americans were desperate for a different approach, and Trump promised to deliver manufacturing and the industrial wealth that could deliver it.

Trump's platform for the 2016 election included policies that could have achieved the economic turnaround he promised. It included restoring the Glass-Steagall separation of commercial banking from investment banking, to stop Wall Street speculators from siphoning money away from investing in the real economy and in communities. It included a national investment bank, for investing US\$2 trillion in new and upgraded infrastructure, which would have created millions of jobs and massive demand for steel and other inputs that would have been a huge boost for domestic steel production and other heavy industries.

Trump never delivered on those election promises. You could argue he was derailed by the Russiagate insanity, which also derailed some of his more positive foreign policy impulses. Instead, he was persuaded by aggressive China-haters in his administration to pursue a belligerent trade war intended to make China agree to buy more American goods just to keep the peace. Trump demonised China rather than Wall Street, the entity responsible for the economic plight of the millions of Americans who had voted for him. While Trump loudly proclaimed his approach had succeeded in firing up the economy, the only "successes" he could point to were the unemployment rate and the stock market—both measures that he knew to be false metrics of the economy, as he had attacked them as a candidate and earlier. The proof they were false is now burning in 100 cities across America, while the Dow Jones is going up!

Ironically, if Trump had taken the approach he had promised in his election platform, to revive American industry through restraining speculation and investing in infrastructure, he would have seen China as an ally, not an adversary. China would have been happy to help, with investment, and with know-how in high-speed rail and other infrastructure development, because that is the approach on which it has built its stunning economic success. It could have laid a foundation for cooperation between the great powers that then enabled America to participate in the Belt and Road Initiative as a partner, helping to build the projects and ensure good practices, rather than seeing it as a threat.

This is a cautionary tale for Australia. Right now, foreign interests in London and Washington, fronted by Liberal MP Andrew Hastie and his juvenile "Wolverines", are aggressively pushing for Australia to "decouple" from China, our largest trading partner. This is presented as the way to revive Australian manufacturing, not for its own sake, but because our dependence on China is a "threat". It's a fraud, a geopolitical ploy that will sacrifice Australia's economy to Anglo-American war schemes. The Citizens Party is fighting the policy by which Australia can revive manufacturing without a trade war with China that would slash our export income: a national development bank to invest in infrastructure and industries. We can achieve this—a Liberal Senator is now calling for it too! (p. 3)

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