

# AUSTRALIA



# UP-ROOTED

This economic and political analysis had to be published.

Discussion of the urgent economic, political and social questions facing Australians has generally remained at a very superficial level.

The present government, the mass circulation newspapers, radio and T.V. have identified the main economic problem as being inflation supposedly caused by a combination of high wages/salaries and too much government spending.

Most Australians have been rightly concerned at the level of inflation. However, inflation is a symptom of a much deeper crisis.

Economic 'bandaids' such as the wage/price freeze, even if they could be made effective, are still only treating symptoms.

An eighteen month long sustained attack on workers, their wages and their unions by the government and the media has been carried out. The Liberal Country Party Government is currently bringing down the most vicious anti-worker, anti-union legislation in the history of Australia after the careful preparation of the Australian public to accept it.

Major issues are being suppressed or ignored. Issues such as:

- The fact that, between 1972 and 1974, foreign investors operating in Australia dropped their portion of total net private investment from 40% to 8%. This destabilised the economy and dramatically increased the number of unemployed.
- As of 1976, 55.2% of all private company income in Australia is payable overseas exposing the Australian economy to severe distortions and manipulations.
- The build up of the highly capital intensive mining industry and the run down and dis-memberment of the labour intensive manufacturing industry with consequent loss of jobs.

In short, the Australian economy is being re-organised and further interlocked with international capital. This benefits the very large Australian and overseas corporations. It means that unemployment will grow and remain for years at levels of 6 to 10%.

The cost of this re-organisation is being imposed on workers in terms of:

- loss of jobs
- reduction of wages and living standards
- taming or destruction of their unions.

It's time for a wider, deeper discussion of the issues.

It's time to consider some changes in our system in accordance with the needs of the Australian people; not changes required and imposed by big business.

This publication is not the final word, in analysis or solutions. It is to be hoped that it makes a useful and dynamic contribution to a wider debate and action. It is imperative that many progressive Australians step forward to extend and amend the contents.

J.D. GARLAND,  
Joint National Secretary, A.M.W.S.U.

# WHY

## did it happen?

**In Australia today we have an economic and social situation which is shocking for a country as rich as ours.**

Fraser, the employers, the TV, radio and papers are daily flogging the line

### THAT:

- **Inflation would go down**
- **The unemployed would get jobs**
- **Profits would rise and business confidence would be restored and therefore new investment would take place**

### IF:

- **Wages were drastically cut**
- **Workers worked harder to raise productivity**
- **Workers didn't strike**
- **Militant unions were destroyed**
- **Government spending on social services, pensions, education, public transport, roads, Medibank, etc. were cut even further than they have been.**

From this theme we can easily see that Fraser's way to resolve the economic problem is to make wage and salary earners pay and to make the workers believe that it is in their own interests to do so.

In short, wage and salary earners are being blamed for the present situation.

This is merely a smokescreen to cover a very large shift in the nature of the Australian economy. This is now being recognised by many sections of the Australian community.

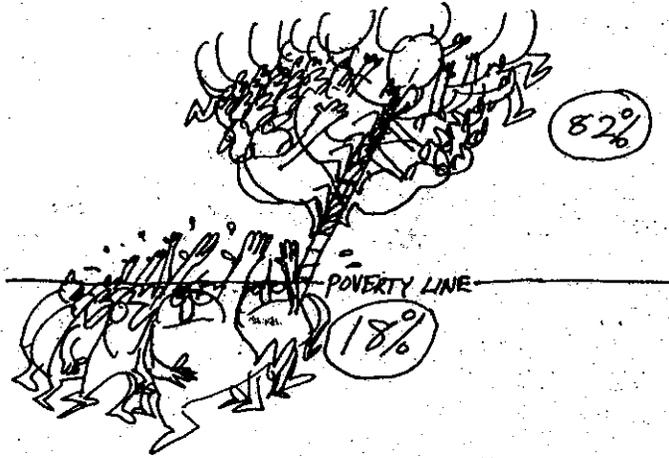
Most people realise that times are bad but not how bad, or really why they are bad

### **So first the full extent of the situation.**

- **354,589 registered unemployed;** the highest since the depression in the 1930's. That's 5.8% of the workforce or about 1 person in every 17 out of a job.

Even such notables as the Editor of the Financial Review have accused the government of deliberately cooking the books to make the situation look better and university investigations put the figure at 7½% of the workforce; or more than 1 person in every 13 (a total of 450,000 unemployed).

- **At least 18% of Australians are poor.** That's almost 1 person in 5. This is the findings of the Henderson Report on Poverty in Australia.



- **Australia's manufacturing industries are operating at about 3/4 of their full capacity according to various manufacturing journals.**
- **Inflation is presently running at an annual level of about 15% and will increase further to 17% when the full effects of devaluation flow through the economy.**

**Australia is in the grip of an economic crisis. It is not alone. The world 'capitalist' or 'free enterprise' system is in crisis and not likely to return to the pre-1972 situation.**

Some 18 million workers in the advanced capitalist countries are out of work and the gloomy predictions of the international advisory body to the capitalist world the O.E.C.D. (Organisation of Economic Co-operation and Development) is that the world situation will get worse in late 1977. Perhaps as many as **25 million** will be unemployed.

**The questions that Australians have to come to grips with are:—**

- **Why is the crisis happening?**
- **What directions is the crisis taking?**
- **What is the Fraser Government doing about it and why are they attacking wages and unions?**
- **What are the best solutions for wage and salary earners?**

Let's deal with each in turn.

To trace the beginning of the present crisis a few facts about the **structure** of our economy need to be outlined.

### **Free enterprise**

Our economy (like those of Western Europe, Japan, America, England and a number of others) is a so-called 'Free Enterprise' economy. **Free enterprise simply means the private ownership of the companies which carry out the production of goods and services.** There is little or no planning and the economy is subject to the whims of the market or market forces.

The companies and their owners are not accountable to the public for their actions except for the minimum legal requirements. They are certainly not accountable for the social consequences of their economic actions.

Free enterprise does not mean democratic freedom either, although its supporters would have us believe this. There are many countries with free enterprise economies where little freedom exists; for example Brazil, Taiwan, South Korea, Thailand, Indonesia, and other countries which are ruled by military dictatorships. Free enterprise refers only to the freedom for a minority of people to own the means of production of goods and services.

**In Australia less than 1 person in 10 holds any shares in a company or is an owner or part owner of a company. The other 9 out of every 10 Australians are wage and salary earners who sell their labour to the companies, unless they are unemployed or work for the public service.** (Source: Australian Census)

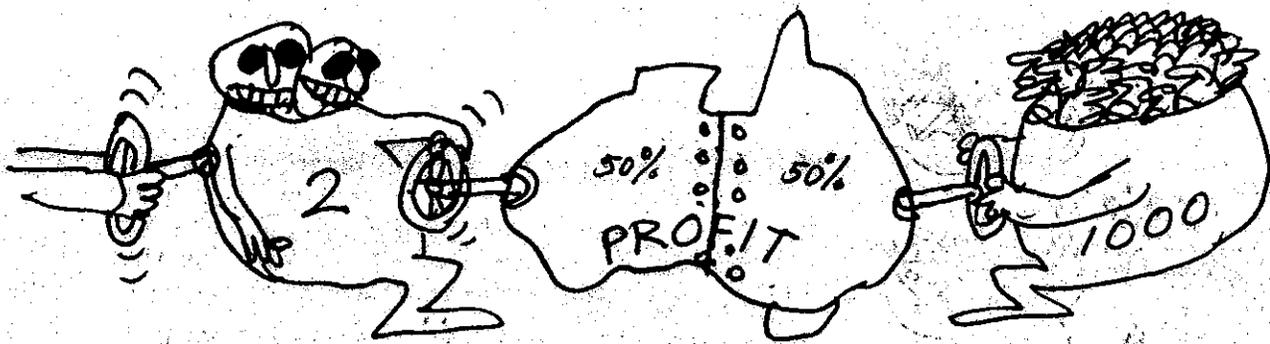
The total amount of goods and services produced in the economy is called the Gross National Product, the Gross Domestic Product or the National Cake.

Although wage and salary earners make up 9/10ths of the population, they always get much less than 9/10ths of the national cake.

### **Economic Concentration**

**In Australia less than 2 companies in every 1000 (that's 0.2%) take half of all profit made. These companies are the very biggest. They include many foreign controlled companies. Therefore this top group of companies have a massive impact on the Australian economy.**

(Source: Report from Commissioner of Taxation; figures compiled)



The decisions made by them, what they produce, what they invest etc., affect every Australian. **They are controlled by less than 2000 people** and many of these 2000 are on the controlling boards of more than one company so they are linked by a network of directors. There is, therefore, a great deal of co-ordination amongst these big companies when they make decisions.

We always hear the 'rags to riches' stories about Fred Nurk who was clever; worked weekends and half the night; made a million dollars or so by the age of 30. The system does allow for the odd few Fred Nurks. They are the exception, not the rule. They are either trading very close to illegality with shady deals; robbing consumers; robbing other companies; or they have a hit single in the Top Forty! In the terms of our economic system a million dollars or so is peanuts.

In any case you don't start from nothing and get to own a large slab of B.H.P. or Bank of N.S.W. by just working hard — on weekends or any other time.

Most of the smaller companies have little influence over the direction of the economy. Free enterprise supporters and enthusiasts are fond of talking about competition and how we all benefit from it.

**Competition between all companies may have been a part of economic life a century ago but it simply isn't the case now.**

Competition among the biggest companies is mainly in the 'fairy floss' area of **advertising**. If we take the largest four companies in practically any industry they control most of the market.

For example:

#### INDUSTRY

INDUSTRY	No. of companies in the industry	% of market controlled by largest 4 companies
Pulp/Paper and paper board	13	90%
Glass and Glass products	47	97%
Basic Iron/Steel	255	83%
Aluminium	14	83%
Motor Vehicles	35	88%
Electric/Telephone Cable and wire	17	88%
Rubber Products	112	74%

(Source: Integrated Economic Census Industry Concentration Statistics (A.B.S.))

There are varying degrees of competition between the many thousands of small companies for what is left over in the market. If the market shrinks the **small companies are the first to go**. (Further sources on Economic Concentration in Karmel & Brunt "The Structure of the Australian Economy")

#### Divisions within the Economy

The economy can be divided into a number of parts or sectors. These are:—

- **Manufacturing**
- **Mining**
- **Primary Produce or Rural**
- **Tertiary or Service Sector** (banks, finance

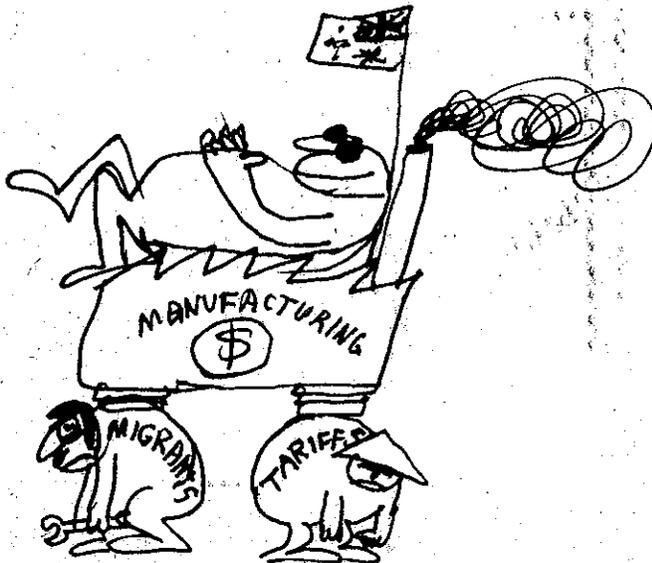
and insurance, small service industries or anything else down to the corner store). The public service is also included in the Tertiary Sector.

The manufacturing sector is of vital interest to members of the A.M.W.S.U. We can trace the crisis as it is affecting the manufacturing industry. We will also see that it is the manufacturing sector which will be hardest hit by the crisis.

## Why the Australian Manufacturing Industry?

Manufacturing in Australia really got going after the 2nd World War. It was protected from overseas competition by the government imposing import taxes called **tariffs** on any manufactured goods coming in from overseas. Where tariffs were not sufficient then **import quotas** were imposed. These import quotas set a limit on the quantity of certain goods coming into Australia.

This allowed industries to be established and built up behind these protective tariff and quota barriers. It also jacked up the prices local manufacturers could charge on the Australian market.



The big post-war inflow of **migrants** provided **cheap labour** for the rapid expansion of industry and their numbers expanded the population and created a bigger market.

During this time the free enterprise economies around the world were going through **great changes**. A long period of growth was underway. In this general growth some of the companies, particularly in America, Europe, U.K. and Japan grew to a really **giant size**.

These giant companies, called **multinationals**, or transnationals, spread around the world pushing goods and money into every country. Tariffs or import quotas, are a bother to the multinationals. They want the free flow of trade in goods from country to country because they need **new markets** to keep up their **rate of expansion**.

One way around the wall of tariffs is to push money into a country rather than goods. Once the money is inside the country it can be used to set up new companies or take over some of the local ones.

Australia was a prime target for this. It has, by world standards, a high paid population who buy a lot of goods. **Big profits were to be made especially because of the tariff protection and so from 1947 to 1975 \$13,588 million was poured in.** In addition they were able to borrow vast sums in Australia from banks and the finance market. (Source: "Overseas Investment Bulletin" and Transnational Study Group; Sydney University)

For instance: General Motors Holden in Australia is a totally U.S.-owned subsidiary of General Motors. **The initial U.S. investment in G.M.H. in 1931 was only \$2 million.** The entire capital to start the Holden car project, an amount of \$6 million, was raised by the Australian Government in 1945, mainly through the Commonwealth Bank. **G.M. in the U.S. would only agree to this project on condition that no U.S. money be spent on it. Yet by 1974 \$300 million in dividends were sent out of Australia to the American shareholders.** The government of the day made no mention of the 'deal' the U.S. had forced on Australia after the war, which led to the elimination of the local Australian effort at car production. (Source: Retrieval No. 23, 1975.)

The Liberal/Country Party who are in power for most of the time are defending this by saying;

*"Foreign investment brings jobs for Australian workers."*

and that;

*"Since multinationals bring in 'know how' and the latest technology in production, Australia gains."*

## Some facts about these Multinational or Transnational Corporations

- Who are they? They are household words. Esso, Shell, General Motors, Ford, Unilever, Philips, Goodyear, to name just a few. If you use a radio, watch a TV, drive a car, use washing powder, dial a telephone, etc. the chances are that you are using the products of a multinational.
- By the year 2000 some 300 firms will control three quarters of the assets of the non-communist world. (Source: N. McGuiness (Organisation for Economic Co-operation and Development in Paris))
- Many multinational companies handle more goods and services than the entire economies of many countries. (Source: Fortune Magazine.)
- Most multinational companies are growing at a faster rate than any national economy. (Source: Fortune Magazine.)

The picture in the manufacturing industry today looks like this:

### BIGGEST 200 COMPANIES

PRODUCE 1/2 OF ALL MANUFACTURED GOODS

EMPLOY 580,000 WORKERS

### 30,200 SMALL & MEDIUM SIZE COMPANIES

PRODUCE OTHER HALF OF ALL MANUFACTURED GOODS

EMPLOY 750,000 WORKERS

AMONG THE TOP 12 COMPANIES, 7 ARE FOREIGN CONTROLLED;

OF THE TOP 25, 17 ARE FOREIGN CONTROLLED

40% OF PROFIT GOES TO BIG 200

60% OF PROFIT SHARED BETWEEN 32,000 COMPANIES

### 87 FOREIGN CONTROLLED COMPANIES\*

EMPLOY 240,000 WORKERS

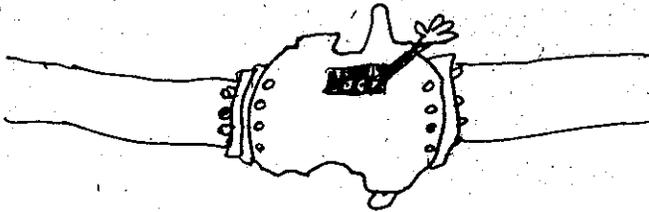
### 113 AUSTRALIAN CONTROLLED COMPANIES

EMPLOY 340,000 WORKERS

INCLUDING MANY WHOLLY OR PARTIALLY FOREIGN CONTROLLED COMPANIES

\* FOR EXAMPLE, FOREIGN CONTROL EXTENDS TO:  
88% OF MOTOR VEHICLES PRODUCED  
84% OF NON-FERROUS METALS  
78% OF INDUSTRIAL AND HEAVY CHEMICALS

(Source: Bureau of Statistics, Study 13/2/76; ref. no. 12.35 Figures Compiled.)



The day has now gone when the Australian market was the **private profit 'fish pond'** for local Australian companies.

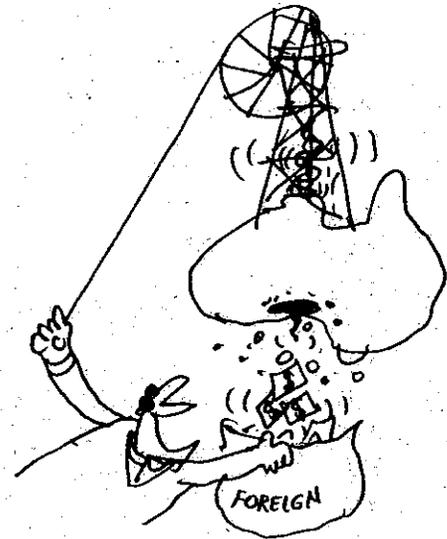
### The Stage is set for Crisis

The Australian economy is locked into other "free enterprise" economies through their multinational companies operating here.

This big change in the Australian and other "free enterprise" world economies set the stage for crisis.

**The Australian manufactured goods market is dominated by a small core of very big companies.** Many of the companies are tied to the policies and requirements of their parent companies overseas whose area of operation is the whole free enterprise world.

In the other sectors of the economy a similar process is taking place.



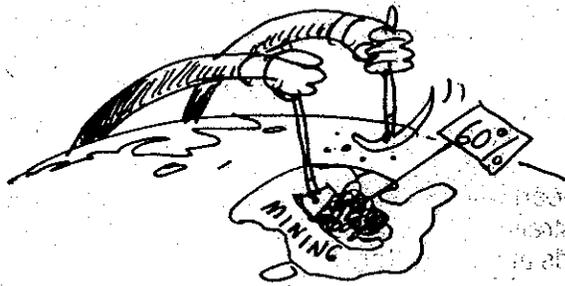
### 1973: The year that the multinationals pulled the plug and emptied the fish pond.

The **Whitlam Labor Government** came to office late in 1972. It had strong elements of nationalism with policies of **'buying back the farm'** which had passed into foreign hands.

It had a **program of reforms** and increased spending in social services, aid to the poor, the blacks, the widows, the unmarried mothers, the pensioners, more community services, improved public transport, a better health service etc. **Government spending in these areas makes up our social wage. It is part of the workers' share of the national cake so if the social wage increases, the workers' share of the cake increases.**

From the beginning this didn't suit the top 300 odd companies who claimed that the Government should only assist them to increase **their share** of the cake. For a time Labor managed. The first two years (1972-74) coincided with an international economic upturn.

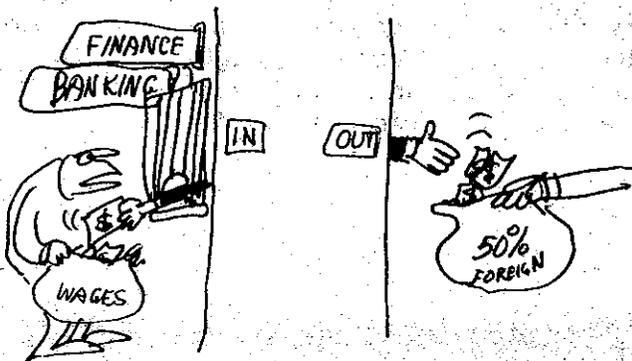
The 'buying back of the farm' part of Labor Party policy also upset the multinationals. The Labor Government wanted to borrow about \$4,000 million from the Arab countries to buy out the multinationals in mining. With the minerals in Australian public hands we could make the decisions and not the multinationals. Labor didn't get far before the whole Khemlani affair was blown up.



**The mining sector is under at least 60% foreign control and recent studies put the figure at 65%. In Queensland 82% of the mineral industry is foreign owned.** (Source: Transnational Study Group Sydney University.)

**In the Tertiary sector 50% of private banking and finance is under foreign control.** (Source: Transnational Study Group Sydney University.)

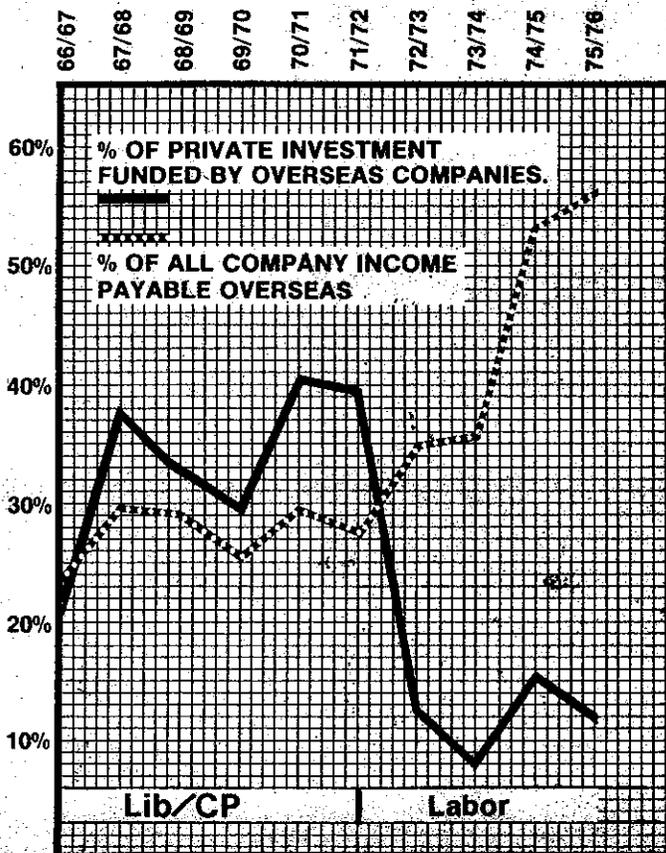
**The interests of the multinationals became our fate.**



The following figures show exactly **when and how** the multinationals pulled the plug.

(Source: Syntec Research Group and Aust. Govt. Treasury.)

Year	% of private investment funded by overseas companies	% of company income payable overseas
1966/67	23%	23.2%
1967/68	37.6%	28.8%
1968/69	33.6%	27.4%
1969/70	29.9%	26.4%
1970/71	40.3%	29.4%
1971/72	39.7%	27.3%
1972/73	<b>12.3%</b>	<b>32.5%</b>
1973/74	<b>8%</b>	<b>36.5%</b>
1974/75	<b>15.2%</b>	<b>52.7%</b>
1975/76	<b>11%</b>	<b>55.2%</b>



We can see from the table and the graph that the Australian economy was drained of investment funds almost overnight.

The overseas owners of companies in Australia decided that a Labor Government would give too much of the national cake to wage and salary earners and were a threat to foreign ownership and so they decided not to invest. Instead they sent profits back overseas.

The left hand side of the table shows that of all the private investment in companies in Australia the foreign share rose from 23% (\$2.30 in every \$10) in 1967, to about 40% (\$4 in every \$10) in 1971-72.

**In 1972, after the Labor Government was elected the amount of investment ploughed back was slashed to \$1.23 in every \$10 and in 1974 was down to 80 cents in every \$10 made.**

The right hand side of the table shows that **after 1972 the amount of company income payable overseas increased alarmingly.**

**It is now at a level where well over half of all profit made can be sucked out of the country at any time.**

From 1966 to 1972, foreign owned companies ploughed back most of the profits they made in Australia and steadily increased their degree of ownership in the Australian economy. After 1972 they withdrew or withheld their investments and took the profits home instead. The total profit payable overseas by companies operating in Australia from 1947 to 1975 is \$9,347 million dollars and increasing because an important high profit core of our economy is foreign owned.

(Source: *Compendium of official Statistics on Foreign Investment flows to and from Australia — Transnational Corporations Research Project Sydney University.*)

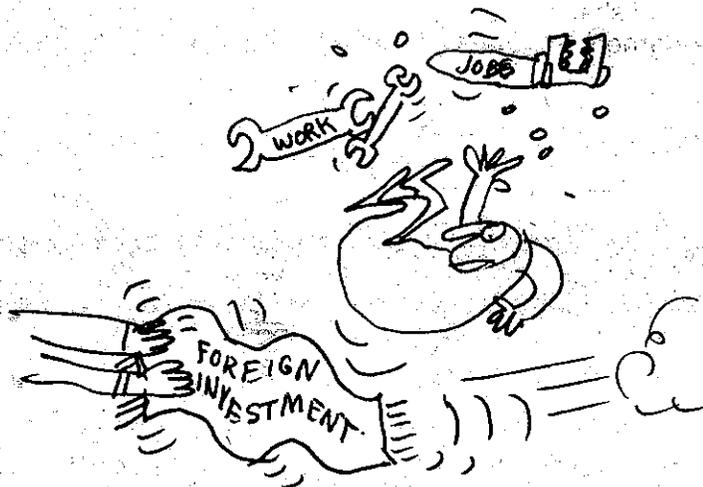
A substantial reduction of re-investment quickly reduces production in plant, machinery and other similar areas of employment. This reduction also effects building and construction, fabrication and other similar type industries and this reflects back into the consumer production industries. As a consequence large numbers of workers are sacked.

In 1972-73 the overseas corporations also demanded the removal of tariff barriers to cheaply produced imports which they wanted to bring into Australia at highly inflated prices. Much of these imports were to come from their branches in low wage countries in Asia.

In 1973 the government cut all tariffs by 25% which added to the problems of the small and medium sized manufacturing companies.

By 1974-75 all this had accumulated and by 1975 a world wide economic crisis added its effects.

The world wide crisis has its roots in the huge economic power of the multinational corporations.



They have become organised so as to conduct their operations beyond the control or influence of governments. Exploiting tax havens and low wage production areas on the one side and undertaking a headlong rush of expansion they are creating anarchy on a global scale. The Middle East oil crisis of 1974 was all that was needed to trigger off a global economic crisis in 1975.

## How did the inflation come?

Inflation has many causes. One of the causes was a massive inflow of money from overseas in the early 1970's. Between 1970 and 1972, \$3043 million dollars poured into the Australian economy. A much larger inflow than for previous years.

(Source: *Transnational Corporations Research Project, Sydney University.*)

This money coming in was a hedge against inflation raging overseas. It was used for speculation in fringe banking, share trading, real estate, property and mining. Some of the money was for currency speculation against the Australian dollar.

The **amount** of money racing around the economy rose by almost 30% in the single year of 1971 to 1972 **before** the Labor Government was elected. In effect this was inflation caused by too much money chasing too few goods.

Another cause was that America had to print more dollars to finance the Vietnam war. This caused deliberate inflation which was 'exported' to other countries including Australia.

The multinationals themselves carried out highly inflationary operations by raising their prices to maximize their profits and finance their own expansion.

## **THESE WERE THE CAUSES OF OUR CRISIS NOT WAGE AND SALARY EARNERS OR THEIR UNIONS.**

The crisis was caused by decisions made overseas which very seriously distorted our economy.

- Inflation rocketed
- Industry wound down
- Hundreds of thousands of workers were sacked

Australia plunged into its biggest economic crisis since the 1930's. All because of the decisions of a few owners of companies.

The crisis continued.

# WHERE are we going?

## **What are the present directions of the crisis?**

It is a crisis involving the restructuring of the world's free enterprise economies by the multinationals. This is producing a restructuring of the Australian economy.

The direction depends on their decisions and needs. So what are their needs now?

In the late 1960's and early 1970's, their interest changed from the manufacturing sector in Australia to the mining sector plus speculation in finance and property.

They had already captured the Australian market and the high profit core of manufacturing. By the late 1960's, when new investment decisions were being made, they chose the lower wage countries in Asia and South America.

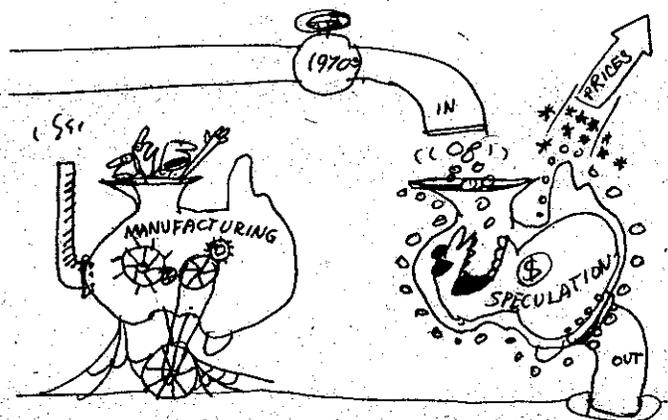
They could then combine low wages with high technology and increase the amount of profit enormously. The odd coup here and there had made certain countries safe for the multinationals. With the help of their parent governments, they had substantially reduced domestic competition in places like Australia. Now in the 1970's why would they choose to set up new factories in Australia, when they can go to Singapore.

This is not because of anything the Australian worker has done, or the Asian worker for that

matter. The capitalist world has simply changed around us with close economic integration carried out through multinationals.

**But! They very much require our raw materials and minerals for the industries and the drive now is to extract them as fast as possible.**

Australia is becoming a vast quarry, supplying minerals for their overseas manufacturing industries. This is producing a basic shift in the Australian economy and is having far reaching and shattering consequences for wage and salary earners and the manufacturing industry.



# WHAT are they doing?

## **What are the Fraser Government and the employers doing about it and why are they attacking wages and unions?**

As we have already seen, **wages and salary earners and their unions are not to blame** for the present crisis.

The crisis hit the hip pocket nerve of most Australians and the Labor Government was not re-elected.

Fraser came in publicly identifying government spending and the high level of wages and salaries as the main cause of inflation. Inflation was the biggest evil and all policies would be directed towards getting it down.

## **From the start it was at best a smokescreen and at worst a lie.**

The Liberal/Country Party's platform policy bandied around the business community was quite specific.

**"The restoration of profits"**. The share of the national cake going to profits had to be increased at the expense of the share of wage and salary earners, (both directly from wages and indirectly from the social wage provided through public sector services).

But profits for who?

**The 2 in every 1,000 companies both Australian and foreign-owned who take home 50% of all profit?**

**The overseas-owned companies in Australia who by 1975 were getting 55% of all company income?**

For the Fraser government it was both. His political backing came from the big Australian and multinational companies in Australia operating in mining, finance/banking and manufacturing. Of course, the backing of the rural sector was there as well.

All three groups had played a big role in setting the scene for the destruction of the Labor Government and Fraser owed them plenty.

**To increase the profit share of the national cake the social wage as well as the real wage of workers is going down.**

The total transfer of wealth from the workers to the corporations in the past 2 years approximates \$4 BILLION. (Source: Combined Research Centre. Figure based on average weekly male and female wage.)

Therefore government spending on social services, pensions, health, schools, public

transport, community services and the like, are being slashed. A large part of the savings are going on government grants, tax exemptions, investment allowances for companies.

**This was done under the slogan "that government expenditure causes inflation".**

As well as this wages are being driven down.

**This is being carried out under the slogan "that wages cause inflation".**

Fraser had hoped that if the rate of profit were increased the multinationals would start to plough back the profits they are making to make more profits instead of taking them back overseas.

**This was under the slogan of "investment led recovery".**

In a very short time he got the message:—

*"Not manufacturing you dill, Mining!"*

**There will be comparatively little new investment in manufacturing in Australia from overseas because the multinationals now prefer centres in Asia and Latin America for their investment in manufacturing industry.**

The 1976 Budget was the mining budget. It gave huge concessions to the mining industry.

Still the multinational mining companies and other foreign interests held off. They were waiting for the cream on the coffee. Fraser came good again.

**He devalued the Australian Currency by 17.5%**

With the Fraser government's devaluation of the Australian dollar incoming money was worth more here and could buy much more of Australia.

Not only that: the companies operating in Australia quietly slipped about \$1,000 million out of the country to await devaluation. (They were flush with funds, Lynch gave them to play with, when he cancelled quarterly tax payments for companies.)

**Fraser had to borrow \$1,000 million from overseas to cover this speculation on our currency.**

After devaluation the money poured in. More than \$600 million in December 1976 alone. So much poured in that Fraser had to revalue the currency about 5 times in a month or so.

The money pouring in caused more inflation and with the level now running at about 15%, more is still to come. Those who slipped money out before hand and brought it back, made millions of dollars.

Devaluation is inflationary for two reasons:

- It raises costs of imports
- The effect on money supply by the inflow of capital.

**So much for Fraser's big concern about inflation.**

**Fraser and Anthony want to make Australia into an international quarry.** What are our local owners or employers doing?

First, one point must be made clear. When the big mining boom gets really under way our exports of minerals will rocket up.

If you export a large value you have to make other adjustments either by:

- letting the value of the Australian dollar rise. This would raise the price of other exports (such as rural products) and make them less competitive on the international market. Great hardship would be caused in the rural sector.

**OR**

- accepting a similar value of imports back into the country.

**Since we already have rural produce and minerals running out of our ears the only increase in goods we can import are manufactured goods.**

There is pressure from customers like Japan, for us to buy more from them.

A flood of such imports have drastic effects on Australia's manufacturing industry.

The local manufacturers are reacting in different ways, depending on whether they are

- big or small
- predominantly importers or exporters
- **labour intensive** in terms of employing more workers and less invested money
- **capital intensive** in terms of employing less workers and more invested money in high technology.

If we go back to our picture of the manufacturing industry the smaller 30,200 odd companies are mainly labour intensive. We are in much worse shape than the countries which will be exporting their manufactured goods to us in return for our minerals.

We can see the truth of this if we look at the following tables:

**Machine tools in industrial plant less than 10 years' old by country 1976**

Japan	62%	of plant less than 10 years' old
Germany	56%	" "
America	39%	" "
U.K.	38%	" "
<b>Australia</b>	<b>25%</b>	" "

(Source: Heavy Engineering Manufacturers Association Report 1976.)

In Australia the 25% of plant less than 10 years old is concentrated mainly in big companies. Most of the small companies have old, out of date equipment.

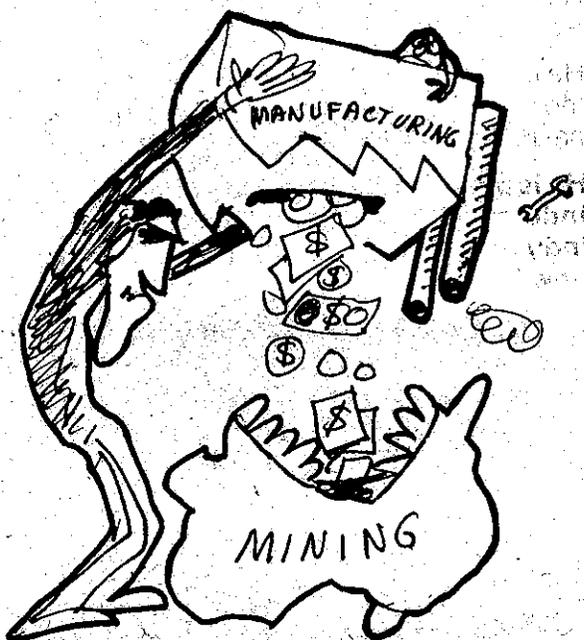
The rate of expenditure on equipment in Australia has also been very low.

**Expenditure on capital plant and equipment as a percentage of national cake 1976**

Japan	37%
France	28%
West Germany	26%
Canada	22%
Italy	21%
U.K.	17%
America	16%
<b>Australia</b>	<b>10%</b>

(Source: Heavy Engineering Manufacturers Association Report, 1976.)

The small manufacturing companies are in a mess and since they employ most of the workers, these workers are now suffering.



The big companies in manufacturing led by B.H.P. are moving off into the mining of oil, minerals and natural gas.

B.H.P. had already started the big shift with joint operations with other foreign multinationals (such as Esso in Bass Strait).

Huge profits are made in mining, far more than in manufacturing steel or anything else. So Patriotic B.H.P. is tightening up in its manufacturing operations, throwing workers out, and concentrating on its new investment in mining. B.H.P. is also borrowing overseas. It has borrowed \$200 million this year for the move into mining. (Source: Financial Review.)

**B.H.P. is getting ample assistance from Fraser. It pays no tax on any of its profits that it ploughs into mining, but it pays 40% to 45% on profits it ploughs back into steel mills. This means, in effect, that the taxpayer pays 40% to 45% of the development costs so B.H.P. can shift its base away from activities that provide jobs. The decisions made by B.H.P. are made by about 12 men.**

B.H.P. is the pacesetter for the big manufacturers and those who can, are getting in for the chop.

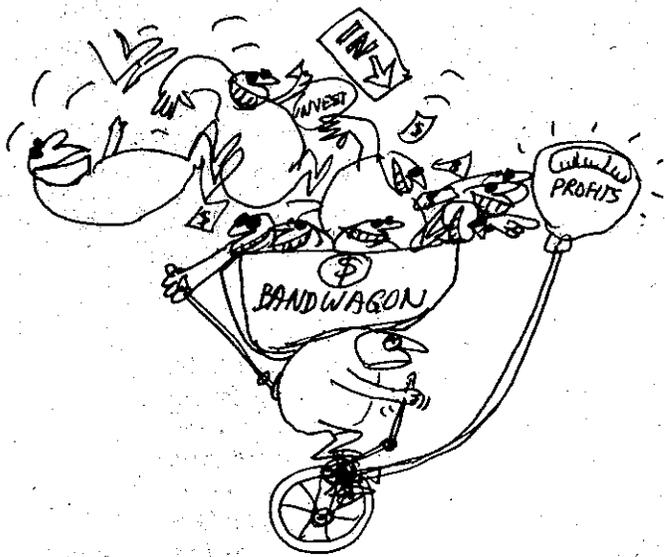
If we look at where the big banks and finance companies such as Bank of N.S.W., A.N.Z., National Bank, A.M.P., Colonial Mutual and others are putting their money, we find that it is going increasingly into the mining sector. This is taking much needed money away from manufacturing and building. **The finance houses are delinquents as far as workers' interests are concerned.**

They all followed the **speculation money** which poured in in 1971-73 into the property boom. Now that our cities are dotted with empty office blocks the building industry is going to the wall and workers there are being thrown out of work. Money for homes is as scarce as hen's teeth.

**Because of this shift of funds, small manufacturing industry is starved of money.**

Businessmen put their money where the biggest profit can be had; that's the name of the game in the private enterprise system. The big companies that can are jumping onto the high-profit mining bandwagon.

One of the solutions being considered by the small manufacturers is to put in high technology, automate, replace as many workers as possible to lower costs and try to get competitive with the imports.



The paper of the manufacturers, *Manufacturers Monthly*, sums it up in an editorial:

*"Given these indications the brutal fact of life for labour intensive industries, if they want to survive, is that they must off-load as many of their workers as possible. This can only be done through a rapid process of automation with a consequent decrease in labour content."*

**Automation requires a lot of money. Where are they going to get money from if large quantities of it are sucked into mining? In any case, the companies may survive but the workers will lose their jobs.**

Other small and medium sized manufacturers are taking a different course. They are moving to Asia to take advantage of the low wages. Dunlop is leading the way. **In the last few years 49 companies have moved to the Philippines alone and many more to other countries in Asia.** They are then exporting their goods back to the Australian market. (Source: *Financial Review* — also K. Short, University of Adelaide.)

Most small manufacturers still see the solution in terms of reduced wages. They don't see the real reasons for their immediate problems and in any case, they will always have an interest in paying lower wages.

**The danger to Fraser is that workers, and some of the domestic producers will wake up and become a political force resisting the shift to mining.**

By attacking unions and wages Fraser is aiming to kill two birds with one stone.

- If he drives down wages he can raise the profit levels of the big companies and allow them to shift some of these profits into mining.
- If wages go down the small manufacturers will think they can survive. There is very big catch for the small manufacturers. It won't save them from manufactured goods imported from South East Asia.

**In a very big mining export boom the value of the exports tends to drive up the value of our currency**

With the value of our currency high, the price of imports is much less. The Bureau of Agricultural Economics estimates that the increase in the value of our currency during the mining boom of the late 1960s was high enough to wipe out any advantages from having tariff protection of our industry. (Source: *Gregory, Economics Dept. Australian National University*)

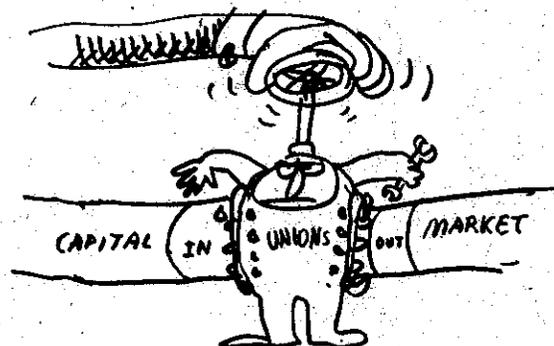
**So in come the flood of imports.**

**There are few who stand in Fraser's way, and the most important groups are the unions.**

Workers are the losers in this structural change and they can be expected to resist — through their unions — he needs to tame the unions.

**To drive down wages and destroy the unions, Fraser is using a whole battery of weapons.**

- He is trying to isolate the militant unions such as the A.M.W.S.U.
- He is initiating the most violent campaign with the aid of the press, radio and TV and he is having some impact.
- **He is passing legislation to establish the Industrial Relations Bureau with an industrial police force with wide ranging powers to:—**  
arrest, inspect, fine, jail, intervene.



- He has also amended the Trade Practices Act for 'tort' so that workers found guilty of boycotts that affect the expected profits of a company **can be fined \$50,000 each and their union \$250,000.** He has enacted legislation for outside interference through the Arbitration system, in the internal affairs of unions by taking control of union elections out of the hands of members.
- He has re-activated the industrial spy section of A.S.I.O. (the Australian Security Intelligence Organisation) which was stopped by the Labor Government.
- **He is pushing heavily in the Arbitration Commission against the full indexation of wages to rising prices and aims for its ultimate elimination.**
- He is pursuing policies which add to the number of unemployed and intimidate the workers still in jobs.
- He is encouraging leaders in Japan and America to attack Australian workers, their wages and their unions. **Japanese workers' wages are as high as ours and those of America are higher.**

The Japanese and American Industrialists want our minerals and a market for their manufactured goods. It is in their interest to help Fraser make the shift to mining. The Australian unions stand in the way. **The American Ambassador tells us that our wages must go down and the Japanese Foreign Minister tells us that we must stop our industrial disputes.**

Fraser, the radio, TV, press and employers are even blaming industrial disputes for our economic ills. Given the picture just painted this is incredible. More incredible since we know that unemployment was caused by the crisis described above, and that the **loss in production from unemployment is more than 80 times the loss through industrial disputes.**

### **Employment in Mining — Who gets the \$millions from the sale of our minerals?**

Mining is capital intensive. It employs very few workers. **Only a handful of workers sacked in manufacturing will get jobs in mining.**

Of the billions of dollars paid for our minerals the multinationals will get the lions share. The rest will go to the Big Australian companies. Some workers employed may get a generous handful of cash. Little will go to the public purse in terms of revenue. (e.g. Fitzgerald Report on net subsidy to mining by the tax payer.)

It's a bit like the multinationals saying:

*"You've got gold in the back yard. We will pay you to dig it up and we will keep the gold, and afterwards we give you back the backyard with whopping great holes in it. But in the meantime we have taken away any alternative employment you may have had"*

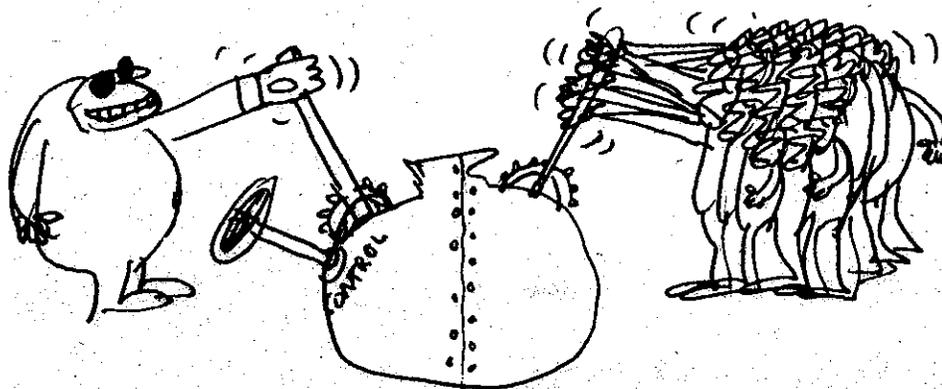
### **Big Taxes on the Mining Billions to provide the funds for Social Services?**

Not on your life. Fraser has granted huge tax concessions. For instance Hammersley Mines paid \$572,000 in tax on a profit of \$264 million — a lot less than 1%. (Source: Fitzgerald Report on Minerals).

**We should also see uranium mining in this light. Uranium has many dangers. Not so much in mining but in its final use in reactors and the worlds inability to store the waste for the 500,000 years required.**

We have already seen that when multinationals are no longer interested in further investment in manufacturing they stop investing and start pulling profits out.

What happens when they have ripped out the more easily extracted ore? Another pull out? Another big economic crisis? A useless Australia dotted with holes in the ground?



# HOW

## can we stop them?

### **What are the best solutions for wage and salary earners?**

It is in the interests of wage and salary earners to resist this restructuring of the Australian economy which will vastly increase the number of unemployed and prevent any chance of their re-employment.

We need a new economic program for Australia. The A.M.W.S.U. supports the call for a **People's Economic Program**, based on the needs of the people within the terms of:

- **maintenance of full employment**
- **protection of the environment**
- **progressive reduction of working hours.**

Any new economic program would require a balance between mining, manufacturing, rural and tertiary sector so that the entire economy is propelled forward from the undoubted mineral riches.

**This can be achieved without having to resort to uranium mining.**

If the wealth from minerals, oil and gas can be captured it could provide the investment badly required in manufacturing.

The mineral wealth is the national heritage of the Australian people and should be publicly owned.

As many big companies and corporations should be transferred to public ownership as is required to restore effective direction and control of the Australian economy to the elected representatives of the Australian people.

Wealth accruing from minerals should be diverted into the manufacturing and tertiary industries and should be used to establish publicly owned companies or public equity in privately owned companies.

There must be greater accountability of the private sector to the Australian public.

Government institutions and mechanisms, created if they do not already exist, must be used to ensure planned development both social and economic. This would cover a restructuring of taxation, tariffs and/or quotas and control of all credit, interest rates and prices.

**Such a redirection of the economy would create the framework for meeting the burning social and economic needs of Australians.**

This program needs to be developed in conjunction with the struggles and involvement of the people which will inevitably arise from the impact of the policies of the Fraser Government.

These actions are already beginning. Workers are seeking to defend their wages, jobs and unions.

Farmers organisations are protesting at the currency distortion of the Australian dollar which flows from the minerals boom and affects the sale of rural produce in the international market.

Small and medium scale businessmen are realising that the Australian market which created them was never achieved on low wages and a policy of industrial destruction.

## Join in! Help to develop this People's Economic Program.

### AN A.M.W.S.U. PROPOSAL

The following sets out **principles** which the A.M.W.S.U. believes is an effective **alternative economic strategy** that would provide a framework to meet the needs of the Australian people.

They represent the basis of A.M.W.S.U. proposals to be submitted for consideration by the **A.L.P. Federal Conference** and the **A.C.T.U. Congress**. They are proposals submitted in the discussion for an **alternative Peoples Economic Program**.

They are a departure from limited traditional alternatives precisely because experience of 1973-75 showed how vulnerable such limitations are.

Proposals of the kind made here can only be successful to the extent that they are actively advanced by a vigorous movement of the people fully conscious of their significance and the tasks to be faced in the course of their achievement.

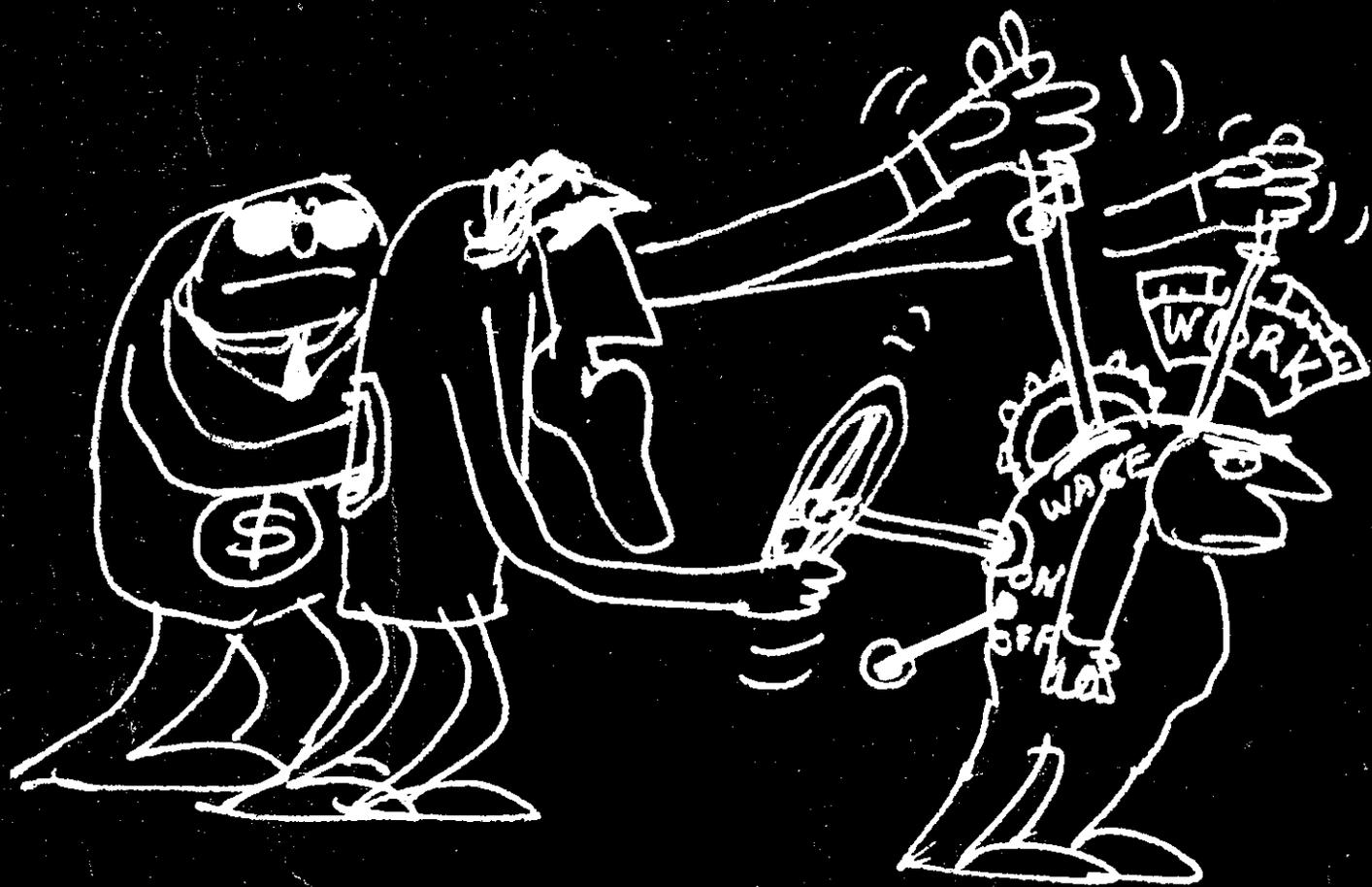
**They are therefore set out here as a contribution to the development of such a movement.**

- 1 (a) **Establish a Dept. of Economic Planning** to give advice to and carry out instructions from the elected Government. The department will seek advice from other Australian Govt. departments and agencies, State Governments, employees, employers, local govt., consumers, etc.
  - (b) All other Aust. Govt. Depts. will be subject to co-ordination by the Dept. of Economic Planning through the government.
  - (c) The operating and decision making guidelines of the Dept. of Economic Planning shall include —
    - maintenance of full employment
    - protection of the environment
    - progressive reduction of working hours
    - promotion of general quality of life of Australians.
  - (d) The decisions, deliberations and operation of the Dept. of Economic Planning will be **made public**.
- 2(a) Seek to effect **changes in the constitution** necessary to bring about the **public ownership** of as many of the **largest Australian and Overseas owned corporations**

operating in Australia as is necessary to control the direction and functioning of the Australian Economy. Where full public ownership is unnecessary shares sufficient for control will be obtained.

- (b) Provide **compensation** to private industry subsumed to public ownership **where warranted**.
  - (c) Companies remaining outside the orbit of public ownership to be **accountable to the public**, the Government and the Dept. of Economic Planning in terms of full and detailed information on —
    - profits
    - manpower and employment policies
    - quality of goods
    - investment plans
    - intended geographical shift of operationor any other **information essential** for the **protection of those effected by their actions**.
  - (d) Based on the principle that the **minerals and other natural resources** of Australia are the **national heritage of all the Australian people** and that the proceeds from the extraction and sale of these resources should benefit them, and **not** (as at present) a small number of **large Australian and foreign controlled companies** then —
    - (i) The above mentioned expansion of public ownership (in (a)) will take place with special attention given to the mining sector.
    - (ii) Where it is deemed appropriate for ownership to remain in private hands then appropriate **taxes, royalties** etc. be levied on this sector to increase **public revenue**.
    - (iii) That the Dept. of Economic Planning be responsible for setting the guidelines for the **controlled development** of the mining industry including the mining of minerals, oil and natural gas this also to apply to public enterprises involved in this sector.
- 3 (a) **Recognising that as at 1976 some 55.2% of all company income in Australia is payable or repatriable overseas** and that this makes the **Australian Economy immensely vulnerable to external manipulation** and pressure, that:—
  - (i) The Reserve Bank and Treasury under the supervision of Dept. of Economic Planning will be empowered to **control the movement** of these **funds** and prevent their repatriation if such movement is not consistent with the long and short term interests of the Australian Economy.

- (b) It is also recognised that transnational corporations and banks plus the various foreign owned and local fringe financial institutions have elaborate mechanisms for the intra-organizational movement of funds which prevents effective Australian control of money and credit supply and make the control of movement of funds almost impossible. Then —
- (i) Fringe financial institutions be transferred to public ownership.
  - (ii) Transnational corporations not subject to public ownership be required by legislation to provide full information on a regular basis in terms of —
    - price transfer arrangements
    - the charging of management and research costs to the Australian subsidiary or branch by the parent office
    - or any other information on activities constituting an effective transfer of funds
  - (iii) the relevant Australian Government Department be empowered to appoint its own auditors with authority for direct access to this information and/or any other required details.
- 4 Recognising that the **structural shift** taking place in global and Australian economics directly **threatens** large sections of **small and medium companies in the manufacturing** sector and as a consequence the **jobs of hundreds of thousands of workers** then — through the Dept. of Economic Planning (co-ordinating the activities of the I.A.C., A.I.D.C. etc.) a large scale rationalization of the manufacturing industry be instituted including:—
- (i) mergers
  - (ii) initial high taxation with subsequent selective investment allowances. The granting of such investment allowances and the subsequent investment be through Government co-ordination with due regard to the aims and objects of the Dept. of Economic Planning.
  - (iii) The infusion of public money to update equipment and introduce new technology where necessary and that such grants become public equity in the company.
  - (iv) A programme of overall planned tariffs and quotas to ensure the rationalization and viability of the manufacturing industry.
  - (v) An adequate manpower policy including retraining of effected sections of the work force with provision for adequate support.
- 5 In respect to public revenue it is recognised that in view of the expanded role of the public sector outlined in points 1, 2, 3 and 4 **adequate revenue will flow from this public ownership** (especially from the controlled lucrative mining ventures) and make possible the long over due revision of the tax system so that —
- (a) Income tax will be reserved exclusively to the Australian Government
  - (b) The Australian tax system will be changed to —
    - (i) reduce taxation on lower and middle incomes
    - (ii) adjust, to avoid inequities, the present system of concessional deductions possibly substituting a system of rebates
    - (iii) prevent tax avoidance schemes
    - (iv) tax the accumulation of assets by means, where appropriate, of capital gains tax, recognising the special difficulties of low and middle income earners, particularly in the inheritance of small family enterprises.
    - (v) tax company income at graduated rates by reducing rates for smaller companies
    - (vi) drastically reduce or eliminate indirect tax.
- 6 In view of the public ownership of sections of the finance industry (anticipated in 3 (b) (i)) provide for a policy of differential interest rates with benefits particularly flowing to home buyers and if necessary the implementation of an interest subsidy.
- 7 Provide assistance to small businesses, primary producers and through the controlled development of the mining industry (envisaged in 2(d) (iii)) protect the rural industry as a whole from the currency distortions which would be associated with a large mining boom.
- 8 Establish clear **guidelines for overseas investors** providing for:—
- (i) **Majority Australian public ownership in any new ventures**
  - (ii) **Prevention of purchase of existing enterprises**
  - (iii) **Introduction of new plant and technology.**
- 9 Use the increased degree of public ownership as a weapon against monopolistic or restrictive trade practices.
- 10 Establish the constitutional and institutional framework necessary for direct financial relationship between local municipal govt. and the Australian Government.
- 11 In view of the fact that the above programme involves a **substantial change in the structure of the Australian economy and society a national campaign of explanation and education** will be carried out prior to its implementation.
- 12 Recognising that the above programme involves a large **expansion of the public sector** then the new expanded public sector **will not emulate the authoritarian, hierarchical and undemocratic, organizational and decision making structure, either of private enterprise or existing public utilities.** The new Public sector will move towards the introduction of **democratic principles in work relations** bearing in mind that the public sector is responsible to the whole of the public.



***Don't let them  
get away with it!***