

Manufacturing industry continues to decline

by Jim H.

It is hardly a secret that Australia's manufacturing industry is in decline. Vanguard, as others have, has made many comments on this over a period of time. Ongoing investigation will no doubt reveal more than we know now.

Even at this point, enough is known to have good reason to believe that Australia is in deep trouble. When the business media itself begins to publish material that shares the understanding, it tends to confirm the truth of it. This also suggests that the capitalist class is aware of the problem and is seeking its own solution.

An example of what is now being published is Tim Colbach's article in the 27 November 2009 edition of *The Age*. Using Bureau of Statistics figures, he goes on to point out that "Australian manufacturing has slumped below 1 percent of GDP for the first time in 60 years." It stands at 0.9 percent. He goes on, "... capital expenditure by manufacturers slumped 13.5 percent in the September quarter, spearheading a fall in total business investment ... business investment plans for the 2009-10 financial year are down 8 percent from plans at this time last year, and 7 percent from the amount actually invested ..."

Taking on an historical view, Colbach observes that manufacturing's share of GDP is now a fraction of what it was in the 1950s and 1960s, and even the 1980s and 1990s. He traces the problem back to the Whitlam government's tariff cuts in the 1970s.

The misfortunes of manufacturing are contrasted to mining investment that had risen from an average of 0.27 percent of GDP in the 1950s to 3.16 percent in 2009-09.

What is the cause?

Colbach's observations are important. They provide empirical evidence of the state of Australian manufacturing. At the time these observations are limited, in that the most important questions crying out for answers are why this came about and, what should be done about it?

Spokespeople from employer organisations often refer to a problem of excess labour in manufacturing. They would probably like to see an opportunity for shedding this excess. There is also mention of the drying up of credit in the current economic climate.

At most, these things are symptoms



of what is going on, that do not explain the cause and why it has been going on for decades. Something more fundamental is going on.

There are a number of things that should be considered when trying to arrive at an answer to this problem. The most important is that manufacturing is by far the largest source for the creation of value. Without the creation of value, Australia cannot become richer.

Value is created when human beings turn the gifts of nature into things that are more useful. In general, other industries are concerned with the distribution of this value.

There is plenty of evidence that shows that the value of what is manufactured has been dropping largely because of the introduction of new technologies, but also because Australia has not been able to keep up with global standards. Manufacturing industry is hit by the falling value and therefore the price of high tech commodities in particular, and undercut by foreign competitors that have the latest technology. They can produce more cheaply and sell for a lower price.

Along with falling value, there emerges the problem of overproduction as businesses strive to make up the loss with more output till it outstrips the available market. Australian manufacturing is hit by the dynamics of capitalist production at home, plus the impact of the global economy.

Secondly, the Australian economy is geared towards assisting the creation of value elsewhere. The decisive portion of investment funds in Australia are in the hands of foreigners. The most important are US and British monopoly capitalists. They determine the course

of Australia's development. Over the long term, the period of decline has coincided with the consolidation of the influence of US interests in Australia. Investment in Australia is increasingly turned much less to the creation of value than it is to the taking of value out of Australia.

A good example to illustrate the impact of this is the character of the mining industry. Mining is not structured on the basis of servicing Australia's manufacturing, but towards exporting raw materials. Because of this, it acts as a counter-weight to manufacturing. It draws investment away from where it should go and consequently distorts and weakens the economy in a fundamental way.

Thirdly, there are actions of Australian governments that have worked against manufacturing. Deregulation and removal of previous protective measures were carried out recklessly and without the existence of a proper national economic plan. Australia had inherited strengths and weaknesses from the past. Planning could have worked to build on the strengths and overcome the weaknesses. It could have been a means to direct resources where they are needed and ensure that control is in the hands of the Australian people. Important industries could have been nurtured. Mature and stable industries could have been supported in the need to keep up with developments. These sorts of things were never done.

Change is necessary

Positive change requires attention to all three factors.

It requires the end of manufacturing on a purely capitalist basis. From this standpoint there is great scope to build new green industries, and much more besides. The trick is to overcome the problems that come along with falling values and overproduction.

A much greater degree of Australian independence is essential. Without this we cannot have control over our economy as a people.

It is a matter of policy and a matter of action. It will require the nationalisation of strategic industries that are effectively under foreign control. Naturally this means government intervention with the involvement of and under the supervision of the people. This can ensure that attention is paid to needed manufacturing and that it occurs in a manner that is in the interests of the great majority.

Effective change also requires a national economic plan and a willingness to stand up for the Australian nation and people.

Such a plan would be multi-faceted to ensure that there is adequate investment, that investment is channelled to where it should go, that there is adequate infrastructure, the long term neglect of training is addressed and skills shortages overcome, assistance to industries and businesses is directed strategically and research and development is properly funded and managed.

The first step along this road is a broad discussion aimed at reaching widespread agreement on the specifics of what is needed. A campaign for change can be launched on this platform. It is the only way forward. The alternative is continuing stagnation and decline.