

OASIS-Australia

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Newsletter

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Submission to the Fair Pay Commission

It is proposed to put forward a submission to the Fair Pay Commission in response to their call for submissions in the lead-up to their first minimum wage decision in the Spring this year.

A draft submission will follow this newsletter as a separate paper. Please let me have any comments or suggestions within the next week so that the final submission can be lodged before the end of this month.

Unemployment Rate Falls

The Australian Bureau of Statistics released employment data last week showing a fall in the unemployment rate to 4.9 per cent in May this year, the lowest rate for 30 years.

The Prime Minister in his press interview took full advantage of the news to promote the Work Choices legislation and to welcome an unemployment rate with a four in front of it. He went on to say that further reductions could be achieved, a point echoed by some sections of the media.

In the news item on the ABC featuring the Prime Minister's press interview there was also an interview with a leading economist. He was asked to comment on the unemployment rate reduction, and gave a warning that it could lead to a rise in interest rates. This came as no surprise. It indicated what has been said on a number of occasions that there is a level of unemployment below which economists believe there will be inflationary pressures requiring a rise in interest rates to 'cool the economy'.

Were the comments by the Prime Minister misleading, as we inferred last newsletter in relation to comments by the Workplace Minister? Were they politically driven or policy driven?

Comments from Canada

It is interesting to note comments by the “Livable Income for Everyone” institution in Canada, where they are faced with a similar situation.

On their web site: <http://www.livableincome.org> is a series of papers under the title of their institution. One of the papers, “Deliberate Unemployment”, starts with a quote from an article by Ian Jack in the Financial Post, from Ottawa, August 5, 2000, under the heading “FEWER WORKING Unemployment rise heartwarming for economists”. He goes on to say “Canada's jobless rate rose for the first time in nearly a year in July, surprising most economists and providing a welcome sign for the interest rate.”

Following are some extracts from the paper “Deliberate Unemployment”.

“The current economic system is dependent on having large numbers of unemployed. There must always be more people than there are jobs to keep the economic system going to ensure low wages and a workforce willing to take low wages and poor working conditions.

“Economists prescribe how much unemployment is needed to keep wages down and workers “flexible”, this measure is called the NAIRU, the non-accelerating inflation rate of unemployment. (Hazel Henderson)”

“In Canada they have determined the “natural” rate of unemployment to be 8%. This is something you can be sure you will never learn about in your job club. That means if there were suddenly more jobs and the unemployment rate fell below that level, they would raise interest rates to “cool down” the economy so as to create more 'slack' in the labour market.”

“A Bank of Montreal economist writes “Past experience shows that whenever the jobless rate falls below this rate, [NAIRU] wage inflation, and ultimately price inflation, accelerates.”

“Thus the unemployed have a very important job; they are a safety net for the wealthy.”

“So even if we suddenly had a magic pill that would make every unemployed and poor person a super-worker; skilled, healthy, eager and with the 'right attitude', the current economy still could not function without large numbers of unemployed people.”

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Do Economists Care?

After a few days delay the printed copies of the essays in booklet form became available and all orders have been distributed. We still have a few on hand, but a second run will be necessary if the demand for further copies continues.

Still on the subject, although not related to the industrial relations scene, are the following which can be considered under the umbrella of “Do Economists Care?”.

First, to an article by Peter Saunders, Social Research Director at the Centre for Independent Studies, which appeared in The Age, 2 June 06. In this article he scathingly attacks certain welfare expenditure on the grounds that it is “tax-welfare churning – a term often used in a derisory way by economists to further the dogma that governments should, in the words of Peter Saunders, “concentrate on cutting taxes so we can keep more of our own cash in the first place”. This is part of the argument used in favour of privatisation of health and education. This is a policy for those who have, to the detriment of those who have not.

And to a more basic question, what is the difference between what they call tax-welfare churning and insurance? In both cases people pay tax/premiums to cover potential major expense.

Second is the nuclear debate. No, it is not intended to refer specifically to economic issues or to environment issues, but to one point which to the best of my knowledge has not been raised in any debate. Where do we stand on the future of the planet?

Climate change is in the news, but what of the future with possibly hundreds of nuclear power stations around the globe which can be destroyed by rocket or bomb attack? How can nations protect their power stations from such an attack? What would be the fall-out from such an attack? What would be the impact of a nuclear power station destroyed by rocket or bomb attack? How great would be the devastation? What area would be affected? Is it possible that attacks and retaliation could leave much of our planet uninhabitable? These are some of the questions which in the current volatile international situation surely demand answers. These are also some of the questions which highlight the inadequacies of reliance on economic principles alone.

A final reminder.

The draft submission to the Fair Pay Commission will follow as a separate paper. Please let me have your comments as soon as possible so that the submission can be put forward on behalf of OASIS-Australia early July.

Allan McDonald

for OASIS-Australia