

THE LUCKY COUNTRY! - THE CLEVER COUNTRY?



THE ECONOMY OF AUSTRALIA

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I. Introduction

The Image that Australians have of their nation, and which the nation projects to the rest of the world, has changed markedly over the years. In addition to its potential as an agricultural producer, Australia in the nineteenth century also projected the image of being a healthy place to live, particular when compared to the industrialised and urbanised parts of western Europe (climate). Throughout the first half of the twentieth century Australia remained very closely tied to Britain. Australia might have begun to appreciate its own place in the world economic order during the depression of the 1930s, and it might have had its geopolitical position brought home to it most forcefully during the Second World War, but it was, nevertheless, effectively an outpost of empire for the best part of fifty years. Only after 1945, with the influx of large numbers of people from sources other than the United Kingdom and Ireland, did attitudes begin to change quickly. As a result it is perhaps not surprising that the first real attempts to take stock of the rapidly changing nature of Australia's economy, society and politics emerged only in the 1960s.

'The lucky country'- Certainly Australia's abundant natural resources, relative to the size of its population, seemed to ensure the indefinite continuation of high levels of material well-being. Life on the surface was therefore very pleasant. Australia was a country without great political dialogue, with little political ideology, and a place where politics was usually considered to be somebody else's business. For example, when most Australians think of economic growth, they commonly argue that growth can be achieved if people work harder. They thereby overlook the possibility that growth in the future might be contingent on people being 'cleverer' rather than working 'harder'.

During the worldwide economical crisis in the 1970s the 'Life wasn't meant to be easy' for the Australians. Unemployment was general under 2 per cent until 1973, but rose to over 10 per cent during the next decade (government policies). More attention has focused on the division of the economic cake than on ways to increase the size of the cake. 'Who gets what' was the slogan of that time and despite its abundance of resources, Australia has failed to come to grips with welfare injustices, with inequality in educational provision, and with social polarisation in much the same way as it has failed to come to terms with the need for new technology and for innovation. As a result there exist a social and economic crisis in Australia in the 1980s.

After all, Australia still behaves very much as a white enclave in south-east Asia and Oceania, as evidenced by extensive tariff protection against imports from that region.

II. Australia's industrial environment

Australia has characteristics in common with both western and underdeveloped nations. It is prosperous and industrialized, rather like the core industrial countries of Western Europe, the USA and Japan, though its economy is much smaller than most of theirs. On the other hand, Australia has many of the features of the so-called peripheral nations of the less developed world. Like many of them, it has been dependent on overseas capital for its development and like them its trade is dominated by exports of raw materials (third rank in exporter of the world top traders) or partly processed commodities and imports of manufactured goods. Unlike most third world countries, it developed a substantial manufacturing sector during the middle third of the twentieth century but, in contrast with the 'newly industrialising countries' in the less developed world, it has not rapidly gained a large export-oriented manufacturing sector in the last two decades. Australia has elements of core, semiperiphery and periphery, a complex mix which is continually evolving and adjusting in response to changes in the world economy.

Such an international perspective is an important starting point for examining Australia's industrial economy.

Export-oriented primary production and manufacturing for local consumption remain as major features of the economy. Status as the driving force of modern capitalism, large firms, and especially transnational corporations, are major focus of attention. Such firms have the power to manipulate their economic, social, political and physical environment to further their own drive for profit and sustained growth.

III. An overview of the economy Australia's

Australia is one of the world's wealthiest countries and also has, despite its small population, one of the world's largest economies.

Australia's 1982 per capita income of US\$9518 as tenth in the world and Australia's total gross domestic product (GDP) of US\$158 billion as fourteenth (1% of the world GDP).

The resource base is rich, especially for a country of small population. Large areas of agricultural land were important to Australia's early prosperity and still generate significant export earnings. The minerals base is substantial and is another major source of export revenue. Most of the raw materials used in manufacturing, of course, come from the rural and mineral resource bases.

Mining and manufacturing account for only about one-fifth of Australia's employment and one-quarter of its GDP.

Specialist interest of the states / major mining industry:

Queensland: food and timber industries / black coal

NSW: basic metal products, machinery, chemical, petroleum and coal products / black coal

Victoria: clothing and footwear / brown coal, oil and gas

WA: fabricated metals / iron ore, alumina

Tasmania: pulp, paper and textiles

SA: motor vehicles

NT: - / alumina, uranium, oil and gas

In the mid-1970s, foreign control extended to over 60 per cent of the minerals industry and over 30 per cent of manufacturing, non-bank finance and general insurance. Similar in the production of motor vehicles, oil refining, brown coal and petroleum, etc.

The mining boom of the late 1960s drought out in 1983.

IV. Influence of state, companies and population in the economy Australia's

State:

The state is involved with business in a wide variety of ways, as well as being a major economic sector in its own right, directly accounting for 26 per cent of employment.

Before the descent into current confusions, Australia's governments had used their legislative and financial powers to engage in the building of a highly urbanised industrial society with envied material satisfactions, despite the tyrannies of distance.

But distance and aridity means Australia is the driest continent, the world's sixth largest country. 30 per cent is too arid for economic use. Inadequate interstate transport services slowed economic integration and raised cost.

Environmental issues are entwined in industrial matters in four ways:

- the opportunities the natural environment provides for development
- the constraints it imposes on economic activity
- the adverse effects of economic activity
- the conflicts arising from human interaction with the environment

Companies:

About 700,000 business operate in Australia ranging in size from very small to transnational. The economy is dominated by a few hundred large corporations, including public companies listed on domestic stock exchanges, a few large private concerns, foreign subsidiaries, statutory authorities and societies/insurance companies. The 20 largest in 1985 include four banks, three mutual insurance societies, two retailers, four oil companies, four with diverse activities primarily in mining and manufacturing, a trading-rural-manufacturing conglomerate, the domestic telecommunications monopoly and an investment company. The 20 do illustrate four important features of the Australian economy and the role of large firms:

- The progressive centralisation of capital through merger and takeover is well represented in this organisations.
- The revenue of the 20 companies of \$75,000 million (equivalent to about one-third of Australia's GDP) indicates, albeit crudely, the power of large corporations.
- The important role of overseas capital and the growing internalisation of capital are reflected in the ownership structure of the top 20 companies (subsidiaries of major international companies).
- Finally, the presence of four banks and three insurance companies among the 20 major business organisations highlights the important role of financial institutions in the Australian economy.

Population:

The size and location of the population have a bearing both on the labour market and directly on industry.

With 15,751 million inhabitants in 1985, Australia's most obvious demographic characteristic is its small population, especially in comparison with its land area. Demographic growth rates have been high for much of the period since 1788. The average around 2 per cent annually between the 1940s and the 1970s, the highest of any industrial nation, with immigration accounting for about 60 per cent of the increase.

Australia's population is strongly clustered spatially (near the coast) and especially in NSW and Victoria (ca. 60 per cent of the national population).

The level of urbanisation is the highest in the world.

Such characteristics impinge upon industrial development in several ways:

- Despite high per capita demand, the small population limits the domestic market for manufactured goods and restricts the ability of manufacturers to obtain economics of scale.
- There has nevertheless been a close relationship between periods of rapid population growth and industrial development in Australia (rising incomes meant a growing domestic market).
- Population growth contributes directly to expansion of the labour force.
- Associated with the concentration of population in major urban centres is an even higher spatial concentration of manufacturing, though mining is much more widely dispersed because of its resource dependence.

V. Australia in the world - tourism, trade, export and import

Australia's traditional international economic role as primarily an exporter of raw and semiprocessed materials and an importer of an ever-wider range of manufactured goods, as well as much of its capital and technology.

Mining and manufacturing contribute only about 20 per cent of employment. This, however, understates their significance. For example, they account for about 80 per cent of exports and 95 per cent of imports, and strongly influence the size, prosperity, employment and location of other sectors.

The image of Australia as a great trading nation because of its large natural resources and weak industrial sector is a popular one.

Exports and imports averaged 16.1 per cent and 17.1 per cent of GDP respectively over the period 1974-81, well below the corresponding OECD figures of 18.5 per cent and 18.8 per cent. The level of trade as a proportion of GDP in Australia has declined over the post-war period at the same time as most other industrial countries have increased their share. The reason was by governments until 1970s to develop manufacturing industries behind high protective barriers in the form of tariffs (taxes on import goods), quotas (quantity restrictions on imports) and bounties (subsidies to local producers). It reduced the demand for imported goods. In the same time, the unit prices received for Australian raw materials have tended to decline, although this has been counterbalanced to a large extent by increased export volumes.

Australia traditionally runs a current account deficit on international trade. Im-

ports of goods usually exceed exports, and there are heavy bills for interest paid on overseas loans, shipping charges, insurance, financial services, royalty payments and so on. The decline in terms of trade means that import prices for mainly manufactured goods have risen more than those for exported raw materials.

Tourism is a major activity and one of rapidly growing importance. Together with related activities it accounts about 5% of GDP and some 400 000 jobs are directly or indirectly involved.

V. Present and future of the economy Australia's

Employment is the indicator of industrial activity most commonly used by geographers. Declining employment does not necessarily imply reduced industrial activity-labour's loss is not the same as capital's loss.

57 per cent of all employees belonging to unions in 1985 (make it difficult to accommodate technological change and complicate industrial relations).

Australian labour costs are high by international standards.

The structure, efficiency and prosperity of the Australian economy are inextricably bound up with the evolution of the global economic system and how government, business and society adapt to it.

VII. Conclusion

The pattern of economic activity in Australia is rapidly changing and that, moreover, events in one sector of production have important implications for the well-being and organisation of other sectors.

The economic degree to which geographical patterns are not consequence of autonomous spatial process but rather the product of a myriad of chance government and business decisions.

Finally, Australian's economy is becoming more open and increasingly integrated with the world economy. The location of economic activity is increasingly shifting off shore and in particular to the cores of global markets such as London, New York, Tokyo, Washington, Beijing and Moscow. This means also the dependance to the crisis in Asia and especially Tokyo that is one of the most important importer of Australia's resources.

Australian has discussed as an almost Third World resource-based economy with a superstructure of First World Services and lifestyle.