



In Question - Australia's Independent Monetary System & Industries Lost

Explained in Brief
(Draft)

There is often talk of ‘**the great contribution to Australia’s national income by its export industries**’. But that ignores the reality of Australia’s independent monetary system that we have had **since 1983**, when Australia adopted the Floating Exchange Rate System.

‘Monetary Independence’ means that **Australia’s economy is now isolated from the benefits of international trade.**

An independent monetary system is ensured by keeping foreign receipts and payments equal. The more Australia exports the more it must immediately import. That requires people to stop buying Australian products and buy imports instead. **The increase in exports causes the exchange rate to rise and make imports cheaper and more competitive than domestic equivalents.**

Thus not only is there **no gain to the nation’s total income** from export earnings, **export growth also undermines domestic industries.**

It is **questionable** as to whether the income ‘earned’ by exporters is adequate compensation to the nation for the consequent **loss of domestic industries**; and the trade, businesses, jobs associated with them, and the lower multiplier effect.

It is possible that under the current ‘Independent’ monetary system, the more that Australia reduces its exports, the more its domestic industries, and the nation as a whole, stand to prosper.

Originated October 2020

Australia’s recent **trade surpluses** have been acclaimed as meaning that Australia’s economic position is improving.

However, Australia must not only pay for its imports, it must pay for services from foreign countries such as freight, travel as well as financial services such as dividends and interest on debt.

As foreign investment and foreign debt increases in Australia, the cost of dividends and debt will rise. To pay for these expenses, Australia may have to export more than it imports, resulting in a trade surplus.

Therefore, under the **independent monetary system**, such a trade surplus does **not** mean that the situation has improved. It can mean that we must now export more to service our rising debts, leaving us less money to spend on imports. Therefore, **a trade surplus can mean that the situation has become worse.**

Originated 5 February 2021

For more details in regard to the above insights go to:

<http://www.buoyanteconomies.com/>

which includes the following:

The Demise of Australian Industries

Understanding the Float

And

Buoyant Economies Submission to the Financial System Inquiry -

Para 3.6 “Without money entering the economy from international trade, **the only source of monetary growth was from bank lending**, or what many economists prefer to call “investment”..... .. the economy needs additional money to facilitate the increased transactions associated with economic growth. Therefore, the Australian economy became dependant upon more “investment” (bank credit) to attain economic growth.”

This last observation is interesting in the light of recent revelations about **bank misdemeanours**:

The Royal Commission into Misconduct in the Banking Industry 2019 comes to mind. (??) Also of some relevance in this regard are the **fines by ASIC & AUSTRAC 2014 to 2020** (The Sydney Morning Herald [article of 24 Sep 2020 by Charlotte Grieve](#) “How Westpac's record-breaking fine compares to others” offers comment in respect of this matter.) ???

What is to say that any sense of ‘**self serving**’ and ‘**entitlement**’ (& *greed?*) that was associated with these offences was not ‘at play’ in the banks gaining and maintaining the **position of privilege** that they have in the Australian economy as the “**only source of monetary growth**’ (*i.e. bank lending*) courtesy of the ‘Independent Monetary System’??? (*Para 3.6 above refers*)

The profitability associated with this privileged status as the “**only source of monetary growth**” is greatly facilitated by the banks being able to, in effect, ‘**print money**’. As is the case with the money that is made available by a bank to you, as a borrower which “*didn’t exist until it was credited to your account*”. ([Bank of England ‘How Money is Created’ refers](#)).

In any case, it would seem (*from Para 3.6 quoted above*) in adopting this ‘independent’ monetary system that “the great contribution to Australia’s national income by its export industries” has been replaced by **expanding indebtedness** and its associated vulnerabilities???

If made aware, many people might see the **failings of ‘Australia’s Independent Monetary System’** in stark contrast to the incredibly privileged situation for the banking sector within that same monetary system?? They might then perhaps wonder why the national needs are caused to be in second place to the ambitions of the banking sector?? If so, they might then actually ask: “**Why is it so**”??? and

“Isn’t the Banking Sector supposed to be serving the Nation, instead of the other way round”??

They might also say:

**Surely, Australia is entitled to have a better, more equitable, impartial,
and
trustworthy monetary system ???**

The incredulous might exclaim:

“No growth in national income from our exports”?! “**We lose domestic industries, businesses, and jobs**”??!

“We in effect give away our iron and coal to foreigners”????! “But we gain lots of big holes in the ground”????!

and

“We’ve been ‘**selling-off the farm**’ to foreigners to raise capital” ?????? !!!

Another might query:

“How can this ongoing **damage to our nation’s economy** be allowed to continue?

and

“Is it the result of a **breach of duty**”??

Perhaps **those that have lost their livelihood** in consequence of this system might say a lot more? Restrained questions from that quarter might be:

“Why are Australia’s **domestic industries continuing to be put at risk** by the nation’s currency being knowingly allowed to cause them to be uncompetitive against imports”??

and

“**Who is it that facilitates this – Who is culpable**”???

and

How come **India now adjusts its exchange rate** to ensure that its domestic industries are competitive

against imports, **but Australia doesn’t**???? Why not ??????

and

“**Why** is it that **China** has avoided adopting the independent monetary system and their economy seems to have done so much better than the many countries that didn’t “??

However, there is talk that action has recently been taken in Australia that has ‘**saved local exporters and import-competing businesses from much harsher conditions**’¹ ??

But still the incredulous may well ponder:

“**38 years of institutionalised attrition**” ??

and

“**38 years of Industries, Businesses, and Jobs being eliminated, -
But the Banks have been ‘making a mint’**” ???

¹ Christopher Joye, Financial Review 29 Jan 2021

or perhaps

“WHAT! 38 years of Industries, Businesses, and Jobs being eradicated, & our Mineral Resources virtually given away - to foreigners ! -
But the Banks have been laughing all the way” ???

A more objective observer might ask:

“Has any **relevant national authority** recently (*or ever*) done a **system / costing analysis or audit** of this ‘independent’ monetary system and the way it is managed, & in comparison to RBA charter objectives² and what was in place before?”

The more observant might ask:³

“Why isn’t the **exchange rate** more competitive? Perhaps **0.58** United States Dollar for \$1 Australian”?
and

“Surely the ‘powers that be’ want the **prosperity** that a competitive exchange rate would bring to Australia”?
and another respond:

“Wouldn’t the **farming industry** want their **export revenue to increase by 25%**”??
and a citizen of the state of South Australia demand:

“What about the **benefit** that can result from **Whyalla Steelworks** being made **internationally competitive** by a more favourable exchange rate? - The many **jobs** associated with it?? -
The flow-on effect for the **city of Whyalla**, and the state & the nation”????!!

The puzzled, the incredulous, the observant, the objective, and the victims of the present system might all reasonably ask:

Why isn’t the monetary system, one that sets an exchange rate that is **reliably stable, dependable, and internationally competitive**? (*Instead of an unstable variable exchange rate system since 1983 that enables one sector of the economy to profit from exchange rate volatility – An arrangement that suggests indifference to wider national needs, and the Central Bank’s Charter objectives?*)

Why isn’t the monetary system, one that enables the **accumulation of foreign reserves** to facilitate **strong** national economic growth? (*Instead of one that facilitates national indebtedness and the problems associated with it?*)

Why isn’t the monetary system, one that serves the **wider national interest**? (*One that encourages the prosperity of productive domestic and export industries, and the businesses and the jobs associated with them?*)

Aside from that, there are a few more questioning observations that might be put.

² RBA Charter objectives: a. the stability of the currency of Australia; b. the maintenance of full employment in Australia; and c. the economic prosperity and welfare of the people of Australia

³ This section added 10 March 2021

A Better, More Equitable, Impartial, and Trustworthy Monetary System?

It would seem that Australia's monetary policy shortcomings are more likely to be resolved if it were oversighted by an authority that reflects the nation's wider regional economic concerns? –

- One that develops monetary policy?
- One to whom the Central Bank would be accountable?
- One that encourages an exchange rate that favours Australia's domestic industries; and the businesses and jobs that they represent?
- **One that has representation from each state???** and
- One that is not naturally linked directly to; and biased in favour of one sector of the economy!

An example of such an organisation is the 'European Commission' as described in 'Saving the Euro' by **Leigh Harkness**, Part 7, Managing the Process to the Optimum Exchange Rate System (Pages 59 to 84), <http://www.buoyanteconomies.com/SavingTheEuro.pdf>

Note: This page is intended to provide a window into the considerable knowledge, experience, understanding, research, and hard work evident at the [Buoyant Economies website](http://www.buoyanteconomies.com)

e.g The guided exchange rate and liquidity system
http://www.buoyanteconomies.com/Guided_exchange_rate_system.htm

Updated 6 April 2021
JG



<http://davidbrown1801nsw.info/AustIndMonetarySystem.html>

[Refers](#)

