Stockpiles could stave off economic woes

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THERE is one way for the taxpayers to help the miners – and get their money back in spades (unlike helping the property developers and car dealers). *The Outcrop* by Robin Bromby.

One of Australia's largest mines is closed and the best they can do Is come up with a $A5 million tourist road (which probably won't get built, anyway).

Come on.

One of Australia's largest mines – and clearly we're talking about Ravensthorpe here – is closed, and in Canberra, they're fretting about propping up shopping centres. And spending $2 billion to help out property developers.

Quick, pinch me, I was dreaming this was a Labor government.

Again, come on.

Not to mention the car dealers. They're worthy recipients of more of our tax dollars.

The tourist industry will be the next rent-seekers turning up in Canberra with their hands out, and no doubt will have piles of $100 bills thrust into those hands.

According to the *Sydney Morning Herald*, the 2009 federal budget will include provision for an $80 million new channel for children, to be run by the ABC, even though pay television already offers seven channels for the little darlings on top of the several hours a day devoted to this programming on ABC1 and ABC2.

So, Canberra can apparently find $80 million for what can only be seen as scratching the back of the unofficial Labor party broadcaster while the mining sector – without which this country could not pay its way – is handed a you-know-what sandwich in the form of a $5 million tourist road.

And that from Perth, not Canberra.

And, anyway, this country does not pay its way – the net foreign debt is now around $700 billion, while the gross foreign debt, the one on which we pay interest, is over the trillion mark.

But just imagine what sort of mess we would be in without the mining and oil sectors. A few less shopping centres and a few less car dealerships would probably improve our current account deficit situation.

And what about the news this week that poker machine turnover surged in December, coinciding with the $10 billion handout?

If the federal government does want to spend $2 billion, or even $10 billion, and (a) gets its money back with profit and (b) help the long-term economic position of Australia then, boy, do I have an idea for you.

And it's borrowing from those in the United States and United Kingdom who are proposing what is known as an "aggregator" bank – a new institution that will buy up all the toxic stuff in the financial system and try and clean them up.

Only my plan involves buying quite the opposite from toxic – that some organisation (the Future Fund, for example) buys up metals and stores them.

This means mines can keep working (employment, tax revenue, etc) and companies don't have to accept prices below their costs of production.

The Chinese are already doing this with tin, for example.

Then the country has a stockpile of ready-to-go metal when the world economy starts to revive.

That metal won't lose large chunks of its value, unlike shopping centres and car dealerships – or, indeed, money in the bank when the huge inflationary wave engulfs us a year or two from now as a result of all these stimulus packages.

In fact, the value of these metal stockpiles should rise significantly in an inflationary environment.

And think how many companies, miners and explorers, will stay in business as a result. Think, also, of the effect on the economic wellbeing of the states.

The brilliant aspect of this is that it is not – repeat, **not** – a handout. Unlike most of the other "Initiatives" so far, it would be a sound investment.

So long as the prices offered were not too generous, it would mean that sound mining operations could continue, and others brought into production, without subsidising high-cost offenders.

There is actually a precedent for using metal stockpiles to stave off economic problems.

In 1930 the then government-owned Commonwealth Bank, using the mobilisation agreement agreed to in August that year by the private banks, purchased the latter's gold reserves.

This gold was used to provide foreign exchange and service interest payments on loans raised in London. Those gold reserves gave Australia some breathing room.

We don't have the same luxury today, the RBA having in 1997 sold off 167 tonnes of gold – two-thirds of its holdings – at near the bottom of the market.

But perhaps we can learn from 1930 – before this is over, we'll have to learn a good deal more from the 1930s – and, instead of throwing money at sectors that have over-borrowed and Invested in assets that are now deflating rapidly, put our faith in real hard assets: nickel, copper, zinc, lead and others.

When, come 2012 or whenever and the world economy is growing again, we'll have something that is readily saleable and in great demand given all the mines that would have closed in other countries by then.

Then Australia really would be the clever country. That really would be change we could believe in.

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