Australia Dossier by Robert Barwick

An economy of gamblers

Problem gambling in Australia is out of control, particularly in the stock market.

Australia, long known as a "nation of gamblers," has truly become a "casino economy." Gambling in all its forms is now such a dominant force in the economy, that it has caused a social crisis of spreading poverty from an epidemic of "problem gambling," while simultaneously producing an explosion of paper millionaires from a gambling mania-driven "boom" in Internet and technology stocks on the stock market.

Australians now spend $10 billion per year on gambling casinos, poker machines, lotteries, race tracks, sporting events, and so on. The heaviest promoters of the gambling "industry" have been governments, which have grown to rely increasingly on gambling taxes for revenue, none more so than the government of the state of Victoria, which relies on gambling for 12-14% of the entire state revenue.

This massive volume of gambling has come about mainly since video poker machines were made legal in Victoria in 1992, and it has been accompanied by an acute social crisis. Recent figures show that Victorians have lost $8.2 billion in video poker games since July 1992. This represents $2,532 for every adult in the state.

According to the figures, poker machines took in $254 million during their first year in operation, which over the past seven years has soared 767%, to $1.9 billion for last year. The March 2 *Herald Sun* calculated that the lost money would have been enough to fund 27 public hospitals, or lift 560,000 Victorians above the poverty line. In releasing the figures, State Premier Steve Bracks said, "For too long, the community has been struggling to come to terms with the tragic cost."

However, the $10 billion spent on traditional gambling is dwarfed by the hundreds of billions in speculative funds inflating the Australian stock market. This presents a potentially far greater danger to ordinary Australians than gambling losses, in the light of the imminent meltdown of the global financial system, forecast by U.S. economist Lyndon LaRouche in 1994. In February, it was reported that Australia led the world in share ownership, with 54% of the adult population owning shares, ahead of Canada, with 52%, and the United States and United Kingdom. One-fifth of these investors are first timers who have entered the market since 1997, and have no idea what they are exposed to.

On March 4, financial commentator Paul Sheehan declared, "The market has gone crazy." In the previous week, the Australian Stock Exchange's (ASX) principal index, the All Ordinaries Index, hit three record highs in successive days. Rupert Murdoch's News Corp. rose $1.65 per share to a record $27.50, bringing its share market value to $107 billion, a rise of $43 billion since the beginning of the year, and a 12-month rise of 156%. The rise of Internet stocks in Australia, as measured by the InvestorWeb Index of 30 "pure" internet stocks, has been even greater: an astounding 610% increase since the beginning of 1999. An example of the mania is the March 3 listing of the "biotech" stock called Axon, which is 5% owned by billionaire media magnate Kerry Packer: Axon listed at 20¢, and closed at $1.65 later that day.

Yet, on that same day, the third successive record day, 40 of the 50 market leaders saw their share prices plunge. The ASX's ten most widely held stocks have fallen, on average, 10% since the beginning of the year, and an average of 20% since their 1999 highs. "A 20% fall is more than a correction, it is a bear market," commented the March 4 *Sydney Morning Herald*. Even ASX spokesman Gervase Green admitted, "All the normal rules seem to have been suspended."

While the suckers pour into the stock market, the British oligarchy is quietly seizing control of Australia's real economy. In the last couple of years, Britain soared past the United States as Australia's largest foreign investor, as British firms snapped up privatized government assets for a song, in the world's largest privatization program, second only to that of Britain itself. Led by Rio Tinto, the Queen of England's personal mining company, the British have particularly targetted Australia's immense raw materials deposits.

In late February, Rio Tinto bought out the remaining 27% share in its aluminum subsidiary, Comalco. Two weeks later, Marcus Randolph, the president of minerals development of the giant Australian minerals and steel conglomerate BHP, declared that a $13 billion merger between BHP's and Rio Tinto's iron ore operations in the Pilbara region of Western Australia was "inevitable." Randolph would know: He is a former high-level Rio employee, who is part of the quiet Rio Tinto takeover of BHP over the past few years, which started with former Rio boss John Ralph's move onto BHP's board in 1997. Under Rio Tinto direction, BHP has just announced that it will sell its $2 billion long-products steel division, a move which is seen as precursor to a complete exit from steel, in favor of a sole focus on raw materials.