

TITLE: Mining industry's big lie

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Sector's PR machine fails to mention how the rising dollar and wages are driving manufacturing jobs overseas.

The New York Times recently asked its online readers a simple question: should the newspaper check the claims made by politicians before it reports them? The response was a torrent of bemused hostility. What, the readers wanted to know, did the newspaper think its job was?

Much has been written in recent years about the difficulty that the media seems to have sorting fact from fiction and distinguishing balance from barracking but the mining industry provides a clear example of the difficulties that all our media seem to have dealing with - an industry that spends more on public relations than some industries spend on research and development.

The full extent of the mining industry's persuasive power over the media was revealed in an exchange between the Greens' Senator Larissa Waters and Dr David Gruen, executive director of the Macroeconomic Group at Treasury. After years of hearing how the mining industry creates three indirect jobs for every person directly employed the Senator asked Dr Gruen whether this was indeed the case. His answer was as simple as it is heretical. According to Dr Gruen, "In a well-functioning economy like ours, with unemployment close to its lowest sustainable rate, it is not the case that individual industries are creating jobs, they are simply re-distributing them ... there really isn't a multiplier."

Late last year the Australian Mines and Metals Association issued the ironically titled press release "Mining critics should address the hard facts" in which the director of the AMMA stated that "ABS statistics show 213,200 people are directly employed in mining, oil and gas operations in Australia, with an additional 639,600 indirect jobs created by the resource industry."

That is, the AMMA repeated the standard mining industry claim that every mining job creates three extra jobs elsewhere in the economy. Unfortunately, like the New York Times, they didn't check their facts.

A letter from Senator Waters to the Australian Bureau of Statistics elicited the following response from Australia's Assistant Statistician: "I can confirm that the ABS has not measured the number of indirect jobs created by mining, oil and gas operations". Whoops.

So, how can this be? Everyone knows that miners earn lots of money and create lots of jobs in retail. And everyone knows that building mines creates jobs in construction. The problem is that everyone is half right.

The mining industry spends tens of millions of dollars on advertising and countless millions more on PR talking up benefits such as those discussed above. But while they are desperate to take credit for any potential indirect benefits they refuse to take responsibility for any of the indirect costs. And as anyone in the manufacturing industry knows, there are plenty of those.

The mining boom has driven the dollar to record levels, and if the massive new mines currently on the books are all approved the dollar will likely rise much further in coming years. Alcoa, Qantas, Bonds, Toyota and Holden have all blamed the rising dollar for their shrinking exports and employment. The mining industry ads don't talk about those jobs.

In addition to the rising dollar the mining boom is also driving wages for some skilled employees much higher as well. And while the high wages are great for those willing to leave their families and live on remote mine sites, they have major impacts on the viability of many other industries. Indeed, according to economic modelling commissioned by Clive Palmer, the billionaire proposing to build the world's biggest coal mine in Queensland, if his mine were to go ahead the impact on wages would contribute to more than 2000 jobs being lost in manufacturing. Strangely those figures don't make it into the mining industry ads either.

Australia's newspapers, along with Australia's handbooks, are full of demonstrably flawed claims that the mining industry creates hundreds of thousands of jobs in other industries. What they meant to say was that it doesn't. It's true that when miners spend their wages it creates retail jobs. But when nurses, teachers and public servants spend their wages the same is also true.

The problem is that the public sector unions don't spend as much on economists as the mining industry so the media never gets around to reporting the other side of the miners' multiplier argument, that is, that public sector job cuts would have devastating impacts on retail and other private sector industries.

The mining boom is fundamentally transforming the Australian economy. Most economists would probably agree that it's nice that the rest of the world wants to pay us a lot more for our raw materials. But there are good economic reasons to question that building as many new mines as quickly as we can is good for the economy, the environment, or our society.

Amazingly, while we have had what passes for a "national debate" about assistance for the car industry recently there has been virtually no discussion of why it is that taxpayers continue to provide more than \$10 billion per year in subsidies and tax concessions to the mining industry. If they can't stand on their own two feet in the middle of a boom when might we expect them to wean themselves off the public purse?

The hundreds of millions of dollars we give the car industry are trivial compared to the tens of billions we give to the miners, but the bipartisan support for all things mining means that it's just not considered polite to talk about such issues. The mining industry plays an important role in the Australian economy. It employs almost as many people as Woolworths do and it does a great job of driving the dollar high and our manufacturing offshore.

Anyone interested in restoring the budget surplus, keeping manufacturing jobs in Australia or reducing the rate at which the world burns fossil fuels should be concerned about the incredible scale of the proposed mining projects that are currently on the drawing board and the incredible generosity of the taxpayer that is underwriting that growth.

Just because Coke spends a fortune on advertising that links its sugar drinks to fit and attractive people doesn't make it true. Just because the mining industry spends a fortune linking their rising profits with our improved wellbeing doesn't make it true. And if you don't believe that growth in the mining industry just crowds out employment in other industries just do what Senator Waters did and ask an economist who doesn't work for the mining industry.

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