Competition Review Policy – alan.jacobs2801@gmail.com

Introduction

Before policy can be reviewed to improve competition between businesses in Australia, all Australian businesses themselves must have a level playing field in which to compete. This does not exist at present, and certainly has not existed since the introduction of the method by which rates of exchange for our dollar were "floated" to conform to a poorly performing world practice. A practice that allows forex trading (gambling) to significantly affect rates of exchange, business results and everyone's standard of living. How can the theory and practice of economics stoop so low as to accept gambling as a major factor in determining how we manage our economy? This fact completely overwhelms any possibility of improving internal competition because external competition has been given such an enormous advantage through faulty rates of exchange that whole Australian industries have been literally wiped out of existence, and others are in the process of liquidation or foreign ownership.

The situation

It is now stated that rates of exchange are determined by market forces. This sounds very plausible, and is good enough for public consumption, but it does not bear economic analysis or justification. Market forces are supply and demand. But to what supply and demand are they referring? It could not be for rates of exchange themselves because they are an integral part of Australian prices (foreign prices times rates of exchange equal Australian prices), and there is no such economic concept as the supply and demand for rates or prices. Supply and demand are for real things like resources, products and funds, so they must be referring to one of the two ways that rates of exchange are used – for international trade or for international finance.

International trade

This uses rates of exchange to convert foreign amounts to Australian dollars in our current account transactions for national totals of trade, travel, interest and dividends – both receipts and expenditure for each. Some funds are used as medium of exchange money for current account transactions, which means that total money receipts must be made to equal total money expenditure through management of rates of exchange, otherwise that money is not being used as a true medium of exchange.

Worse than not conforming to an economic principle is the result of not doing so. Rates of exchange for the Australian dollar have soared for various reasons, including gambling, to such heights that imports have more than a competitive advantage over Australian business products, and Australian exports are much harder to sell on world markets. Australians not only suffer from huge reductions in business incomes but also from the loss of huge amounts of taxes on those incomes that otherwise have to be made up by other taxes. Current account deficits mean that Australians are living on accumulating debt that will have a day of reckoning when we can no longer meet the interest on it. The over-valued Australian dollar is the worst economic event ever to happen to Australia – and many other countries suffer similar fates from this process.

In fact, there is no economic justification for any method of determining rates of exchange for international trade for any country other than to manage them by continuous measurement, supervision and management towards achieving a balance of payments in each period's current account.

International finance

This uses rates of exchange to equate the supply and demand for foreign funds to be used for capital account transactions, i.e. to buy and sell existing things or documents, either Australian or foreign. These are individual transactions, rather than exchanges through a medium, and may use any rate of exchange that the parties agree on, but will most likely use the rate currently in use for international trade. That decision may be influenced by comparative rates of interest in the respective countries, or by legislation affecting the national interest for investment or taxation purposes. **It should be noted that international finance transactions will not be included in the current account determination of rates of exchange.** They are, in accounting terms, balance sheet or state of affairs items rather than income and expenditure or profit and loss items of the current account.

Management

Our monetary systems manager, the Reserve Bank, must be required to immediately undertake the management of rates of exchange for the Australian dollar to provide a level playing field for Australian business, and to comply with basic economic principles. Perhaps an early starting point might be to declare an arbitrary rate of 75 cents to the US dollar, etc. for three months until a trend can be established for further action. This might even save some endangered industries, and create a level playing field so that all are able to compete with each other locally and internationally. Only then can other competitive measures be considered.

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