

Mining Expansion: an unsophisticated response to weak demand

Keith Rankin, 31 May 2013

On 23 May, Australian mining company Bathurst Resources came much closer on their quest to recommence coal mining on the Denniston Plateau. The Denniston development epitomises present government employment policy.

This seems odd, given that Solid Energy last year blamed calamitous falls in the coal price for its misfortunes. The demand from China for mining resources has eased substantially; it was the China market that created the recent mining boom in Australia.

The way market forces are meant to work is that we move resources into markets with rising prices, and withdraw resources from markets with falling prices. So why is the government in general (and Stephen Joyce in particular) getting so excited about mining, given the present price weakness in that sector?

It should be noted that Solid Energy overplayed the 'falling price of coal' card. While the price of coal remains at its post-2011 lows, in \$US terms it is sitting at present on its 12-year average (according to infomine.com). Even in terms of the over-valued Australian dollar, the coal price in 2012 and 2013 has been similar to what it was in 2007. The only real story about the price of coal is that it spiked in 2008.

Nevertheless, it is common for mining operations to expand at times when the prices of mined goods are low or falling. This cuts across the key market principle that industries facing falling demand should be contracting.

At times of general market weakness, working-class people have to find ways to employ their labour and, capitalists have to find ways to employ their capital. They have to find something that they can sell, even when consumers are reluctant to buy. They generally turn to 'commodities', by which I mean generic goods or services that, despite being oversupplied, nevertheless have a broad market.

Thus the number of taxis on the road may increase at times of recession. Activities like hunting, fishing and fossicking tend to expand when incomes are low or unequal, as well as when prices are high. Indeed, in such times, hunting too easily becomes poaching. This is especially true when there is no welfare safety net; or when that safety net has many holes.

New Zealand during the Long Depression of the 1880s was full of tramps seeking any form of work, or any commodity that might be sold for a few pence or shillings. People in Auckland without employment went to the Northland gum-fields in large numbers; a particularly New Zealand form of distress mining.

In the United States, the hobo figures large in 1930s' folklore; homeless men riding the freight-trains, willing to do anything to provide for themselves and the families from which they became semi-detached.

For young women, prostitution fits this category. It is only the welfare safety net and charity that, in depressed times, provide vulnerable women protection from exploitative self-employment.

For those with capital in depressed times, the same industries beckon. Labour is cheap and there are always some opportunities in mining and personal services, whereas in many areas of manufacturing or construction, there may be none. Thus there is commonly an expansion in the capital-intensive segment of these markets, as well as of the supply of undercapitalised owner-operators.

Market forces on the supply side compel unemployed and underemployed people to expand their exploitation of natural resources, even when the market prices of products made from those resources are low. In the Third World, people subsist by fossicking far and wide, just for firewood. One of the biggest problems the global economy faces is unsustainable non-growth; the drift of the poor into unsustainable low productivity means to keep themselves and their families alive.

The promotion of mining activity today by the New Zealand government has the same sense of desperation about it as that faced by the tramps and gum-diggers of the 1880s.

That's not to say that New Zealand or the world are at present facing a 1930s' scale depression. Yet there is desperation. It is becoming increasingly difficult to find work that both pays the rent for a warm dry house, and pays for adequate amounts of healthy food. As we did in the past, many of us look to unsustainable activities to avert impoverishment.

It will be much worse when an actual depression hits. And, even if a great depression is a one-in-a-hundred year event, it's still a matter of 'when', not 'if'. Having a contingency plan for a 1930s' scale event is common sense, just as having plans to deal with earthquakes and tsunamis makes sense. The belief that, if all else fails the solution must be mining, simply doesn't cut it as a sophisticated response.

The promotion of extraction and exploitation as a universal panacea to unemployment represents policy bankruptcy, and a lack of imagination in my own profession and others.

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