

Joyce warns of US 'Armageddon'

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Armageddon warning ... Barnaby Joyce. Photo: Pat Scala

THE OPPOSITION finance spokesman, Barnaby Joyce, believes the United States government could default on its debt, triggering an "economic Armageddon" which will make the recent global financial crisis pale into insignificance.

Senator Joyce said yesterday he did not mean to alarm the public but there needed to be a debate about Australia's "contingency plan" for a sovereign debt default by the US or even by a local state government.

"A default by the US means complete economic collapse around the world and the question we have got to ask ourselves is where are we in that," Senator Joyce said.

His warning came as the Rudd Government ramped up its attack on Senator Joyce as an economic extremist by highlighting his strong opposition to Chinese sovereign investment in Australia.

The Treasurer, Wayne Swan, said it was a cause for concern that Senator Joyce had been elevated "from the reactionary fringe of our economic debate to the second-most senior economic policymaking job in the alternative government".

The scrutiny of foreign investment bids was adequate and "if we were to follow the advice of some of the extremists on foreign investment, it could cost something like 20,000 jobs right across Australia".

Senator Joyce said the chances of a US debt default were distant but real and politicians were not doing the electorate a favour by refusing to acknowledge the risk.

He said the Federal Government's debt would push up interest rates and predicted that some state Labor governments would not be able to repay their borrowings.

"The Federal Government has \$115.7 billion in debt, Australian government securities, notes and bonds on issue, and the states have another \$170 billion in debt.

"We have to ask whether the states have the capacity to repay that. I would say in some instances they do not, particularly Queensland."

Senator Joyce said that if the US recovered, global funds would flow back into North America. "There will be only one way Australia will be able to keep funds here and that is by putting up interest rates, which will therefore bring real costs back to households," he said.

"That is the first scenario, which is extremely bad for Australia. The worse scenario is where the US doesn't repay its debt - the \$2 trillion in debt it owes to the Chinese, the \$1 trillion in debt it has to the Japanese and the \$US1 trillion in debt to others - and then we are really nailed.

"The outcome is a shift away from the US dollar as the international trading currency and a shift to the Chinese yuan, and China becomes an immensely powerful player overnight.

"It's the real financial crisis, and the real financial crisis will mean this preamble we have just had pales into insignificance."

Asked what sort of contingency plan he would advocate, Senator Joyce said it was like trying to prepare for a tidal wave but the local economy should have more self-reliance.

"Things you look for in that economic Armageddon are the capacity to feed ourselves, the capacity to provide the fundamentals in medicines and basic fundamental requirements for our nation."

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