

Australian central bank chief insists on “difficult” budget cuts

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With the world slump deepening, Reserve Bank of Australia (RBA) governor Glenn Stevens this week delivered a warning to the Turnbull government and the political establishment as a whole: you must slash social spending, despite popular opposition, or the cuts will be imposed via a “moment of crisis.”

Stevens spoke as the latest statistics showed US economic growth falling, Europe stagnating, China slowing and much of South America in depression. The data underscored the failure of the world economy to recover from the 2008 crash, despite central banks flooding financial markets with trillions of dollars in cheap credit.

The RBA chief essentially told an audience of bankers, economists and corporate executives in Sydney that Australian politicians had to move more swiftly to impose the burden of this crisis on the working class. He lent his weight to the message that has been delivered increasingly insistently via the establishment media since the July 2 election on behalf of the financial and corporate elites.

“Many difficult choices will need to be made along the path of budgetary adjustment,” Stevens declared, because of “volatile” global conditions, “very low” domestic growth, mounting household debt and the inability of central banks internationally to halt the slide by reducing interest rates to “unprecedented” levels.

The speech by Stevens, who has been RBA governor for 10 years, was billed as his last before he relinquishes his post. But the timing was designed to send a message to Prime Minister Malcolm Turnbull’s Liberal-National Coalition government, which barely survived the federal election. When parliament resumes on August 30, the government will have just a one-seat majority in the lower house and only 30 seats in the

75-member Senate.

That result, the product of widespread hostility toward the austerity drive pursued by successive governments, both Coalition and Labor, means that the government will have to rely on Labor and/or the Greens to push through deep cuts to health, education and welfare. Alternatively, it must secure the support of nine of the 11 “crossbench” senators, mostly right-wing populists who won seats by posturing as opponents of the major parties.

While speaking in the guarded language of a pillar of the financial system, Stevens emphasised the depth of the breakdown that occurred in 2008. Adopting a phrase coined by his former British counterpart, Lord Mervyn King, Stevens said the “great stability” came to an end 10 years ago.

Stevens made muted references to the domination of financial parasitism over economic life, which triggered the 2008 crash and has since seen immense resources diverted from production into speculative activities. He said the central banks increasingly lacked any capacity to stem the slump, despite “unconventional policies,” such as negative interest rates.

“Through a combination of extraordinary circumstances, the central banking community globally has found itself doing unprecedented things,” he said. The RBA now had “interest rates at levels lower than any of us have seen before in our lifetimes” (lowered to 1.5 percent this month). “Moreover, the ‘return to normal’ at the global level looks like being a very, very slow process. And normal is a different place now.”

Turning to his central theme, Stevens railed against the “rather narrow notions of ‘fairness’” advanced by “interest groups” that had stymied the “general public debate.” Specific proposals to put public finances on a “sustainable” track had “often run into the sand.”

The central bank chief warned: “If we think this rather other-worldly discussion will not have to give way to a more hard-nosed conversation, we are kidding ourselves. That will occur should there be a moment of crisis, but it would be better if it occurred before then.”

The contemptuous reference to “fairness” expresses the financial elite’s indifference to the widening gulf between rich and poor and to the social needs of the vast majority of the population—the supposed “interest groups.” The broad opposition to proposals such as making patients pay up-front to see doctors, decimating hospital and school budgets, and charging tertiary students fees of tens of thousands of dollars, is expressed in a distorted form in the political deadlock in parliament.

Stevens also sounded an alarm about the growth of household debt to about 125 percent of gross domestic product, which is about three times higher than the public debt held by governments. He said the private debt undercut the impact of any RBA interest rate cuts, because mortgage holders had less capacity to take on more debt, no matter how low rates went.

This household debt, one of the highest levels in the world, reflects the dependence of Australian capitalism on an unsustainable residential construction boom driven by soaring housing prices since 2012. Over the past four years, according to figures published by the Commonwealth Bank of Australia this week, residential construction has grown by 25 percent, and is now outstripping demand.

Over the same period, the mining boom has collapsed, sending investment crashing and destroying about 70,000 jobs directly. Non-mining capital expenditure has fallen by more than 10 percent, driving further job losses throughout basic industries. While the finance houses and billionaire property developers that have profited from this process continue to do so, driving up share market values, it is workers and young people who must be made to pay the price.

Prime Minister Turnbull yesterday responded to Stevens’ call, insisting that he would ensure that the federal budget deficit, now about \$40 billion annually, would be eliminated. “That is founded on a fundamental concept of fairness,” Turnbull claimed. “There is nothing more unfair than saddling our children and our grandchildren with mountains of debt that we have created because our generation could not

live within its means.”

Far from ordinary working people “living beyond their means,” there is a yawning gulf in Australia, and around the world, between the super-rich whom Turnbull and Stevens represent, and the rest of the population. In Australia, an estimated 2.5 million people are living in poverty, a quarter of whom are children, while the combined fortunes of the wealthiest 200 individuals, notably headed by property tycoons, have reached nearly \$200 billion.

Today’s editorial in the *Australian* welcomed Turnbull’s commitment and insisted that the Labor Party had a “duty to serve the national interest” by assisting his fragile government to “carry the conversation” needed to slash spending. During the election campaign, Labor already repudiated previous pledges to oppose multi-billion dollar cuts to welfare, healthcare, education, pensions, aged care and family payments, while also claiming that its “tough, unpopular” measures were “fair.”

Because of the deteriorating economic situation, these cuts fall far short of what the corporate elite is now demanding. This means an intensified offensive against the social conditions of the working class, as the Socialist Equality Party warned throughout the election campaign.



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