# Australian central bank chief fearful of rising global tensions

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The trade and technology confrontation between the US and China is causing business nervousness and a drying up of investment around the world, Reserve Bank of Australia governor Philip Lowe warned a corporate lunch in Sydney this week.

"I am worried about the global environment," Lowe admitted during the question time that followed his speech. "The thing that worries me most at the moment is the disputes about technology and trade are making businesses right around the world very nervous. And when businesses are nervous, they don't want to invest."

According to *Australian Financial Review* columnist Karen Maley, Lowe "sent a frisson down the spines of his audience with his frank and unflinching assessment of the damage being wreaked by rising tensions between the world's two largest economies, the US and China."

This indicates the fears within the ruling class in Australia and globally of a descent into slump and political upheaval. The belligerent drive by Washington to prevent China, or any other power, from challenging the supremacy that the US established through victory in World War II is sending shock waves through the world capitalist economy.

Lowe said the financial markets were expecting the central banks to counter the political uncertainty by lowering interest rates, but "there's a limited amount that monetary policy can do."

Lowe exhibited considerable perplexity. "It's a problem that's been generated by the uncertainty over trade and technology disputes," he said. "So the best outcome here is to remove that uncertainty. But at the moment, I don't know."

The central bank chief said Australians should "expect an extended period of low interest rates" and foreshadowed further rate cuts. While this announcement echoed rate cut messages being delivered by the US Federal Reserve and the European Central Bank, it also reflected the vulnerability of Australian capitalism to the economic warfare between the US, its largest investor and military ally, and China, its biggest export market.

Over the past two months, the Reserve Bank of Australia (RBA) has cut its cash rate to 1 percent, an unprecedented low. This is already far below the 3 percent "emergency" level set during the 2008–09 global financial crisis. The money markets are now betting that the RBA will halve rates to 0.5 percent by next year.

Lowe said the RBA board "is prepared to provide additional support by easing monetary policy" to stimulate "economic demand." That contradicted the claim, in his speech, that "the underlying foundations of the Australian economy remain strong."

This claim is part of an ongoing effort to keep the public in the dark about the real state of affairs. Throughout the campaign for the May 18 federal election, both the Liberal-National government and the Labor Party maintained the fiction of a "strong" economy, and based all their bogus election promises on the prospect of soaring government revenues.

Since the election, and especially following an unprecedented joint media appearance with federal Treasurer Josh Frydenberg, Lowe has joined the desperate efforts of Prime Minister Scott Morrison's government to talk up the economy, in the hope of convincing people to borrow and spend.

Lowe said he "hoped" the government's income tax cut package, combined with a reversal in a six-year decline in resource sector investment and a turnaround in the collapse of the housing market, would "give people a bit more confidence to spend," but he was not sure. "That's why, from my perspective, interest rate cuts are still on the table."

Backed by the Labor Party, the government was able to rush through parliament this month a tax package that hands billions of dollars to the wealthiest layers of society. Working-class households are to get up to $20 a week, with the expectation that they are so financially stressed and debt-burdened that they have no choice but to spend the money immediately, boosting corporate profits.

In his speech, Lowe sought to refute criticism from within the corporate establishment that the RBA had cut rates so low already that it had little fiscal ammunition left to cope with a global crisis. He canvassed the possibility of allowing the Australian currency to fall in value. None of this was reassuring. "In the event that we do get hit by an external shock, we still have options," he declared.

References to "shocks" underscore the fears preoccupying the ruling class.

Another indicator came in media reports about a record high on the Australian stock market this week. The *Sydney Morning Herald* and other Nine Media outlets commented: "The sharemarket's new highs are a cause for nagging unease as much as confidence. This is, in part, because the previous record in November 2007 was set weeks before the market plunged into a crisis that pushed the entire financial system to the brink of collapse."

The newspapers insisted that another financial crisis was "not as likely now." But it was only a "matter of time" before a "correction" hit, and "Donald Trump's trade war has helped bring it closer."

The article pointed to the unsustainability of the elevated share prices. The ASX 200 index was up almost 23 percent this year. Counting dividends, it was effectively 67 percent up on its November 2007 record. But investors were paying about 18 times the reported annual earnings of the 200 companies in the ASX 200 index, about 8 percent more than they were in 2007.

Globally, moreover, debt was at a new high, above 300 percent of gross domestic product, and governments and central banks were holding a far larger proportion than in 2007. That was "the cost of government rescue missions during and after the GFC [global financial crisis]."

Such observations point to the lessened capacity of governments and central banks today to once more bail out the banks and finance houses. The trillions of dollars pumped into corporate coffers have only fuelled even more parasitic speculation and laid the basis for a greater implosion.

What the article did not say is that a massive stimulus package in China enabled a spurt of growth that propped up the Australian economy, and helped global capitalism recover from its meltdown. Under intensifying pressure from the Trump administration, the Chinese regime is no longer able to play that role.

As a result, the Morrison government, like its counterparts internationally, is preparing to slash social spending and creating a police-state framework to suppress the growing working class unrest and political discontent, just as the Socialist Equality Party warned throughout the election campaign.