Inequality and falling living standards fuel political “fragility” in Australia

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A barely-reported survey of the widening wealth inequality in Australia has provided another insight into the rising levels of political disaffection among the country’s millions of working people.

The Roy Morgan Wealth Report, released in late October, looked at the shifts in personal wealth from 2007 to 2019, that is, since the global financial crisis that erupted in 2008–09. It helps explain other data showing falling real wages for many workers.

Based on annual surveys of 50,000 people, the report showed that the richest 30 percent of the population enjoyed a substantial rise in household wealth over the decade, while the poorest half suffered a decline. Those in the top 10 percent obtained a more than 60 percent rise, from an average of $1.2 million to almost $2 million per person, while the bottom 50 percent went backwards.

A person on median wealth—that is, halfway down the scale—had a net wealth of about $173,000. That was an increase of 26.3 percent since 2007. But when the cost of living was factored in, this person’s wealth actually dropped by 2.2 percent.

In reality, the decline is likely to be greater for those below the median mark, because the Consumer Price Index (CPI), used by Roy Morgan to estimate the cost of living, is known to underestimate the cost increases affecting working-class households with children.

Those in the lowest 10 percent were said to be in debt-laden “pockets of pain.” Even without adjusting for inflation, their average wealth remained negative, at -$19,000, a slight rise on -$20,000 in 2007.

This pattern was part of a widening socio-economic gulf. On average, while the top 50 percent increased their personal wealth by 58.7 percent over the decade, the bottom 50 percent of people saw their wealth increase by less than half that—27 percent—and a decline of about 1.5 percent after the CPI was calculated.

Roy Morgan principal researcher Michele Levine commented: “I find this growth level at the top end pretty stark, with huge potential for distrust,” adding: “Anything that has real extremes like that is vulnerable to anger.”

Levine said the research showed “bubbling fragility,” with massive levels of distrust in politics, the government and big corporations. Her comments were mentioned on news.com, a Murdoch media platform, but did not feature in any of the company’s tabloids.

The Roy Morgan findings shed further light on the underlying factors behind the results of the Australian National University’s survey of voters in the May 18 federal election, released this month. That survey pointed to an historic crisis of the existing political order, beset by unprecedented levels of popular distrust.

The election survey found that only 25 percent of voters believed governments could be trusted, the lowest level since such data began being collected, 50 years ago, in 1969. Only 12 percent thought the government was run for “all the people,” while 56 percent believed it was run for “a few big interests looking out for themselves.”

The Roy Morgan results document the intensifying polarisation of wealth that has driven the discontent, fuelling a decade of political instability and marked by the removal of one prime minister after another—from Labor’s Kevin Rudd to the Liberal-National Coalition’s previous leader, Malcolm Turnbull.

The top 10 percent now hold 47.3 percent of net wealth in Australia, an increase of 0.5 percentage points. By contrast, the bottom half of the population now has just 3.6 percent, a decrease of 0.9 points.

This concentration of wealth is in line with the trend of global capitalism. Internationally, the richest 10

percent have 47 percent of the wealth and, according to charity Oxfam, the 26 richest billionaires own as much as the 3.8 billion people in the poorest half of the world's population.

The Roy Morgan figures do not indicate the even greater accumulation of wealth in the hands of the richest 1 percent. A ground-breaking study released in 2016 estimated that the top 1 percent alone owned up to 20 percent of the net wealth, leaving the remainder of the richest 10 percent far behind in their fortunes and lifestyles, let alone the rest of society.

In Australia, as around the world, the financial elite's enrichment has occurred at the direct expense of the wages, working conditions and social services of the working class. Successive governments have accelerated the process by handing massive tax cuts to the corporations and the wealthy, and pouring in trillions of dollars to prop up the banks and share markets, feeding growing corporate financial speculation and parasitism.

The upward redistribution of wealth will intensify in Australia under the Liberal-National government's income tax package, passed by parliament this year with Labor's backing. Over the next five years, billions of dollars will be handed to the top 5 percent of the population—those taxpayers receiving more than $200,000 a year—while millions of low-paid workers, students and welfare recipients trying to live on less than $41,000 a year will get nothing in tax cuts.

The Roy Morgan report raised concern that the overall growth of wealth, while channelled to the top 30 percent, began to reverse in 2019. It estimated that per capita gross wealth increased in real terms between 2007 and June 2019 by 20.9 percent, from $306,100 to $370,200, while debt increased by 13.7 percent. But this growth reversed, falling by around $5,000, or 1.4 percent, between the first and second quarters of 2019.

This turnaround was partly due to falling prices for houses, which make up half the household wealth. But it also was a product of global downward pressures, bound up with the aggressive economic wars launched by the US against China and other perceived rivals, as well as the Brexit uncertainty gripping Europe.

The slump is likely to further aggravate working-class discontent, as the burden is imposed on workers and young people. This week's Mid-Year Economic and Fiscal Outlook (MYEFO) showed that the government was forced to drastically cut its pre-election forecasts for wages, economic growth and tax revenues over the next four years. As a result, there will be sharper cuts to social spending and public services.

An analysis by the *Guardian*'s Greg Jericho drew attention to a "new normal" of "flat income growth in real terms." Already, there had been a five-year "horror show." Income growth had fallen sharply. In particular, private sector wages had increased on average by just 2 percent annually, barely above the CPI rate and nearly half that experienced in the pre-2007 mining boom.

Contributing to this "horror show" were losses of full-time jobs, especially for men. In 2009, 83.2 percent of men in work were employed full-time. Now the rate was just 81 percent, while for women workers the rate remained at 54.1 percent.

Under-employment—that is, workers wanting more hours of work—rose from 5.9 to 6.8 percent for men, and from 9.6 to 10.5 percent for women.

These statistics are just a surface indicator of the imposition by employers and governments, assisted by the trade unions, of a casualised "gig economy," especially in the retail and health/aged care industries, and particularly among younger and older workers.