

Australian money markets soar as pandemic suffering intensifies

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As in the rest of the world, the worsening COVID-19 disaster is accelerating the already staggering levels of income and wealth inequality in Australia. Millions of working-class households are suffering acute financial stress, while the financial markets are awash with government-boosted cash, sending the share and property markets to unprecedented highs.

An Australian Broadcasting Corporation (ABC) report this week called it a “bizarre narrative”: “As we stare down the potential of a so-called ‘double-dip recession,’ asset markets are booming... with the share market regularly pushing all-time highs.”

In reality, this stark class divide is a direct result of the same subordination of public health and working-class livelihoods to corporate profit interests that has dominated the entire government and ruling class response to the pandemic.

Governments, both Liberal-National and Labor, have endangered working-class lives by refusing to implement full lockdowns, adequate vaccination programs and other safety measures, allowing the virulent Delta variant to spread. At the same time, they have deliberately imposed the economic burden of the resulting catastrophe on struggling working-class households, rejecting calls for essential income support, even as they pour billions more dollars more into business pockets via stimulus packages.

Barely mentioned in the media is the financial hardship in working-class areas, which are also suffering the worst Delta infection rates because they have the highest proportions of frontline workers—from healthcare and aged care to retail and logistics. Late last month, in a bid to contain rising unrest, Prime Minister Scott Morrison’s government announced support measures for workers, including welfare recipients, who have lost jobs or hours of work.

However, the paltry amounts, up to \$750 a week for full-time workers and \$450 for part-time workers, and \$200 for welfare recipients who have lost more than eight hours of work per week, are nowhere near enough to live on. In Sydney, where confirmed new Delta infections are running

at more than 300 a day, the median rent for a unit is \$495 per week, and average mortgage repayments are around \$600 weekly.

An analysis by the Australian Council of Social Service (ACOSS) has found that more than 720,000 people in Sydney and other locked-down areas across the country are welfare recipients and most are not eligible for these “disaster” payments. ACOSS estimated about 540,000 of the welfare recipients worked fewer than eight hours a week pre-lockdown, with the majority not working any hours at all.

An earlier report released by ACOSS last month, revealed that requests for food parcels, inquiries about financial assistance and online searches for emergency relief have soared since the beginning of the Delta outbreaks.

This distress will deepen because levels of unemployment and “under-employment”—wanting to work more hours—are again rising. As measured by the Roy Morgan polling company, 1.42 million workers were unemployed in July, up 28,000 on June, for an unemployment rate of 9.7 percent (up 0.3 percent points). Another 1.33 million, up 77,000 on June, were under-employed, an under-employment rate of 9.1 percent (up 0.6 percent points).

These estimates are much higher than the official jobless data produced by the Australian Bureau of Statistics, which exclude anyone who works more than an hour a week.

The disconnect between the soaring “asset markets” and the economic and social reality reflects the ruthless calculations of the financial elite. Flush with funds, substantially due to government subsidies, tax breaks and near-zero interest rates, the super-rich are anticipating even greater returns as they use the pandemic, and the resulting job losses, to further attack the wages and conditions of workers.

Despite the Morrison government’s earlier boasts of a world-beating economic “bounce back” from the pandemic, another official recession is likely throughout the second half of 2021, following the 2020 recession.

The government’s Treasury and most market economists now forecast the economy will contract by more than 2

percent in the September quarter, with a “credible risk” that growth will be negative also in the December quarter. That is largely because of partial lockdowns in Sydney and Melbourne, the country’s two largest population and economic centres.

Nevertheless, the main share index, the S&P/ASX 200, is now at record levels, above 7,500, well over the 7,139 mark it set before the pandemic hit in March 2020. Increasing numbers of investors have also jumped into the housing market, sending home prices up by 16 percent over the past year.

Record low interest rates and other measures by the Reserve Bank of Australia (RBA) to channel billions of dollars into the financial markets, combined with growing federal and state business support packages, are supplying funds that are largely being churned into speculative activity on the share and property markets.

This bonanza has been further fuelled by the Labor Party’s embrace of Morrison’s huge income and company tax cuts, and Labor’s junking of previous election pledges to reduce the tax breaks that benefit property and share speculators.

By contrast to the share and property boom, business investment has fallen to historic low levels—around 11 percent of gross domestic product, down from 18 percent in 2013. The ABC’s David Taylor reported: “Several investment analysts and market economists keep saying the same thing to me over and over: ‘There really is nowhere else for money to go apart from the stock market.’”

Buoyed by the speculative boom, the country’s major banks are also profiting massively and rewarding their mostly giant shareholders. This week, the largest bank, the Commonwealth Bank of Australia, “joined the capital return frenzy,” to use the language of the Murdoch media’s *Australian*. The CBA announced a record \$6 billion share buyback for investors after posting a 20 percent jump in annual cash net profit to \$8.65 billion.

The bank, which was privatised by the Hawke and Keating Labor governments during the 1990s, also declared a final dividend of \$2 per share, up from a \$1.50 per share interim payment in the prior six months. Lucrative share buybacks were earlier unveiled also by two other big banks, the ANZ and NAB.

While denying the necessary income support to workers, governments are funnelling so much money into business hands that it is hard to keep track. According to an August 6 federal-Victorian state Labor government media release, “a \$400 million package jointly funded by the Commonwealth and Victorian Government will provide automatic payments to almost 100,000 eligible businesses, including sole traders, to ensure funds are distributed quickly...

“The new package follows the \$400 million

Commonwealth-State injection announced last week and builds on more than \$950 million in support grants paid by the Victorian Government into the bank accounts of Victorian businesses since June.

“Victorian Treasurer Tim Pallas said the Victorian Government has provided more than \$7 billion in direct economic support for Victorian businesses since the start of the pandemic.”

Similar handouts—too many to list—have been announced by other state governments, Labor and Liberal-National alike. In New South Wales, an expanded federal-state package has been dressed up as a “JobSaver” program. Businesses with annual turnovers of up to \$250 million are receiving up to \$100,000 per week, on the vague condition that they maintain their “employee headcount” by “not taking active steps to terminate their employment.”

The Morrison government last week also handed extra money to the airlines, which have received more than \$2 billion in wage subsidies, financial support and fee-waivers, even as Qantas and other carriers stood down thousands more workers.

In addition, RBA governor Philip Lowe last week assured the money markets that the central bank’s quantitative easing and cheap loan programs would continue until 2024 at least, making billions of dollars available via the banks and government bond purchases every week.

Addressing a parliamentary committee, Lowe sounded an optimistic note, talking up the prospect of a post-pandemic economic recovery. Nervously, however, he noted: “One source of uncertainty is the possibility of vaccine-resistant virus strains emerging over time.”

Already, during 2020, an estimated \$400 billion or more was fed into business and the financial markets by the RBA and governments. Having permitted the pandemic to surge again, governments and the ruling elite are further exploiting the catastrophe to enrich themselves at the expense of the working class.



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