Australian Labor government cites economic "perfect storm" to demand austerity

Mike Head
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Treasurer Jim Chalmers yesterday took to a new level the Labor government's efforts—which began the very first day after the May 21 election—to claim that suddenly-discovered "dire" economic conditions require slashing social spending and ending workers' expectations of real wage rises.

From day one, May 22, even before formally sworn into office, Chalmers, Finance Minister Katy Gallagher and Prime Minister Anthony Albanese switched Labor's sham election slogan of a "better future" into one of a "perfect storm" that means that workers must accept "sacrifices."

Chalmers ratcheted up that message yesterday in response to the latest gross domestic product (GDP) results and sky-rocketing gas and electricity prices. These shocks were kept hidden by Labor and the Liberal-National Coalition during the election campaign, when they both painted a false picture of "recovery" and "prosperity" ahead.

The GDP data showed growth of 0.8 percent for the first quarter of 2022, which Chalmers said was "much lower" than the 1.8 percent forecast by Treasury in the Pre-election Economic and Fiscal Outlook. That, plus a "full-blown cost-of-living crisis" and "a budget heaving with more than $1 trillion in debt" meant there was "no use mincing words or tiptoeing around these challenges."

Various corporate analysts said the result was better than expected, but Chalmers contended: "Consumption, dwelling investment, new business investment, exports and nominal GDP were all weaker in the March quarter than was anticipated by our predecessors."

While blaming the previous Coalition government for the crisis, Chalmers is spearheading Labor's cynical script, demanded by the corporate media, to reverse election promises of better times ahead, and suppress workers' demands for wage rises to match soaring inflation.

Chalmers paid lip service to falling real wages, and Labor's election promises to reverse the decline, but insisted that "it will take some time to turn things around." He pointed to the government's planned "jobs summit" with the trade unions and employers as a means of dealing with workers' demands.

Hidden away in the economic data, however, were figures showing how far workers' real wages have been driven down already, in order to boost profits to record levels. In the first three months of 2022, real (non-farm) labour costs for employers fell 2.3 percent, the second greatest drop in 20 years.

Those costs are now 5.3 percent lower than before the COVID-19 pandemic. The global public health disaster has been exploited by the ruling class, assisted by the unions, to cut workers' wages and conditions. Meanwhile, governments and the central bank poured about $400 billion into the money markets and industry bailout packages for the benefit of the financial elite.

As a result, according to the latest Business Indicator Survey, profits rose 10.2 percent in the March quarter, while total wages increased by just 1.8 percent.

This gulf is accelerating a process that dates back four decades, ever since the Hawke-Keating Labor government took office in 1983 and aggressively restructured the economy in favour of big business, at the expense of the working class, in partnership with the unions via a series of Prices and Incomes Accords.

The GDP figures show that the share of national income going to profits set a record at 31.1 percent in the March quarter. That is almost double the figure when Hawke and Keating convened the last "summit" with the unions and employers in 1983 and then signed their first Accord with the Australian Council of Trade Unions (ACTU).

The GDP growth itself was largely produced by the continuing, but reducing, pandemic level of government spending, plus higher household consumption, much of which is bound up with the increasingly disastrous cost of living. The GDP result indicated that inflation will worsen, because import prices rose by 19 percent in a year.

Another contributor to GDP growth was higher world prices for Australian capitalism's major exports, such as coal and gas. Exports of mining commodities increased 10.5 percent in current price terms, which led to a 14.7 percent rise in mining profits.

Chalmers avoided any mention of surging profits. Instead, he sought to focus attention on the "big challenges" of inflation and rising interest rates. He cited petrol prices—up 12 percent since the end of April; wholesale electricity prices—up 237 percent, and household power bills set to rocket; and gas prices—up more than 300 percent over recent years.

Yet, because of the global impact of the US-NATO proxy war against Russia in Ukraine, all these soaring prices were known or forecast before the election, as was the certainty that interest rates would continue to rise from the record near-zero levels set at the beginning of the pandemic. Banks and finance houses are expecting home mortgage rates to rise by as much as 3 percent by mid-2023. That will add hundreds of dollars a month to working-class household bills and further push up soaring rents.

Moreover, Chalmers today moved to protect gas industry profits. He ruled out immediately activating a "trigger"—the Australian Domestic Gas Security Mechanism—to force the giant liquefied natural gas exporters to shift supply into the domestic market to lower energy prices. "I'm not prepared to commit, at this point, to pulling the trigger," he told Sky News. "That is a subject of some discussion and deliberation."

In opposition, Albanese called on then Prime Minister Scott Morrison to activate the mechanism but now that Labor is in government it has taken the same stand of refusing to do so, at least not without "discussion" with the energy profiteers.

Chalmers also reiterated Labor's backing, revealed just days before the election, for more onshore gas developments. That too is in line with the Morrison government's push to open new gas fields, notably around Narrabi in New South Wales and the Beetaloo Basin in the Northern Territory.

Opening these fields, supposedly to eventually boost supply and flatten prices, will fatten profits, produce environmental damage and further increase carbon emissions, worsening climate change, despite Labor's vows to reduce emissions.

As the *Australian Financial Review* Rich List boasted last Friday, the wealthy are increasing their fortunes at a staggering rate, led by mining magnates and property developers. The richest 200 collectively gained almost $80 billion last year, taking their holdings to $555 billion. This social inequality will intensify under Labor, as it has under successive governments since the 1980s.

In fact, the *Australian Financial Review* is demanding that the Labor government further cut real wages. "Most workers will need to begrudgingly accept a real wage cut over the next year" in order to prevent a "wage-price spiral," the newspaper's economics editor John Kehoe, wrote yesterday. "It's a bitter pill to swallow, but necessary medicine to help control inflation."

Like the previous Labor governments of Hawke and Keating from 1983 to 1996, and Rudd and Gillard from 2007 to 2013, Albanese's government will depend heavily on the union bureaucrats to impose this "bitter pill."

In its election statement, the Socialist Equality Party (SEP) advanced a socialist program of action for workers to fight the intensifying assault on their basic social and democratic rights.

That program of crucial working-class demands, and the building of rank-and-file committees totally independent of the unions to fight for them, provides the way forward against the pro-business agenda of the Labor government and the unions.

This will be at the centre of the discussion at the SEP's online public meeting on Sunday, June 12 at 2 p.m. (AEST) to review the election outcome and the explosive class battles ahead. Register now to attend this important meeting.