

Australia's Labor treasurer declares working people must swallow "tough medicine" amid inflation crisis

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28 July 2022

In an economic statement to parliament yesterday, Treasurer Jim Chalmers reiterated the federal Labor government's commitment to suppress wages, amid soaring inflation, and to implement major cuts to social spending.

Since assuming office after the May 21 election, the Labor administration has ditched its campaign slogan of a "better future," as well as its vague promises to lift stagnant wages and ease the cost of living crisis. It has sketched out an austerity agenda aimed at forcing the working class to pay for the national debt accrued through business handouts and massive military spending.

In this vein, Chalmers proclaimed that amid a "one in a generation" crisis, working people would need to swallow "tough medicine." On every key metric, wages, inflation, increased mortgage repayments from interest rate hikes, the situation would deteriorate further, Chalmers stated, as he made plain that Labor would do nothing to address the resulting social devastation.

The speech has nevertheless been the subject of complaints across the financial press. While outlining, in general terms, Labor's pro-business and anti-working class agenda, the mouthpieces of the ruling elite have bemoaned the fact that Chalmers did not use the much-hyped statement to detail concrete spending cuts and other austerity measures.

Chalmers referenced the International Monetary Fund's world economic outlook update, released this week, which revised down its forecast for growth this year to 3.2 percent and 2.9 percent for 2023, reductions on the previous estimates by 0.4 and 0.7 percentage points respectively. The global financial institution is also predicting worldwide inflation to reach 8.3 percent this year.

The treasurer presented the skyrocketing inflation, which is sharply rising in Australia, as the product of anonymous economic forces over which governments have no control.

In reality, the soaring prices are the result of policies implemented by capitalist governments around the world, which Labor has fully supported, and is committed to

deepening.

Chalmers said nothing about the chief driver of inflation, the massive government transfusion of funds into the financial markets and business coffers, accelerated over the past two years in the name of the COVID-19 pandemic. In Australia, Labor completely backed these vast handouts to the major corporations, in the hundreds of billions.

The Labor government has ruled out any increased taxes on the wealthy, or corporations, including those receiving windfall profits because of the global surge in energy and gas prices. An analysis by the Australia Institute, released last month, found that for the last two quarters of 2021 and the first quarter of this year, profits accounted for roughly 60 percent of the driving forces of inflation in the country.

Chalmers referenced the war in the Ukraine as a factor. In that conflict, the Labor government is an active participant on the side of the US-NATO and against Russia, funnelling \$100 million in weapons to Washington's right-wing, puppet regime in Kiev.

Similarly, Chalmers noted that supply chain disruptions fuelled by COVID were pushing prices up. He cynically referenced China's successful lockdowns, which are implemented only when coronavirus outbreaks occur, and have largely protected the population from the deadly virus.

In reality, the supply chain breakdown is the direct consequence of the "let it rip" policies, fully embraced by Labor, at the state and federal level. The Albanese government is responding to the worst COVID outbreak yet, with more than a hundred deaths a day, by declaring that coordinated safety measures, including mask mandates, are a thing of the past, and everything is a question of individual responsibility.

Having skirted around all of these questions, Chalmers provided updated forecasts from the treasury.

Chalmers stated that inflation would "peak" at 7.75 percent in the December quarter of this year. That would represent the fastest increase in decades, on top of the 6.1

percent, up from 5.1 percent, of the last quarter.

But that is the headline rate only. The official consumer price index (CPI) does not include housing costs associated with existing dwellings, so record-high rents and rapidly rising mortgage repayment costs are excluded.

And even despite this, the rate of non-discretionary inflation, for items that are essential to working-class households, far outpaces the headline rate. Across the board, such inflation has increased by 7.8 percent over the year, above the supposed “peak” touted by Chalmers, with automotive fuel up 32.1 percent, fruit and vegetables 7.3 percent, along with sizeable increases for other foodstuffs.

The updated treasury forecast, of 5.5 percent inflation for the financial year concluding in 2023, are based on nothing, especially given the driving forces of the soaring prices, including COVID disruptions and the fallout of the US confrontations with Russia and China, are likely to last for years.

Meanwhile, the Reserve Bank of Australia (RBA), in line with central banks worldwide, is responding to the crisis with major interest rates rises. Since the election, the RBA has increased its cash rate from record lows of virtually nothing, to 1.35 percent, with a further hike of 50 basis points predicted next week.

These measures will not address the global forces driving the inflation. Instead, their primary aim is to slow the economy to head off any wages push by the working class.

Chalmers solidarised himself fully with this program, declaring the RBA had said there would be “more to come,” with regards to interest rate hikes. He vaguely referenced the “pain” that households are experiencing as a consequence.

In reality, a catastrophe is being prepared. Analysts have warned that if the cash rate rises to just 2 percent, this would increase the proportion of households in mortgage stress from 44 percent to almost 50 percent. Definitions of stress vary, but it is usually described as a situation where 30 percent or more of income is allocated to housing and associated costs.

As of April, Australia’s household debt, primarily mortgages, was around 130 percent of gross domestic product, among the highest levels globally. The ratio of household debt to disposable income was at 203 percent, before the interest rate hikes had begun.

At the same time, wages are continuing to stagnate or decline, while falling miles behind the rising cost of living. Chalmers noted that real wage increases had averaged 0.1 percent over the past decade, and had fallen by 2.7 percent in the quarter to March. This is the continuation of a decades-long trend, set in place by the Hawke-Keating Labor governments and enforced by the corporatised trade unions.

Real wages would continue to fall for at least a year,

Chalmers stated, again laying out the Labor government’s commitment to slash pay in order to maintain corporate profits. Forecasts supposedly showed that real wages would begin to grow again in 2023–24. But the Treasury, which prepare those predictions, has been forecasting wages growth for years, a forecast which has never eventuated.

Chalmers outlined further budget “blowouts,” on top of the \$1 trillion in national debt, and again signalled austerity measures on the horizon. “Government must make the hard decisions necessary for responsible budget repair,” he said. The treasurer referenced areas already nominated for cuts, including aged care, health and disability services, but gave no concrete details.

His “economic plan” consisted largely of platitudes. Labor would aspire to insure real wage growth, at some point in the far off future. There would be limited subsidies for childcare and some medicines, in a meaningless gesture over the cost of living crisis. And the government would supposedly begin “untangling” supply chains, with a National Reconstruction Fund, another handout to business.

While backing the thrust of Chalmers’ remarks, the business press complained that they were thin on detail. The Murdoch-owned *Australian* and Nine Media’s *Sydney Morning Herald* both complained that Chalmers had spent much of his speech blaming the former Liberal-National government for the crisis. These criticisms were from the right, with Chalmers accusing the ousted government of having spent excessively.

The *Australian* complained that Chalmers had “missed” his “chance to rein in expectations as he frames an October budget and build[s] support for structural reforms for the long-term benefit of the nation.”

In other words, the ruling elite is demanding that the Labor government rapidly intensify its onslaught on social spending and wages, in line with the austerity measures being implemented around the world.

The references to “expectations” and “support” are code for suppressing the massive social opposition in the working class that this program will provoke. This is a task which has been hand-balled to the corporate trade unions who have spent the more than two years of the pandemic isolating, dividing and preventing the struggles of workers in hospitals, schools, aged care homes and the railways from linking together against this program of cuts and austerity.



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