

Australian central bank demands deeper cuts to wages and social spending

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16 September 2022

Addressing parliament's economics committee for the first time since the election of the Labor government in May, Reserve Bank of Australia (RBA) governor Philip Lowe yesterday insisted that workers' wages must be kept far below the soaring cost of living and that the government must slash social spending, including on aged and disability care.

People could not keep using the "national credit card" to pay for such essential services, Lowe declared, as if workers and their families had access to too many benefits and must stop asking governments for them.

This is a message of class war—demanding that the workers must be made to pay for what they are not responsible for: The global inflationary spiral and economic crisis caused by the disastrous "live with the virus" COVID-19 policies, the pouring of billions of dollars in "support packages" into corporate coffers and the impact of the escalating US-NATO proxy war against Russia on world food and fuel prices.

The central bank chief declared: "I know it's not a comfortable message for people that we're going to have a decline in real wages this year. It's tough. When interest rates are rising and real wages are declining it's pretty tough, isn't it?"

Lowe reiterated his earlier insistence that pay rises be kept below 3.5 percent per year, that is, about half the consumer price index of 7.75 percent predicted by the end of 2022.

In other words, despite this being "tough," Prime Minister Anthony Albanese's government and its trade union partners must keep suppressing workers' pay demands by stifling or selling out strikes and imposing deals with employers that cut real wages, on top of a decade of declining real incomes for workers.

Lowe delivered a blunt threat. If wages were allowed to rise to give workers "full compensation" for

inflation: "We will respond to that prospect with much higher interest rates and a marked downturn."

That is, the central bank is quite prepared to hike interest rates so high that the economy crashes into recession with a wave of job cuts, in order to ensure that deeper income cuts are inflicted on working-class households. There was not a word of dissent from the members of the Labor-majority committee.

Lowe warned that Australia's official inflation rate was still expected to rise from 6.1 percent to 7.75 percent by the end of the year, and the RBA, like other central banks internationally, would continue to raise interest rates in order to drive down household spending and real wages.

This is under conditions where five monthly interest rate hikes in succession and the soaring cost of living, particularly for food, petrol, electricity, gas and housing, is already having a brutal effect on working-class households. With mortgage repayments up by an average of nearly \$1,000 a month so far, and rents skyrocketing, millions face the danger of mortgage defaults or evictions.

Over the past year alone, as Lowe admitted, petrol prices have risen by 32 percent and the cost of building a new house by 20 percent. Electricity and gas bills are now rising by similar amounts. As the Australian Bureau of Statistics reported this week, a record 900,000 people are working multiple jobs—usually insecure or casualised—because their wages are not sufficient to make ends meet.

Despite raising the spectre of a wage-price "cycle," Lowe conceded that wages have not been a "factor" driving inflation higher. He identified "profit margins" as an issue. That was a muffled reference to the price-gouging by which the energy giants have led the financial elite in reaping super-profits from the

worldwide energy price hikes.

Nevertheless, workers had to bear the “tough” consequences. No wage growth could be permitted to reach anywhere near the levels that Lowe claimed were far too high in the US, UK and across Europe. In those countries, the central banks and governments “have to find a way to get that back down,” he insisted, even though for workers across North America and Europe, in reality, life is becoming intolerably more expensive by the day, driving workers into struggle.

Lowe claimed that if wages were cut this year, inflation would drop next year, clearing the way for real pay rises in 2023 and 2024. Such predictions, however, have always proven to be false in the past. Year after year, the RBA and successive governments, Labor and Liberal-National alike, have promised that relief lies just ahead, while the profit share of national income has doubled, at workers’ expense, since the 1980s.

By Lowe’s own admission, the RBA had “made big errors before and no doubt will make them again.” That was a reference to the central bank’s forecasts, up until the end of last year, that any inflation would be transitory and its promises to keep interest rates at record lows until 2024 at least—promises on which many now financially-distressed new homebuyers relied.

Lowe also conceded: “One important source of uncertainty at the moment is the global economy, where the outlook has deteriorated.” The situation in Europe was “very troubling, not least because of the extraordinary increase in energy prices,” in the US, the Federal Reserve had indicated that interest rates had to keep rising and “the Chinese economy is also facing major challenges.”

Lowe’s complaint about the “national credit card” was a declaration that the Labor government had to start, in its scheduled October 25 budget, to eliminate the budget deficits and public debt. These have been growing since massive corporate bailouts and the pouring of huge funds into the financial markets commenced in the global financial crisis of 2008–09—a process that reached vast new heights when the pandemic began in 2020.

The RBA governor said the “community” wanted governments to “provide a whole range of services,” such as “high-quality aged care, great education, world-class disability care, fantastic national defence, great

infrastructure.” This was “understandable,” but “what we haven’t worked out as a community is how to pay for it.”

Lowe said there were only three “difficult” alternatives: raise taxes, cut services or grow the economic “pie” to pay for them. The latter required “hard choices on a whole bunch of structural reform issues.” With the Labor government due to hand down a second budget next May, Lowe said he hoped parliament would address these things during its current three-year term.

This is the voice of finance capital giving its orders to the government, and the trade unions on which Labor is relying to enforce the dictates of the ruling class, as they have done for decades, especially since the corporatist Accords between the unions and the Hawke-Keating Labor governments of 1983 to 1996.

There is no doubt about the determination of the Labor and union apparatuses to deliver the requirements of big business. Labor’s deceptive election promises of a “better future” have long given way to the government’s own talk of “tough medicine.” The unions have already imposed scores of pro-employer deals that keep yearly pay rises to 3.5 percent or even less, but this is fuelling discontent and resistance, as seen in strikes by nurses, teachers, childcare educators, university staff and many others.

This resistance must be developed and given a clear perspective. That means making a political and organisational break from Labor and the unions to form independent organisations of working-class struggle—rank-and-file committees—in every workplace.

This has to be connected to the building of a socialist and revolutionary leadership in the working class, in Australia and throughout the world. Instead of being made to pay for the crisis of capitalism, the working class must overturn the entire economic and political order, establish genuine democratic control, and reorganise society on the basis of social need, not private profit.



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