

Australian rate rise offensive shows necessity for SEP's socialist campaign

Mike Head, SEP candidate for NSW Legislative Council
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Backed to the hilt by the Labor government, the Reserve Bank of Australia (RBA) deepened its assault on working-class wages and living conditions on Tuesday by aggressively lifting official interest rates for the 10th month in a row.

Millions of people—both homebuyers and renters—already face severe financial stress and the danger of losing their homes, compounded by the soaring cost of living produced by sky-rocketing prices for food, petrol, energy and other essentials.

In its statement, the RBA also signalled further hikes to come. It remained “resolute in its determination” to supposedly curb inflation by preventing “a prices-wages spiral,” even though it admitted that wages growth had been kept below the level needed to meet its inflation target.

In sync with central banks internationally, the RBA is mounting a deliberate offensive to further drive down workers' real wages—which have already fallen far below inflation—by pushing up unemployment and slowing the economy, even at the risk of a recession.

None of this has anything to do with actually curbing inflation.

The rate rises are propelled by the worldwide demand of the financial oligarchs to make the working class bear the burden of the interconnected and inflationary crises produced by the pouring of trillions of dollars into the bloated and parasitic global money markets since the financial meltdown of 2008–09.

These crises have been intensified by the profit-driven refusal of governments to take the measures needed to end the COVID-19 pandemic, the impact of the escalating US-NATO war against Russia in Ukraine, and profiteering by the banks and energy and food conglomerates.

This makes the Socialist Equality Party's (SEP) campaign in the March 25 New South Wales (NSW) state election all the more critical. We are the only party to oppose this assault and advance the socialist program required to totally reorganise society to meet the pressing social needs of the vast majority, not enlarge the private profits of the super-

rich.

The RBA raised its official cash rate by another 0.25 points to 3.6 percent, continuing the sharpest series of increases on record in Australia. This is after it lowered rates to an unprecedented near-zero (0.1 percent) in 2020 to prop up bank and corporate profits during the first two years of the pandemic.

This is a conscious class war agenda, especially targeting low-income and young home mortgage holders and renters. As internal documents show, the RBA calculates that the harshest impact will fall on these households, while wealthier ones benefit from higher interest rates on their savings.

This is what the RBA's statement calls a “painful squeeze.” A household with a \$750,000 mortgage has now suffered a \$1,474 increase in monthly repayments since May, when the central bank delivered its first interest rate increase in a decade. That is a massive cut to income, with more to come.

Landlords are seizing on the growing housing crisis to gouge tenants, who make up one-third of the population. According to PopTrack data, rents across NSW rose by up to 40 percent over the past year.

This is particularly hitting the poorest and most vulnerable, who are threatened by evictions, unaffordable rents and homelessness. The share of rental properties listed for under \$400 a week has more than halved to 15 percent across most Australian capital cities over the past year, and accounted for just 7.8 percent of Sydney listings in February.

Canstar, a rate comparison company, estimates that one in ten mortgage holders and renters have already missed a mortgage or rent payment in the past six months.

This will worsen as an estimated 800,000 households on fixed-rate mortgages face a rate “cliff” in 2023. They will come off mortgages of about 3 percent onto variable rate-loans of more than 6 percent, sending their payments through the roof.

The wealthy shareholders of Australia's big four banks, which hold the vast majority of the mortgage debt, are also

ruthlessly exploiting the social crisis. UBS forecasts that these banks will collect a combined profit of \$33.5 billion in this financial year, up from \$28.5 billion last year.

This record profit-making has been achieved by ratcheting up the banks' net interest margins—the difference between what they charge borrowers and pay depositors—to over 2 percent, while they continue to shut local branches and cut jobs.

Led by the Commonwealth Bank, which the Keating Labor government privatised in 1996, the same banks profited from pandemic bailouts, which included an RBA and government-backed \$188 billion Term Funding Facility to provide them with cheap money.

The Commonwealth Bank alone recently reported a \$5.1 billion profit for the second half of 2022. It rewarded its shareholders with a 20 percent increase in its interim dividend, topped off by a \$1 billion share buyback.

Prime Minister Anthony Albanese and his Labor government have tried to politically distance themselves from the rate rise onslaught by insisting that the RBA is “independent” and feigning concern about people “doing it tough” and feeling the pressure “around the kitchen table.”

Far from being independent, the central bank is an instrument for imposing the dictates of the ruling capitalist class, as are its more powerful counterparts like the US Federal Reserve, the European Central Bank and the Bank of England.

Moreover, the Labor government is backing the RBA by insisting on the need to dovetail with the bank's policy by imposing “restraint” on health, education and other social spending—but not military funding—in the May budget.

Equally cynically, the trade union bureaucrats are trying to divert workers' discontent by demagogically appealing to the central bank to pause its rates hikes.

“The RBA just must stop putting up interest rates,” Australian Council of Trade Unions secretary Sally McManus told the *Australian*. “The level of stress amongst ordinary Australians, working people is significant. They are skipping meals; they are not seeing doctors; they are not seeing dentists.”

This is a fraud. The Albanese government is relying on the unions to keep inflicting sub-inflation pay “rises”—such as those of 2 to 3 percent imposed on NSW and Victorian teachers and healthcare workers.

The union bureaucrats are also serving the federal and state governments and the ruling class by stifling workers' strikes and opposition to unbearable workloads and deteriorating conditions, including in chronically-underfunded hospitals, schools and aged care.

Both the NSW Liberal-National government of Premier Dominic Perrottet and the official state Labor opposition led

by Chris Minns support suppressing real wages, including for public sector workers, and cutting social spending.

Labor's Minns has given Perrottet bipartisan, pro-business backing on virtually every front, including housing. They are both proposing measures that will only boost property developers, while promising pittance for affordable housing.

While the NSW Greens, the third party of the political establishment, criticises the obvious inadequacy of these proposals, they only say vaguely they “will work towards more public and social housing.”

The SEP is the only party telling the truth: Ending the worsening social and housing crisis requires overturning the entire pro-business program of the political establishment and the unions that police it.

As we explain in the SEP election statement, not a single major social problem can be solved as long as society's resources, created by the working class, are controlled by a corporate oligarchy.

Our demands include:

- Affordable housing for all! Tens of billions for education and healthcare, not for militarism and war!
- Major pay rises for all workers now, to compensate for years of cutbacks!
- Place the banks and the corporations under public ownership and democratic workers' control!

A workers' government would redirect the massive wealth accumulated by the billionaires, property developers and financial speculators, and the billions being spent on war preparations, to housing, health, education and other essential social programs.

We appeal to all workers and young people to promote and participate in our campaign and, above all, join the SEP to build the revolutionary socialist leadership needed to transform society along these lines.

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