

Australian central banker openly calls for higher unemployment

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Reserve Bank of Australia (RBA) Deputy Governor Michele Bullock last week made explicit the policy of the central bank and the Labor government, to throw tens of thousands of workers out of a job over the next 18 months, supposedly to fight inflation.

Answering a question after addressing an employers' function, Bullock said the current official unemployment rate of 3.6 percent was too low. It would "have to rise" to at least 4.5 percent to bring inflation under control.

That means destroying anywhere between 140,000 and 150,000 jobs, including by continuing to aggressively lift interest rates, especially for home mortgages, in order to induce an economic slump, even a recession, and further drive down workers' real wages.

This will have a devastating impact throughout the working class, with households already suffering the biggest cut to living standards since World War II as a result of spiralling food, energy and housing prices and more than a year of punishing interest rate rises.

The twelve RBA rate increases since May 2022 have so far cut more than \$1,200 from the monthly disposable income of households holding a \$500,000 mortgage, and even more from those who have larger debts. Landlords are also ratcheting up rents, which have jumped around 10 percent over the past 12 months in the major cities.

By the RBA's own calculations, in its April Financial Stability Review, more than 40 percent of all mortgage borrowers could be at risk of defaulting on their loans in just three months if they experience job losses or other "shocks" to their income or expenses. That risk was greatest among "low-income households."

This is a deliberate offensive against workers and their families. Bullock did not rule out the central bank

sending the jobless rate much higher if the RBA considered it necessary to bring inflation back below 3 percent from its current rate of around 7 percent.

Speaking on behalf of the RBA, Bullock warned that a "deep and long-lasting recession would be likely" if inflation were allowed to get out of hand, and this would "mean a substantial rise in the unemployment rate."

That amounts to a threat by the RBA, which represents the interests of the corporate and financial elite, to crash the economy by raising its cash interest rate far above the current 4.1 percent, if workers push for wage rises to match the sky-rocketing cost of living.

Trade union bureaucrats, past and present, were given prominence in the corporate media to denounce Bullock, as if she were merely expressing a personal viewpoint. Her real offence, as far as they are concerned, was to blatantly state what the RBA is doing. Acting in sync with central banks internationally, the RBA is inflicting on the working class the full burden of the global inflationary and economic crisis.

Even more, Bullock's frankness exposed the Albanese Labor government's full underlying agreement with this class war policy, which the union bureaucrats themselves are intent on enforcing by imposing sub-inflationary agreements on workers.

Former Australian Council of Trade Unions (ACTU) secretary Bill Kelty was given front page coverage in the Australian to criticise Bullock's "entirely unnecessary" remarks, joining a chorus of complaints by today's union chiefs.

Noticeably, Kelty did not condemn the alleged necessity to drive up unemployment, just the openness of the RBA's aggression. While it was not unreasonable to assume unemployment would rise, he

said, the RBA had to “stop being financial predictors.”

Kelty was speaking on the basis of life-long service to the ruling capitalist class. He was one of the trade union architects, under the 1983 to 1996 Hawke and Keating Labor governments, of the prices and incomes Accords and enterprise bargaining regimes. These have atomised and straitjacketed workers, suppressing their struggles for the past four decades.

For his services, Kelty was rewarded, among other things, with membership of the RBA board himself from 1987 to 1996, where he directly helped inflict the dictates of the global and Australian financial markets.

Top union bureaucrats from the Construction Forestry Mining Maritime and Energy Union, Electrical Trades Union, Australian Workers Union and Health Services Union followed suit with Kelty. They variously branded Bullock’s comments as “shameful” and blasted a “busted system” that was putting tens of thousands of livelihoods at risk.

This is sheer hypocrisy, combined with anxiety. They all fear that Bullock’s bluntness could trigger deeper opposition among workers to the assault on wages, conditions and jobs, which has already produced significant stoppages and protests, including among health workers, educators and other public sector workers, over the past 18 months.

On behalf of the Labor government, Treasurer Jim Chalmers backed Bullock’s remarks. “I think what the deputy governor was referring to was simply reflecting the fact that both the Reserve Bank’s forecasts and the Treasury forecasts in the budget expect an uptick in unemployment at the same time as we expect a moderation in inflation,” he told Australian Broadcasting Corporation radio on Thursday.

This contemptuous “uptick” remark reflects the fact that Prime Minister Anthony Albanese’s government shares and supports the RBA’s brutal policy, in line with the demands of the money markets. Labor’s May 9 budget itself predicted that the unemployment rate would hit 4.5 percent by 2025.

In reality, that toll is likely to grow because of the heavy dependence of Australian capitalism on iron ore and other raw material exports to China, whose economic growth has slowed dramatically, largely because of sanctions and other economic warfare measures by the US.

Real wages in Australia have already fallen by more

than 4 percent over the past year—the biggest decline since World War II—exposing the RBA’s claims to be fighting inflation by preventing a non-existent “wage-price spiral.”

The real causes of inflation lie in the pumping of trillions of dollars into the financial markets since the 2008 global crash, aggravated by the massive COVID-19 business bailouts in 2020-21, the now unchecked pandemic and the worldwide impact of the escalating US-NATO war against Russia in Ukraine.

Moreover, studies by the Australia Institute think tank, and even the Organisation for Economic Co-operation and Development (OECD), have shown that a substantial proportion—perhaps nearly 70 percent—of the price hikes that are crippling working-class households are due to corporate profit-gouging on the back of this crisis.

This profiteering is intensifying a decades-long process. The share of wages in the Australian economy has fallen over the past four decades to record post-World War II lows, while the share of profits has grown to historic heights.

Despite its claims of “getting wages moving again,” the Labor government is working intensively with the union bureaucracy to impose wage agreements far below the inflation rate. That partnership is now policed by the government’s latest workplace relations laws giving the pro-employer Fair Work Commission industrial tribunal the power to shut down industrial action in “intractable” disputes.

However, the rising discontent and demands of workers are coming into collision with the Labor government and its union enforcers. That underlines the need for the development of genuine rank-and-file committees, totally independent of the union apparatuses, as advocated by the Socialist Equality Party. These are essential to organise a unified struggle against the employer-RBA-government offensive and link up with workers internationally facing similar attacks via the International Workers’ Alliance of Rank-and-File Committees.



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