COST OF LIVING AND MONOPOLY CAPITALISM IN AUSTRALIA

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Australia's cost of living crisis is a defining feature of the post-pandemic Australian economy. Rising grocery prices, unaffordable housing, higher energy bills and stagnant wages have created chronic cost-of-living pressures, while productivity growth has stalled and headline GDP growth masked a *per capita* recession (ABS2024). Framing the inflationary shock as an emergency set the scene for contractionary monetary policy by the Reserve Bank in 2022 (RBA 2023), followed by targeted relief measures such as energy rebates and rental subsidies (Australian Government Treasury 2023b). In 2025, inflation was reframed as manageable and tight monetary policy was cautiously loosened, but many Australian households are still facing severe cost-of-living pressures.

Presenting inflation as an episodic deviation has hidden its structural basis in the warped dynamics of modern capitalism. Policy and media narratives have predominantly explained inflation as the product of supply chain bottlenecks, international conflicts and overheating from the pandemic stimulus. Heterodox framings, including Post-Keynesian understandings of cost-push inflation or wage–price spirals, have also been event-focused and proximate-cause oriented (Mitchell and Juniper 2022; Storm 2022). What is missing from these explanations is an analysis of ownership concentration, market power and profits.

This article argues that Australia's cost of living crisis is not a temporary aberration, but a predictable consequence of fiancialised monopoly capitalism. Borrowing from Baran and Sweezy's *Monopoly Capital* (1966), it reframes inflation as a feature of surplus overaccumulation, market concentration and waning productive investment. In a saturated,

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mature capitalist economy where competition is performative, firms set prices in 'seller's markets' with power to protect their margins and absorb surpluses unanchored to costs (Baran and Sweezy 1966). Seen from this perspective, inflation is not a price anomaly, but the logical operation of administered pricing in conditions of monopoly capitalism.

Per capita recession is the other side of this coin: overall growth in GDP conceals that many people must work longer for less while trying to cope with the regressive redistribution that occurs through administered prices (Means 1972; Blair 1972). The state's response has been technocratic, focused on monetary tightening that disproportionately impacts indebted and poor people. In a financialised and deregulated economy characterised by asset speculation, inflation is less a macroeconomic outcome than a tool of social division. Rising prices are a symptom of market concentration, fiscal passivity and rent extraction by capital insulated from competitive or democratic pressure (ACCC 2023; Watson 2009).

This article contrasts the conventional wisdom about inflation with an alternative explanation that builds on Baran and Sweezy's concept of monopoly capital. It discusses the key political economic characteristics of the latter approach, the role of capital concentration, administered pricing, accumulation, the state and ideology. Turning from theory to empirical analysis, it examines major sectors of the Australian economy. This is followed by a discussion of the state, ideology, class, distribution and the policy implications of this analysis, ending with suggestions for future political economic research. To begin, however, it is appropriate to briefly consider the mainstream perceptions that this article challenges.

Interpreting inflation

Cost of living issues in Australia have been met with a flood of media commentary, policy measures and political posturing, mostly pointing to short-term, conjunctural factors that overlook structural power and the institutions of Australia's political economy. For mainstream economists and policy institutions like the RBA, inflation is understood as a transient or exogenous shock. Classical or New Keynesian models which relate inflation to excess demand, cost-push shocks or misaligned expectations ignore capitalism' contradictory character. Even heterodox approaches that privilege mark-up pricing or distributive conflict, like post-Keynesian models (Mitchell and Juniper 2022), do not usually ground these dynamics in more expansive theories of capitalist accumulation and surplus absorption or in broader market power and concentration.

This is partly a product of casting inflation as a technical problem to be tamed by interest rate policy and selective compensation, rather than as phenomena open to political contestation (Fine and Saad-Filho 2004). Inflation is rarely contextualised in the architecture of capitalism; and rarer still has been investigation into how oligopoly pricing power comports with stagnationist processes to produce inflationary pressures as a systemic feature. Although some media analysis and reports by regulatory agencies in the last few years (ACCC 2023) have made such connections by pointing to concentrated corporate power in groceries, energy and housing, these have been largely anecdotal and de-linked from macroeconomic theory. What has been lacking is systematic analysis of how the major industry sectors in Australia set prices independently of cost structures or supply, and of how a small number of large firms can command monopoly rents over and above levels of profit that would be sustainable in more competitive conditions.

Renewed interest in the causes of monopoly and mark-up inflation internationally (Weber and Wasner 2023) has not yet led to comparable analysis of the Australian economy. Rather, casting inflation as either a supply-chain problem or a central bank 'mistake' has crowded out consideration of the capacity for firms with market power to raise prices to meet/exceed inflation expectations, maintain profit margins in a low-demand economy, and suppress real wages without shedding labour (Storm 2022). The common idea of wage-price spirals has tended to dominate over more potentially useful study of profit-price spirals.[1] Some Australian research work on the housing bubble and household debt (Gurran and Phibbs 2015; Berry 2010) has touched on structural aspects of these problems, but not in terms of a system-wide analysis tied to the political economy of inflation. Issues like the inflated price of housing, the cost of privatised utilities and the speculative absorption of capital into land and finance need to be seen as manifestations a deeper and more general tendency for rising consumer prices and suppressing real wages. Analysing and managing these issues in silos pays insufficient heed to their common features shaped by monopoly capital's logic.

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[1] Recent research publications from the Centre for Future Work at The Australia Institute (2024) are a significant exception to this generalisation (*e.g.* Stanford 2023).

A second literature gap relates to the ideological function of inflation discourses. In centring consumers, monetary policy or geopolitical factors, the dominant discourses displace structural critique, making inflation seem to be a technical or moral concern. Renewed 'fiscal discipline', the political blocking of wages growth, and the symbolic targeting of welfare recipients are part of this same ideological management process. A growing scholarship on the sociology of inflation (Konings 2011) and its political economy (Peck 2010) has interrogated the technocratic framing, but there is little empirical study yet of how these discourses and their ideological operations play out. A monopoly capital approach can build on this emerging body of work, by showing how the dynamics of surplus absorption, price-setting autonomy and ideological mystification coalesce to produce cost-of-living stress and its associated political discourse.

The Monopoly Capital framework

In *Monopoly Capital* (1966) Baran and Sweezy proposed a theory of administered inflation in concentrated industries as arising from an inherent contradiction of capitalism intensified under monopoly conditions. Whereas Marx viewed capitalism as a competitive value-producing system, modern capitalism in Baran and Sweezy's (1966) conception operates as a monopoly. The effects of this shift in Marxist method are to downplay value theory, to recognise that competition operates now in a mediated and distorted form, and to focus on administered pricing and the absorption of surplus.

Baran and Sweezy's theory is not the only basis for a theory of inflation within the Marxian tradition. David Harvey (1982) focused on temporary geographical shifts of capital investment as one way of discharging overaccumulation, making inflation appear as a secondary effect of crisis-driven infrastructural investment, debt-fuelled urbanisation or financial speculation in peripheral markets. Earlier, Rosa Luxemburg (1913/2003) took overaccumulation to require non-capitalist external markets, leading inflationary dynamics to be seen as a symptom of market exhaustion and the intensification of crisis tendencies in core economies. What distinguishes Baran and Sweezy's account is that inflation is a structurally endogenous and systemically necessary characteristic of monopoly capitalism where administered prices, pricing autonomy and the political insulation of capital are the usual operating conditions.

Baran and Sweezy's starting point is the definition of an economic surplus as the excess of social production over social consumption, given full utilization of resources (1966:55-67). Whereas a *competitive* price system forces reinvestment of the surplus in productive enterprise in the early stages of capitalism; in *monopoly* capitalism large firms restrict output and prices and dominate the market while enjoying large profit margins. This creates a continuing surplus, not automatically reinvested but seeking artificial outlets (Baran and Sweezy 1966:76-83). This tendency of modern capitalism to require unproductive surplus absorption is masked by the ideologically acceptable forms structurally necessary to prevent stagnation, like advertising, militarism, speculative finance, and suburban real estate booms (Baran and Sweezy 1966:108-36). These are not distortions of capitalism: they are an intrinsic part of its modern structure in which the leading firms set prices that diverge from value and to insulate their profits from competitive pressures, leading to chronic inflation (Baran and Sweezy 1966:117-24).

Monopoly Capital also provides a theorisation of the ideological function that inflation discourse performs. Popular understandings see inflation as the result of technical malfunctions or behavioural failures, such as consumer overreach, supply chain fragility or interest rate lags. This ideological framing removes culpability from capital in price formation, allowing simultaneous disciplining of labour and legitimating the price-forming powers of capital. In this way, Baran and Sweezy emphasise the ideological role that mystifications play in obscuring structural contradictions and thereby facilitating the ongoing reproduction of the system (Baran and Sweezy 1966:285-92).

Centring the state, Baran and Sweezy also predicted the growth of state apparatuses as part of the stabilisation strategies within monopoly capitalism, operating through public expenditure, infrastructural investment and regulatory forbearance (1966:224-227). In societies like Australia, this has manifested through state subsidisation of privatised infrastructure and pro-cyclical regulation (road tolls, parking fees, fines), regressive taxation and inflation-targeting monetary regimes. It is compounded by a political discourse that presents inflation as a collective problem rather than the product of class power.

Seeing inflation as a class phenomenon, not simply as a macroeconomic variable, puts further emphasis on how the monopolised sector extracts its surplus through price increases, creating cost of living stresses that weigh most heavily on those least able to bear the burden - workers, renters and the poor (1966:75-6, 127-9). Unlike in post-Keynesian or neoclassical approaches, Baran and Sweezy's approach does not regard inflation as the result of overheating or cost/price-push from wage increases, but as a feature of structural stagnation where prices are supported. Seen in this way, inflation is not a dysfunction but a logical response to the imperative for monopoly capital to secure its surplus.

This reasoning also leads Baran and Sweezy to see the mystification of economic relations as a key feature of the monopoly capitalist order. This aspect is similar to Althusser's concept of Ideological State Apparatuses (ISAs), by which an ensemble of institutions manufactures broad consent, thereby contributing to the reproduction of the conditions of production (1971). Baran and Sweezy (1966:285-92) anticipated this, arguing the mystification of the economic process was key to the reproduction of monopoly capitalism. The economic institutions, media and political elites who present inflation as a process being driven by excessive household spending, external shocks or unfortunate international trends are obscuring the key roles of capital concentration, profit maintenance and administered pricing in generating the inflationary pressures. Central banks are key ideological actors in this respect. In their public communications, inflation expectations and the management of aggregate demand dominate, while profit margins and market structures are seldom mentioned (*e.g.* RBA 2023). Treasury analyses are based on econometric models that abstract away from class power, and mainstream media are rife with moralistic austerity commentaries (Konings 2011). These ideologies serve to naturalise monopoly capitalists' pricing decisions, making responsible behaviours such as union wage demands or arguments for public ownership sound irresponsible or economically dangerous.

Fine and Saad-Filho (2017) further argue that the technocratic language of monetary policy is deployed to de-politicise inflation, naturalising crisis and inoculating powerful interests against critique. Countering this, reframing the discussion in terms of Baran and Sweezy's notion of surplus can demystify the discussion, making sense of pricing as a terrain of conflict and of inflation as a political economic outcome rather than a technical aberration.

Baran and Sweezy wrote *Monopoly Capital* (1966) at the height of post-War industrial capitalism. Since then, far from vanishing, the structural tendencies they identified – the overaccumulation of surplus, the corporates' power over prices, and the sclerosis of productive reinvestment – have been intensified by financialised capitalism. Duménil and Lévy (2011) argue that neoliberalism did not supplant monopoly but simply reoriented its priorities to a financial oligarchy, with accumulation able to proceed through rent extraction, asset inflation and financialisation. This transformation of capitalism's overdeveloped finance sector has sharpened rather than dissipated the core contradiction that Baran and Sweezy outlined – the problem of finding profitable places to send surplus.

The monopoly capitalist 'logic' of administered prices and capture of surplus has also been extended to newly developed sectors by 'platform monopolies' like Google, Amazon and Apple. Recognising this, Foster and McChesney (2014) updated the monopoly capital thesis to show how this 'new monopoly capitalism' of informational asymmetries, surveillance and network effects allows firms to capture monopoly rents with a minimal labour input. While Australia's inflation profile has not been driven directly by digital monopolists *per se*, there is a structural continuity in that rents have been also 'protected' from competitive pricing and have aided in transforming stagnation into surplus. These continuities between the earlier phases of monopoly capital and the current inflation suggest that these monopoly capitalism logics should be folded into financialised framings of inflation as extensions and amplifications of classical capitalism, not as deviations from it.

Inflation in monopoly capitalism is best understood as a strong *tendency*, however, rather than as always and everywhere inevitable. While the system is riven with chronic forces to push prices up, countervailing forces may deflect or attenuate inflationary outcomes. The deflationary buffers may include incomes policy, wage suppression, temporary falls in international prices of primary commodities, or the absorption of surplus into militarism, extravagant executive remuneration and financialisation. The distributive implications are similarly regressive if the effect is to divert resources into financial forms because asset inflation, debt and financial expropriation, like consumer price inflation, generally function to redistribute incomes upwards (Lapavitsas 2009; Duménil and Lévy 2011). Moreover, as the work of Storm (2022) and Stanford (2023) implies, although deflationary buffers may temporarily prevent inflation from manifesting, their eventual breakdown may result in profit-price spirals reasserting themselves with a vengeance.

Australia's inflation and monopoly capitalism

The updated relevance of Baran and Sweezy's work for understanding inflation and the cost-of-living crisis in Australia can be illustrated by the following six examples. In each case, inflation can be seen as a strategy of accumulation and a class weapon.

Supermarkets

The Australian supermarket sector is textbook *Monopoly Capital*. Two firms, Coles and Woolworths, account for two-thirds of the total food and grocery market share (ACCC 2023). This provides them with extraordinary pricing power over the inelastic necessities bread, dairy, and vegetables. Woolworths Group (2023) declared net profits up 15.8% to over $1.6 billion from FY2022 to FY2023 on flat volumes. Coles Group (2023) reported group revenue up 4.8% over the same period and the supermarket business had record margins. Long accustomed to operating through a system of tight consumer mark-ups, combined with bargaining power over suppliers and the capture of distribution efficiencies, the duopolists have, since the period of the COVID-19 pandemic, moved to outright expansion of consumer mark-ups, which partly explains the spike in profit rates declared in 2022-23 (Grudnoff *et al.* 2024).

Analysis from the Australia Institute (Grudnoff *et al.* 2024) and international research (Weber and Wasner 2023) suggest that the main driver of recent food price rises was not cost pressure upstream but opportunistic mark-up expansion. Baran and Sweezy wrote that monopoly firms, freed from the discipline of competitive prices, 'ride on inflationary expectations to increase their prices in advance of cost increases' (1966:121-4). 'Price leadership' in Australia's retail sector is well documented, with larger firms setting price rises that smaller rivals then match (Davidson 2023). Promotions and discounts are used more as tools of brand management than as price relief mechanisms (Davidson 2023).

Simple mark-up comparisons tell the inflation story of administered pricing. In supermarkets, prices for consumers went up by 8.0% for food sold in FY2022-23 (ABS 2023), while input prices increased by just 3.2% (Australian Government Department of Agriculture, Fisheries and Forestry 2023). The other 4.8 percentage points can be attributed to pricing power. This data provides further evidence in support of Baran and

Sweezy's (1966:121-4) argument that, in concentrated industries, prices reflect firm surplus extraction capacity rather than the 'equilibration' of supply and demand. Attempts to explain price rises as the product of supply chain disruption and/or lack of input availability fail to recognise that the process of monopoly pricing is not responsive to the mechanics of market equilibrium: prices are set at a level that restores the real rate of return to a 'target' level. Moreover, it is evident that the presence of other supermarkets alongside the dominant duopoly has only a modest ameliorating effect. The supermarket industry has turned inflation into a conscious strategy of surplus extraction.

Housing

Housing is a less obvious example than retailing because there are no comparably dominant firms in the industry. Rather, as an asset class and form of surplus absorption, the key feature of the housing sector is that speculative demand is manifest in rapidly rising land prices and the process whereby mortgage debt crowds out wage-led demand (Watson 2009). Thus. the use-value of Australian housing has been subsumed by housing's contradictory role as a site of surplus absorption via speculation, asset-price inflation and mortgage-debt growth.

The underlying inflationary impetus is undoubtedly strong. Data from CoreLogic (2024) showed that housing prices increased nationally by an average of over 30% between March 2020 and April 2022 – an era of negative average real wages and slow population growth from record-low levels of pandemic-era immigration. Housing construction input costs increased by only 12% over that same period (ABS 2022b). RBA (2022) data revealed that a greater share of growth in households' net wealth from housing than from wage incomes during that period. Renters and first-home buyers have shouldered the inflationary burden: annual rent inflation climbed nationally to 7.6% in 2023, including 9.5% in Sydney and 9.1% in Brisbane (ABS 2023).

Real estate is one of many non-productive channels for surplus absorption discussed by Baran and Sweezy (1966: 84-86). In the Australian economy, as elsewhere, housing inflation has been supported by financialisation and speculative investment, with demand-side factors such as investor purchases (Gurran and Phibbs 2015) driving price increases without the concomitant addition to housing supply or productive employment (ABS

2022a). Mortgage debt now exceeds 140% of GDP and is the strategic centre of bank profitability (Reserve Bank of Australia 2023). Watson (2009) show that housing inflation is a politically mediated product of asset-based welfare and rentier accumulation. That is, it is not an accidental by-product of scarcity, but a structural function of capital's imperative to turn financial surplus into appreciating assets. It is also a means of class differentiation: capitalists extract surplus via rent and debt service while workers pay for this through precarity and spatial displacement. Housing inflation has also sharpened a generational divide between older, asset-owning cohorts and younger households facing declining affordability, rising indebtedness and exclusion from ownership.

Energy

The Australian energy sector has been significantly privatised during the last three decades. Market consolidation through mergers and acquisitions have led to an oligopolistic market in which AGL, Origin and EnergyAustralia own all the major companies operating retail and energy generation in most states. Electricity prices have increased by more than 20% from 2021-2023 despite only a minor increase in wholesale prices; and are forecast to continue to rise until at least 2025 (Australian Energy Regulator 2023:1; Institute for Energy Economics and Financial Analysis 2023). Wholesale prices spiked in the 2022 gas crisis but mostly settled down by mid-2023 even as retail prices continued to climb (Institute for Energy Economics and Financial Analysis 2023). Energy companies had opportunistically locked in inflated margins at the retail end of the market during the geopolitical crisis, under the cover of uncertainty (Institute for Energy Economics and Financial Analysis 2023; Grudnoff 2023).

As Baran and Sweezy presciently note, monopoly capital accumulation exploits crisis as an opportunity for expansion (1966:282-4). The inflationary process in the energy sector is not just the result of profiteering but structural to the monopoly circuit of rentier pricing logics, long-lived infrastructure control, regulatory capture, and socially constructed scarcity. In this configuration, the state does not challenge power but subsidises and consolidates it, including by household rebates that assuage societal hardships but defer to corporate price-setting. As Baran and Sweezy predicted, the state's role becomes one of social pacification of monopoly power, not its disciplining (1966:224-7).

Banking

Few industries in Australia have been as persistently profitable for capital as banking. For the first three-quarters of FY2023, the Commonwealth Bank made net profits of $10.2 billion, with Westpac trailing at a mere $6 billion and National Australia Bank also in the multi-billion dollar territory (Commonwealth Bank of Australia 2023; Barrett 2023). For example, CBA posted a record full-year cash profit of A$10.25 billion (Reuters 2025). These profits have not arisen from productive investment but from household debt servicing and its collateral of mortgage origination and fees - what Lapavitsas (2009) refers to as *financial expropriation*. After the pandemic years, the RBA's policy of increasing interest rates in response to inflation gave this process greater depth: banks were allowed to pass on rate hikes to borrowers in full while simultaneously offering sub-historical rates of interest to savers (CHOICE 2023). This is part of the broader ascendancy of finance capital, which can absorb surplus in speculative outlets like asset markets, privatisation and debt instruments (Duménil and Lévy 2011).

The banking dynamics also exhibit the features of Baran and Sweezy's stagnation finance: in conditions of low overall economic growth, capital is funnelled into finance-led 'growth' rather than productive reinvestment (1966:230-7). Australian banks are the local domestic agents that intermediate this logic to extract rents from debt-dependency; and in turn use inflation to justify austerity and discipline labour. The inflation process thereby reasserts the power of capital in the distribution of income, not unlike Minsky's (1986) treatment of the asymmetrical nature of monetary contraction.

Higher education

Once a public good, the university sector has been transformed into a price-making service that produces its own surplus. Average international student fees in Australian universities doubled between 2009 and 2019, enabling the total university surpluses to reach $5 billion in the latter year (Universities Australia 2020). Maintaining those fees through the pandemic at the same time as services were being cut and shifted online reveals their rentier logics (Marginson 2022). This practice also mirrors Baran and Sweezy's conceptualisation of non-competitive pricing in pseudo-commodified public sectors (1966:93-5). As such, the inflation process in education has more to do with credentialing monopolies than with input costs. As universities are a means of entry into the middle class or a means to migrate to Australia, universities as gatekeepers can raise fees above what might be justified by any additional quality or content. This is a component of inflationary pressure on households that arises from increasing student debt and requiring longer periods of high-income work to pay back educational expenses (Croucher and Woelert 2023).

The state, class and distribution

The state's role in the inflationary crisis has been less as an impartial referee than as an active facilitator in the reproduction of monopoly capital. A structural conception of the state as a 'surplus coordinator', absorbing a range of ideological contradictions, was anticipated by Baran and Sweezy (1966:224–9). Its relevance in Australia can be seen in a still-dominant bipartisan political culture disinclined to implement windfall profit taxes, anti-concentration measures or price caps. Following the short-term fiscal stimulus at the onset of the pandemic, discourses of 'fiscal responsibility' and 'inflation control' have been re-mobilised to rationalise welfare restraint and wage moderation. Inflation has been used as a disciplinary device to control labour and consumer expectations.

Examining the exposure of different social strata to the inflationary process further shows the class character of the cost-of-living crisis. The effective inflation rate has been calculated at 1.3 percentage points higher for lower-income households than that for higher-income households, because the former's consumption baskets are more heavily weighted towards food, housing, and transport (Grudnoff 2023). Purchasing power has been further eroded for those reliant on welfare, as CPI-linked benefits have failed to keep pace with sector-specific inflation in rent and energy prices (Davidson *et al.* 2023). Assetless groups, such as young people, students, and renters, have been disproportionately affected, whereas asset-holders have been handsomely rewarded by inflation through high dividends, rent rises and capital gains. The RBA's interest rate rises – twelve successive interest rate rises starting in May 2022 – had the effect of compressing real wage growth and increasing mortgage distress, rather than the disciplining of concentrated sectors (RBA 2023; ACTU 2023). This disciplinary 'solution' is distributive in its rationale: it transfers adjustment costs to households rather than contesting capital's price-setting autonomy, depresses wage-bargaining power and permits increased banks' margins. All these factors point to the inflationary process being better understood as a class-based redistribution rather than a macroeconomic disequilibrium.

Historical developments also corroborate the view that inflation under monopoly capitalism is structural in nature. The post-war long boom (1945-1975) was deflationary by historical standards, with inflation remaining at or below 5% p.a. for most of the period despite consistently full employment (ABS 2023). Australia had high union density and wage–price control alongside public ownership of some basic utilities, energy and banking (Butlin and Dow 1980). This state capitalism regime was reversed in the subsequent neoliberal phase by policies of privatisation, deregulation of capital and restrictions on union rights and collective bargaining that created more room for mark-up inflation. Price-setting by capital in sectors directly tied to the reproduction of everyday life became more decoupled from costs. These historical and institutional developments vindicate Baran and Sweezy's characterisation of inflation as an expression of the struggle over surplus and a systemic, institutionally mediated feature of monopoly capitalism (1966:84-6, 224-7).

Viewed in this way, the structural inflation of today is not a pathology of the macroeconomy, but an institutional device of class redistribution. As Baran and Sweezy (1966:75-6, 127-9) observed, rising inflation under monopoly capitalism allows leading firms to capture a larger surplus while siphoning off costs onto wage-dependent households. On this, the data is clear. Real wages in Australia fell by 5.1% between March 2021 and September 2023, while the share of gross operating surplus in national income increased by 28% during the same period, with most gains concentrated in mining, financial and insurance services, and retail trade (ABS 2023; ACTU 2023).

Corporate profits have increasingly decoupled from labour productivity or increases in real wages. Although the link was never strong, the inflation of recent years has allowed companies to translate productivity into profits without having to resist strong wage pressures from labour. In Storm's (2022) terms, this is less cost-push inflation than a class project: prices are hiked to maintain mark-ups while monetary tightening and social pressure quashes wage demands. After a brief rise at the start of 2023, real unit labour costs have again been on a downward trend as productivity has recovered and wage growth has stagnated. The simultaneous drop in labour costs and price increases has been accompanied by a sharp rise in profits per unit of output, creating a textbook profit–price spiral (Weber and Wasner 2023).

Inflation also has a regressive effect that further exacerbates the rich-poor divide. Renters, low-income households and those on fixed incomes experience a higher effective rate of inflation because they spend a higher proportion of their income on the basic goods that have had above-average price increases throughout the inflationary cycle (Davidson, Bradbury and Wong 2023). Meanwhile, the wealthier households and investors have captured the capital gains on housing, dividends and interest incomes that exceed or are insulated from consumer price rises, further entrenching or increasing their share of total wealth. Inflation is by no means a class-neutral redistributive force.

Managing monopoly capital or transforming it?

If, as argued here, Australian inflation is endogenously built into monopoly capitalism, this has deep ramifications for how we understand the political economy of inflation. It means that inflation is not fuelled primarily by consumption or wage 'excesses' but is underpinned by capital centralisation, the absorption of economic surplus, and ideological crisis management (Baran and Sweezy 1966:76-136; Storm 2022; Weber and Wasner 2023). This points towards a need for public policy that is less technocratic in its macroeconomic management and more directly targeted at monopoly and oligopoly power and at distributive policies that confront the structures of accumulation.

Yet Australian inflation-fighting remains tethered to mainstream orthodoxy. As Storm (2022) has emphasised, the orthodoxy sees macroeconomic demand management as separate from micro level policies and, as a result, monopolisation and mark-up power is left outside the frame. Baran and Sweezy (1966:121-4) prefigured exactly such an asymmetry, seeing monetary discipline as being visited on labour and consumption but not on the price-setting power of capital. This point was recently brought into sharp relief by the analysis of Stanford (2023) who argued that Australia's inflation had been profit-led, with corporate mark-ups at the centre of price growth. The RBA explicitly rejected this claim in both its May 2023 Statement on Monetary Policy (Reserve Bank of

Australia 2023) and subsequent research (Champion *et al.* 2023), insisting that profits were not a significant contributor to Australia's inflation. Stanford and colleagues (2023) subsequently responded with further empirical evidence reinforcing the case that profits, rather than wages, had been driving post-pandemic inflation.

Other empirical studies have found that increased mark-ups, not wage rises, underpinned inflation in the grocery, energy and housing sectors in recent years (Weber and Wasner 2023; Richardson and Denniss 2023). But there has been no policy response to duopoly gouging in grocery retail (ACCC 2023), speculative gouging in housing (Watson 2009), nor excess profits in the banking and energy sectors (Grudnoff 2023; Institute for Energy Economics and Financial Analysis 2023). This reflect what Fine and Saad-Filho (2017) called the 'fetishism of competition': an assumption that inflationary discipline can be achieved through market forces, even where monopoly structures are present. The bifurcation is also reinforced through the tertiary economics syllabus, which cordons macroeconomic demand management off from the study of micro-level market structures, leaving monopolisation and pricing power largely invisible in mainstream economics training.

Structural alternatives for economic policy do exist. Taxes on windfall profits, recently introduced by both Spain and the UK to target post-pandemic inflationary super-profits in concentrated industries (OECD 2023), can be used to curtail rent-seeking in sectors where value appropriation is concentrated. Caps on rents, public grocery stores, and public energy suppliers, all mainstays of the Scandinavian welfare states, are institutional methods for curbing market power and the commonisation of basic commodities (Brenner 2006). Such policy responses, regularly dismissed as politically unviable in Australia, are more compatible with the causal dynamics uncovered by *Monopoly Capital* analysis than the present regime of price rises and ongoing austerity.

That the state continues to function primarily as a surplus coordinator - legitimising price rises, subsidising demand and channelling discontent through compensatory social policy – accords with Baran and Sweezy (1966:224-9) analysis. In Australia, we see this being played out in various policy areas. Faced with structurally based price-setting power, temporary consumer rebates have been introduced to soften the blow of high energy prices (Australian Energy Regulator 2023); and, faced with the escalating unaffordability of housing, the state has responded with shared equity or reduced deposit schemes that buttress the logic of speculation (Gurran and Phibbs 2015; Parliament of Australia 2023). These are palliative measures that leave the power and effects of monopoly capital unchallenged.

Galbraith's conception of the state, and of unions, public bodies and consumer groups, as 'countervailing power' (Galbraith 1952) deserves reconsideration in these contemporary conditions. Galbraith's vision of countervailing power was more aspirational than descriptive; and monopoly structures proved to be more durable the post-war decades than he expected (Stigler 1954), leading to a decline in the influence of his case for strong labour unions, strong regulatory agencies and public enterprise. Instead, those countervailing institutions have been enfeebled. In Australia, union density has dropped below 13% (ABS 2023), while price oversight bodies have been hollowed out and public enterprises privatised. Absent these institutional counterweights, the state tends not to discipline monopoly capital but rather to secure and normalise its rule. This dynamic is what Crouch (2004) describes as the logic of post-democratic forms of governance. State capacity is marshalled not to challenge private forms of economic power but rather to legitimise and manage their excesses. Through mortgage subsidies, welfare compensations and regressive tax breaks, the Australian state subsidises monopoly sectors to continue rent extraction and manage political consequences. As Lapavitsas (2009) argues, the state is caught in a structurally subordinated position, functioning less to manage accumulation than to enable its reproduction.

These are conditions in which some revival of the Galbraithian notion and advocacy of countervailing power could command substantial public support. Putting the case for expanding public production on key goods and services, not just to expand supply but to break the pricing power of private incumbents and democratise the economy, is not a demand for a socialist utopia. Rather, as Mazzucato (2018) shows, the state can be a market shaper, not just a market fixer. Properly governed, state enterprises provide benchmark prices and public options that can constrain and discipline monopoly power in the wider economy. Reorienting the state as a countervailing force would also require an ideological element. As Galbraith (1952, 1973) well understood, private economic power is maintained not only by accumulation of capital but by a process of institutional legitimacy. Fighting inflation is not simply a matter of fiscal levers and regulatory fine-tuning; it must involve political awareness of whose interests the state serves and whose power it checks.

If inflation is the specific form that the tendency of capital to maintain profit rates takes in a context of stagnating demand and overaccumulating surplus, then responses have to be at the level of the logic of the system, rather than attempts to palliate its manifestations. This does not imply restoration of Keynesian demand management, already recuperated to the service of monopoly maintenance (Blyth 2013). Nor does it mean inflation can be engineered away by taxing or regulating specific firms. It means reorganising economic life so that the dictates of accumulation do not determine the prices of food, shelter, education and energy. Baran and Sweezy (1966:285-92) foresaw the challenge implicit in such a transformation. Any assault on monopoly capital has to be waged on its ISA. Without that, policy will oscillate in an anti-progressive cycle of counterproductive interventions: suppressing demand, subsidizing consumption and blaming households, while capital inflates prices, profits and power.

In Australia, the institutional apparatus tasked with managing inflation is central to the reproduction of orthodox readings that obfuscate its systemic causes. The RBA, Treasury and Productivity Commission's explanations of inflation are bound up with neoclassical and New Keynesian models: inflation occurs when aggregate demand exceeds supply, when supply shocks disequilibriate, when inflation expectations need to be 'anchored' with an increase in interest rates (RBA 2023; Australian Government Treasury 2023a). These conceptual frameworks not only diagnose inflation incorrectly: they reproduce a policy framework that attacks the working class, rather than capital. Moreover, the orthodoxy ignores empirical evidence. The RBA's 2022 and 2023 monetary policy statements said nothing about corporate profit margins or price-setting power, even as independent research identified mark-up inflation in groceries, energy and housing (Weber and Wasner 2023; Richardson and Denniss 2023). Treasury comments on cost-of-living pressures still use the language of 'transitory shocks' and 'fiscal sustainability' while sidestepping the inflationary agency of capital (Australian Government Treasury 2023a). The Productivity Commission's silence on oligopoly pricing in so many essential industries remains a structural abdication.

The inability to see what is in plain sight is what Galbraith (1973) called 'conventional wisdom', the transformation of outmoded and unsound theory into self-reinforcing orthodoxy. Under monopoly capitalism, these institutions act not as neutral arbiters of macroeconomic stability but as ideological buffers against political alternatives. As Blyth (2013) notes, the austerity consensus is upheld not for evidentiary reasons, but as an epistemic closure to the idea of redistribution. Failing to even consider that inflation may be the product of surplus distribution and market power, these institutions play a role in a larger ideological project that protects accumulation in times of crisis. Any alternative to the policies that have brought the economy to this pass must problematise not only corporate actions, but also the institutional logics that make these actions politically immune.

Conclusions

This article challenges media discourses and policies that frame the cost-of-living crisis as a behavioural or technical issue. It seeks to reanimate Baran and Sweezy's *Monopoly Capital* as a framework for studying inflation, class struggle, and ideological containment. Applying their analysis to Australia points to the effects of inflation that result not from policy malfunction but from a system built to perpetuate profit, power and inequality. Seen in this way, the cost-of-living crisis is not a temporary economic distortion resulting from supply shocks or consumer excess, but a structural symptom of monopoly capitalism in which inflation is a class project, acting as a tool for upward redistribution, surplus extraction, and disciplining labour. Rather than being merely a technocratic problem that can be fixed by interest rate policies, inflation is a structural outcome of capital accumulation and the result of price-setting autonomy in concentrated markets, requiring consideration of political economy fundamentals beyond conventional macroeconomic aggregates.

A theoretical renewal for this purpose would reconnect studies of inflation to a theory of the surplus, class and state. The scaffolding for such renewal can be built by further adaptations of Baran and Sweezy's analysis, extended by Foster and McChesney's (2014) work on monopoly-finance capital, Duménil and Lévy's (2004) work on financialisation and Althusser's (1971) theory of the ideological state apparatus. Updated in this way to include financialisation and digital rentiership, monopoly capital theory offers a powerful platform from which to develop structural critique. Research into the modalities of surplus absorption in relatively new fields such as data, green energy, and digital infrastructure would enrich the field too, as would studies of how pricing autonomy, capital concentration, and attenuated countervailing institutions shape distributional outcomes. Comparative sectoral studies of mark-up trends and case studies of pricing regimes could also help further advance this research agenda. The terrain of the capitalist state is another avenue for further research, both probing its role as stabiliser, legitimiser, and enabler of inflationary processes, and exploring possibilities for the exercise of countervailing power and opening up alternative political economic futures. Seen through the *Monopoly Capital* lens, research of this kind can deepen our understanding of the cost-of-living crisis, not as a policy failure but as the result of a system working as intended. It is only by naming that design that we can hope to contest it.

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